SBERBANK DEVELOPMENT STRATEGY
2014–2018
Sberbank would like to thank more than 15,000 employees, managers, clients and shareholders who helped develop this document through crowdsourcing.
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I am immensely proud of what we have achieved over the last five years.

The transformation of Sberbank is unprecedented among Russian companies in terms of its complexity, scale and speed.

We have improved the quality of our products and services. We serve our clients better. We have enhanced the quality of life of many millions of people who visit our branches every day.

We have modernized our processes and technologies, established an industrial risk management system, updated our IT systems, centralized our operations and improved the efficiency and management of our bank’s processes.

We have put together a fundamentally new management team, developed their skills and capabilities and introduced a number of advanced management techniques.

We have become an international group, present in 22 countries around the world. We have demonstrated that not only Russian commodity companies can be major players in world markets.

Our transformation has won us many awards. But more importantly, we have won the respect of our staff and the gratitude of our clients.

I am immensely proud of the fact that by working together we have achieved these results.
But this is just the beginning. Not everything that we have started has been completed. Many issues are still to be resolved. Much work lies ahead of us.

Our goal to date has been to modernize the business, to bring it fully up-to-date. Our goals for the next stage of development are considerably more complex. We have to build the basis for Sberbank’s future success in a world of fast-changing technology and client preferences, a world of greater economic volatility and uncertainty, fiercer competition with new players in the banking market, stricter regulation and diminishing rates of return.

Mastering these challenges will not be easy. It will require major changes to the way we work. More importantly, it will require the energy, creativity and participation of everyone in the organization.

Our goal is to become one of the best financial companies in the world, a truly innovative high-tech world-class bank with a global scale. We want our clients to be delighted with our services, and our employees to be proud that they belong to such an organization.

This is our goal. I believe that together we can achieve it.

Herman Gref
Implementation of

THE SBERBANK
DEVELOPMENT
STRATEGY 2014:
what have we achieved so far?
In 2008, we developed the Sberbank Development Strategy 2014. We set ourselves some ambitious goals: a threefold increase in profit, return on equity of at least 20%, strengthening our competitive position and entering international markets. We also defined a number of quality indicators as priorities for Sberbank’s development.

Our results for the period 2009–2013 show that we achieved most of these objectives (Figure 1).

**FIGURE 1. IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014: RESULTS**

<table>
<thead>
<tr>
<th>Market position</th>
<th>Financial indicators</th>
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<td>✔ Strengthen competitive position in main banking markets</td>
<td>✔ Increase net profit by a factor of 2.5-3 compared to 2007</td>
</tr>
<tr>
<td>✔ Maintain position in personal deposits market</td>
<td>✔ Reduce ratio of operating costs to net operating income from 46% to 40%</td>
</tr>
<tr>
<td>✔ Maintain a 25-30% share of banking system assets</td>
<td>✔ Return on equity &gt;20%</td>
</tr>
<tr>
<td></td>
<td>✗ 200,000-220,000 employees</td>
</tr>
</tbody>
</table>

**Quality indicators**

✔ Leading market skills and capabilities (client work, risks, SPS, efficiency)
✔ Consistent with the objectives for corporate culture
✔ Highly-skilled staff
✔ Efficient and reliable systems and processes
✔ Strong brand loyalty from clients

**International markets**

✔ International markets represent a significant share (5-7%) of Sberbank’s profits, mainly due to business in 3 large CIS countries
✔ Market share in Ukraine, Kazakhstan and Belarus is at least 5%
✔ Presence in Chinese and Indian markets

Modernizing and transforming Sberbank into one of the world’s leading financial institutions
In some areas, we did even better than expected. We exceeded our objective for profit and return on equity. Sberbank’s return on equity is 1.5 times better than the market average and almost 3 times better than that of the largest Russian state-owned banks.

In most areas, we have been able to reverse the trend of a falling market share and strengthen our market position. Sberbank now holds 30% of the Russian banking system’s assets. Our portfolio of corporate and individual loans has doubled. We control around 45% of the total long-term loans sector, almost half of the Russian mortgage market, and a share of roughly 70% in the financing of state authorities and municipalities. In the retail deposit market, we maintain a leading position with almost 45% of the market: however, the segment remains highly competitive and challenging.

We have expanded our presence in the financial services market, becoming a truly universal bank. Our acquisition of Troika-Dialog Investment Company enabled us to enter the investment banking services and global products markets. We are developing loan services at points of sale with Cetelem and advanced payment systems with Yandex.Money. We have successfully entered the insurance market.

In the Sberbank Development Strategy 2014, we set five areas of priority for development. We have made considerable progress in each of these areas:

1. **Client focus — to build a client-oriented service company.** We have improved the quality of the services we provide to all categories of clients. We have implemented new service standards and methods in our branches and reformatted over 3000 branches into a modern format. We have changed our opening hours in order to make them more convenient for our clients and have drastically reduced the waiting time in our branches. Politeness and a proactive approach have become the new standards for us. Along with the development of traditional bank branches, we have built a market-leading, full-fledged Internet and mobile bank. We have developed our bank-card acceptance infrastructure with a network of ATMs and self-service terminals. We have created a client call center almost from scratch. Today, we have 58 million active bank cards, almost 82,000 ATMs and terminals across the country, 8.5 million Internet bank users and over 12 million mobile bank clients, with remote channels accounting for 80% of operations. We have institutionalized segments account management, thereby improving the quality of our work with corporate clients. We have simplified and improved our products and created new product lines. The loyalty program “Thank you from Sberbank” has been launched and is now up and running successfully.
2. **Industrial-scale systems and processes — to standardize, consolidate and centralize functions.** We have implemented an advanced risk management system meeting the Basel Committee requirements on banking supervision. Our Credit Factory and a new credit process resulted in a ten-fold increase in the speed with which we process applications. Today, the Credit Factory handles 50,000 applications a day. We have significantly rebuilt Sberbank’s IT landscape, creating many systems that did not previously exist, and we are currently consolidating the IT infrastructure and moving our core banking systems to a single platform. We have centralized the functions for handling and supporting banking operations and significantly increased productivity, with just 15 centers today as compared to 800 back in 2008.

3. **Sberbank Production System (SPS) as a management philosophy — to implement a continuous improvement approach.** We have developed and replicated SPS throughout the country using Lean and Six Sigma approaches, training over 150,000 people to become direct participants in the Sberbank change program. We have simultaneously been working on optimizing processes, developing the governance system, and changing cultures and behaviors. We have succeeded in using the creative energy and intellectual potential of a large number of our employees using crowdsourcing techniques and “distributed intelligence.” The results are simultaneous growth in sales efficiency, client satisfaction, and employee involvement. In the early stages, productivity growth was at least 25% and this growth continues today on a sustainable basis.

4. **Investing in people — to modernize HR management.** We have implemented a new employee selection, recruitment, career planning and motivation system. Investments in training and development have been increased significantly, and mechanisms for mentoring and creating a pool of high potentials. Sberbank’s management team has been renewed and its quality increased.

5. **Growth beyond Russia — to develop an international presence and expand Sberbank’s role in the global financial system.** We have become a truly international group. We have acquired banks in Turkey and Eastern Europe (DenizBank and Volksbank International, now Sberbank Europe) and have extended our banking network in countries where Sberbank already had a presence. Today, we are present in 22 countries and have over 10 million clients outside Russia. Foreign assets account for over 12% of the Group’s total assets.
However, not all the objectives of the Sberbank Development Strategy to 2014 have been fully implemented. In particular, our share of the retail deposits market in Russia has fallen. We are not fully satisfied with the level of cost efficiency reliability of IT systems and the maturity of a number of management systems and processes. These issues will constitute the focus of Sberbank’s ongoing modernization strategy.
Macro
AND MARKET GROWTH outlook
MACRO AND MARKET GROWTH OUTLOOK

RUSSIA: DEVELOPMENT SCENARIOS FOR 2014–2018

GENERAL ENVIRONMENT

Based on a number of assumptions regarding global growth trends and commodity prices, we have developed three scenarios for the development of the Russian economy in the period 2014 to 2018: a base case scenario, an optimistic scenario and a pessimistic scenario.

The base case scenario assumes that the price for Urals oil will remain at US$ 100 per barrel and world trade growth at 4.5–5%. The optimistic scenario is based on an assumption that world trade growth will accelerate to 6–6.5%, and the oil price will rise to US$ 115 per barrel. The pessimistic scenario assumes a drop in oil prices to US$ 70–80 per barrel. All three scenarios assume that the Russian economic model will undergo significant changes, while maintaining its focus on commodities with quite a high concentration of production and considerable state involvement. Our main scenario for the development of the economy and the banking market is the base case scenario; we consider its likelihood to be 70–80%.
BASE CASE SCENARIO: SLOW GROWTH AND A WEAK RUBLE

The base scenario assumes low GDP growth rates of 2.2–2.4% and stable key economic indicators. Investment growth will not exceed 2% a year, the investment policies of large companies serving as the determining factor. Consumer demand will remain the key driver, but its importance will decrease and its impact on the economy will weaken. In conditions of decreased demand and high-tariff policy, inflation will fall by the end of the period by 2 percentage points, to a level of 4.5%. Moderate growth in unemployment is possible, to a level of 6.2%. Monetization of the economy will grow from 49% to 54%. The gradual weakening of the ruble will continue.

OPTIMISTIC SCENARIO: SLOW GROWTH AND A FAIRLY STABLE RUBLE

Owing to more favorable external conditions, the GDP growth rate will increase to 3%. The main growth driver will be investments, whose growth rate will increase to 4%. The fall in inflation will be smaller than in the base case scenario, reaching 5% in 2018. Unemployment will remain at its current low levels, and the weakening of the ruble will be negligible.

PESSIMISTIC SCENARIO: A NEW CRISIS

The pessimistic scenario assumes an abrupt deterioration in the external market situation. The consequences of an oil price drop to US$ 70 per barrel will be extremely negative. Capital outflow from Russia will amount to US$ 90 billion a year and GDP will contract by 3.5% in the first year of the crisis and 2.0% in the second year. Further economic recovery will be slow, with GDP growth not exceeding 1% a year.

In the first year of the crisis, investments will decrease and will not reach their pre-crisis level in the following year. The situation regarding state finances will worsen, which will reduce the possibility of state support of the economy. The unemployment rate will rise to 8%. The ruble’s decline will be more significant than under the base case scenario.

BANKING MARKETS — SLOWER GROWTH AND SMALLER MARGINS

Under the base case scenario for macroeconomic development and the development of the banking market, low money supply growth rates will result in a slowdown in banking system asset growth from 13-15% in 2014 to almost 10% in 2018.
In conditions of slow growth in real income, deposit growth rates will decrease from 18–20% in 2014 to 13–15% in 2018. The period of high growth rates for retail loans will end; growth rates for loans to individuals will decrease to 22–25% in 2014 and to 12–15% by the end of the period. Corporate loan market growth rates will fall from 11–13% in 2014 to 8–10% in 2014, as demand for corporate loans is limited by slow economic growth.

The slowdown in the rate of inflation will lead to a reduction in interest rates that will mostly affect retail loans and, to a lesser degree, the corporate loans portfolio. The rate reduction will mainly affect long-term loans, so the yield curve for the total loan portfolio of the banking system will flatten. The reduction in rates for attracting client funds will be less significant than for loans and will not exceed one percentage point. As a result, the banking system’s margin for operating assets will decrease from 5.5% in 2014 to 4.5% in 2018.

A slowdown in asset growth rates will result in tougher competition for the most attractive clients, which will be one of the factors driving margins down. An important competitive advantage will be the quality of risk management. The efficiency of banks’ activities will generally depend on their ability to control expenses.

The optimistic scenario differs only slightly from the base case scenario. Key differences relate to the higher quality of banking assets and the size of the banking profit pool.

If the pessimistic scenario realizes, banking market growth rates will slow down considerably. The nominal debt of individuals will start to fall. Lower incomes will result in a considerable reduction in deposit growth rates and also a substantial worsening of the quality of the loan portfolio; however, this will be less drastic than during the 2008 crisis. The reduction in margins and increase in reserves will result in a sharp fall in incomes and a drop in the return on equity in the banking sector.

INTERNATIONAL MARKETS: DEVELOPMENT SCENARIOS FOR 2014–2018

The countries where Sberbank’s main banking departments operate are divided into two subgroups: Central and Eastern Europe (CEE), and CIS and Turkey. The two subgroups differ in terms of underlying risks.
CENTRAL AND EASTERN EUROPE

Close ties between the CEE countries and the eurozone economies suffering from the crisis have caused economic decline in each of them. In the coming years, all eight countries in the subgroup are expected to display positive GDP growth however growth rates will remain relatively low, at 2-3% a year.

Inflation in all CEE countries except Serbia is not high, up to 3% a year. It is expected to stay at this level in the future. Inflation in Serbia in 2012 exceeded 7%, and it is not forecast to decrease to 5% before 2014.

The main hindrance for the development of the banking market in CEE countries will be low economic growth rates. Growth rates in the main bank markets in CEE countries will not exceed 3-5%, except for Serbia where growth will reach 6-10% a year.

CIS AND TURKEY

Positive trends prevail in the economies of Kazakhstan and Turkey. Kazakhstan’s GDP grew by 5.1% in 2012, and growth rates are expected to remain stable in the coming years. The slowdown in GDP growth in Turkey in 2012 to 2.2% is probably temporary; GDP growth is likely to rise to 4% in the coming years.

The economies of Belarus and Ukraine are experiencing a decrease in growth rates, a drop in demand for export goods and a balance of payment deficit. GDP growth in Ukraine in 2012 was 0.2% and in the coming years it will not exceed 1.5%. Inflation was kept at 0.6% in 2012, and the forecast for the coming years does not exceed 4%. In Belarus, GDP in 2012 increased by 1.5% and is expected to grow by 2–3% in the coming years; inflation is not expected to fall below 10%.

The banking systems of CIS countries are fraught with considerable risks, differing from country to country. The main risk for the Kazakhstan banking system relates to its high share of bad debts. However, its localization in three banks and the country’s strong economic growth rates will allow the banking market to grow 10-15% per year.

The bloated size of Ukraine’s banking system in relation to the country’s GDP, as well as the imbalance between loans and deposits, have a negative impact on the system. Despite slow economic growth rates, the banking markets are expected to grow by 10% a year and more.
The key risks to the banking system in Belarus are associated with the high level of state involvement in the economy. With a favorable state policy, the banking markets will grow by 20-30% per year.

Turkey’s banking system is balanced in terms of the loan-to-deposit ratio. If the monetary authorities do not allow the banking market to overheat, its growth rate for the coming years will be 11-18%.
Sberbank: CURRENT POSITION AND CHALLENGES
Sberbank is the largest bank in Russia and one of the country’s largest companies. In terms of its market position, the volume of its assets and capital, its financial results and the scale of its infrastructure, it significantly outruns its nearest competitors. This unique position in the domestic market gives it an unquestioned competitive advantage. Sberbank is considerably more efficient than the market in general and than its closest competitors.

In recent years, Sberbank has successfully strengthened and expanded its competitive advantages in the following areas:

- **Extensive client base.** Sberbank successfully works in all client segments, from retail clients and private entrepreneurs to major holdings and transnational companies, in all parts of the country.

- **Massive scale of operations.** Sberbank has unquestioned advantages both in terms of the scale of its business (size of transactions, access to resources, international ratings) and the size and quality of its physical infrastructure (in particular its unique sales network for retail and corporate clients, including offices, ATMs and payment terminals, and digital service channels).
Wide range of financial products and services. Sberbank has a wide range of product lines for all types of clients in each of the countries where it operates. As a result, it can provide comprehensive services to its clients both in Russia and abroad. It also provides a high-quality service to both private individuals and legal entities.

Industrial technologies. Over the last five years, Sberbank has created a solid foundation for further innovation, establishing an industrialized system of risk management, consolidating its operations and significantly streamlining its IT processes and systems.

Strong brand. Sberbank’s competitive advantage is based on the trust of all our clients. This trust is supported by a high-quality service and positive client experiences. Over the last five years, the Sberbank brand, together with its traditional attributes of reliability and stability, has been increasingly associated with modern technology and innovation, becoming a symbol of success.

International presence. In recent years, Sberbank has considerably expanded its international presence and become a truly international group. Its presence in 22 countries around the world allows it to replicate best practices across the Group, diversify risks, strengthen the brand in international markets and leverage an international workforce.

Team and management technologies. Over the last five years, the Group’s team has been significantly renewed. Skills have been improved thanks to the unique experience of large-scale transformation. Sberbank has also paid particular attention to developing and replicating modern management techniques: It has established an HR function, implemented the Sberbank Production System (SPS) and improved its a performance management system.

At the same time, Sberbank continues to work on a number of issues that currently prevent it from realizing its full potential. These include:

Insufficient use of Sberbank’s most significant competitive advantage — its client base and client knowledge. Sberbank needs to improve its system of collecting and storing client data, implement modern tools for client data analysis, and develop skills for using the available information to develop a personalized offer for each client. In addition, there is a substantial potential, especially in the corporate sector, for improving quality in organizing work with clients, developing sales skills, and establishing an efficient regular management system. This can be seen in the currently low level of cross-selling, small share of clients’ spending on financial services, and the insufficient number of products and services sold per client.
Insufficient reliability and scalability of processes and systems. Weaknesses in the IT architecture — complexity, lack of standardization, lack of scalability and insufficient reliability — can result in repeated failure in client servicing. This leads to reputational risks and decreases the level of client trust in cashless transactions in general and in Sberbank in particular. There is potential for reducing the time between product development and launch, which will make it possible for Sberbank to respond to quickly changing client needs in a timely manner.

Insufficient maturity of management systems and processes. Managing a banking group of Sberbank’s scale and complexity requires a highly mature management system and management processes, as well as efficient mechanisms for tapping synergies between different areas. Further development is needed of the management reporting system, project management activities, process management system, resource planning and capital distribution. Group governance system should also be modernized and the corporate culture needs to be refined.

Inefficiency of the cost management system. Sberbank has not been able to realize its efficiency targets to the full extent. Significant opportunities remain for more effective cost management.
SBERBANK’S CHALLENGES

Several factors may adversely affect Sberbank’s financial performance and competitive position (Figure 2).

**FIGURE 2. CHALLENGES FOR SBERBANK**

1. Slowdown in market growth, macroeconomic instability, shrinking margins
2. Radical changes in technology and client behavior
3. New competitive dynamics
4. Internal inefficiency, risk of fast-growing costs and declining returns
5. Stricter regulation and capital deficit
6. Growing complexity and scale of business

**ECONOMIC SLOWDOWN AND MARKET VOLATILITY**

A reduction in the rate of return enjoyed by the banking market is forecasted for all the markets where Sberbank operates — Russia, Turkey, Ukraine, Belarus, Kazakhstan and the countries of Central and Eastern Europe. Margins will fall by more than one percentage point in all markets except the CIS. This trend dissolves a significant part of the positive effect on profit which comes from rather high growth of assets, not to mention that the latter in turn depends on higher spending and extra capital to support business development.
In Russia — Sberbank’s main market — margin reduction will be accompanied by a fall in assets growth rates. This will result in tougher competition and greater impact on the NPL level (Figure 3).

**FIGURE 3. BANKING MARKET INDICATORS IN Countries WHERE SBERBANK OPERATES: HISTORICAL DATA AND FORECASTS**

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<tbody>
<tr>
<td>Russia¹</td>
<td>1800</td>
<td>2350</td>
<td>230</td>
<td>350</td>
<td>510</td>
<td>1100</td>
<td>670</td>
<td>950</td>
</tr>
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<table>
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<tr>
<th></th>
<th>RUB</th>
<th>USD</th>
<th>USD</th>
<th>USD</th>
<th>USD</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets at end of period, USD bn</td>
<td>15%</td>
<td>12%</td>
<td>1%</td>
<td>8%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Market assets CAGR</td>
<td>5,5%</td>
<td>4,5%</td>
<td>5,1%</td>
<td>4,4%</td>
<td>4,0%</td>
<td>2,7%</td>
</tr>
</tbody>
</table>

¹ Base case scenario.
² Ukraine, Belarus, Kazakhstan. Provisions for CIS exclude Kazakhstan; in line with the requirements of the Central Bank of Kazakhstan, accumulated provisions exceed 30% of the portfolio.
³ Austria, Czech Republic, Slovakia, Hungary, Serbia, Croatia, Slovenia and Bosnia.

**CHANGES IN TECHNOLOGY AND CLIENT BEHAVIOR AND PREFERENCES**

Radical changes in technology — particularly with regard to the Internet and digital, mobile and social platforms — are causing significant shifts in clients’ preferences, behavior and decision-making patterns. This creates new challenges and opportunities for Sberbank:

- Access to bank services at any time and at any location using their preferred technology will become critical for all clients (especially retail clients as well as small and micro-businesses).
- Client expectations regarding the efficiency of bank interactions, personalization and customized offers will grow sharply.
- Both individuals and companies will expect higher standards of banking services and their integration with business processes and their day-to-day activities — time is becoming increasingly precious.
The speed with which clients access large volumes of information is growing significantly. On the one hand, this makes it easier for them to compare price and products; on the other, it results in information overload and increased importance of emotional and reputational factors in decision-making. The development of social networks plays an important role in these processes.

The level of client skills and financial literacy is growing. In particular corporate clients will demand more sophisticated financial services and are striving for direct access to markets for capital and financial products.

Clients are becoming more and more diverse. Trends emerge for different client groups at different speeds, which makes it necessary to simultaneously support numerous service models.

As these trends accelerate, Sberbank’s traditional strengths — the scale of its business, its branch network, the brand, etc. — will lose their importance for clients. The threat is a growing loss of client relationships due to insufficient understanding of their preferences and needs. The development of remote service channels as well as digital products and services is becoming critical.

**GROWING COMPETITION**

As profitability in the banking business decreases and client needs change in the retail market, competition will increase. This will include both traditional participants and new players, niche banks, and non-banking companies that are entering the financial services industry using novel high-tech business models.

**Traditional market participants**

Banks with traditional business models will find themselves in the most difficult situation. They will try to maintain their position and adapt to new trends. State-owned banks will remain relatively stable owing to their broad client coverage, developed networks and state support. Large universal private and foreign banks will lose their share or look for ways to consolidate. Strategies aimed at strengthening individual segments, in particular the retail segment, or focusing on narrow product or regional markets will be more successful. Banking system consolidation is expected to continue, albeit slowly.
New retail banks
The rapid development of the consumer loans market has resulted in the appearance of a group of banks that in the coming five years will be the most active in the retail markets. This group includes niche retail banks with specific business models (especially POS lending banks — banks that use direct client service models and subsidiaries of car companies) and banks with an extensive sales network and a large number of clients from their earlier established non-banking business (e.g. telecommunication companies, retail firms). Both types of players have modern technologies, flexible management and decision-making models, and are deeply integrated into remote channels. They also have great potential for using client information for making personalized offers. These banks already account for a significant share of growth in the retail business, and we expect this trend to continue in the future.

Non-banking organizations
The greatest potential threat to traditional banks, including Sberbank, comes from non-banking organisations penetrating financial services industry. These players rely on technological innovations, offer their clients new models and standards of service, and at the same time enjoy considerably less regulation than traditional banks. Competition from non-banking organizations is expected above all in the payment markets; for example, a considerable proportion of remote payments currently go through non-banking terminals.

New technology
New technology creates competition for the traditional banking business. Soon, the majority of bank clients will be “digital natives” — people who grew up with digital technology. This will dramatically change the landscape for financial services. Financial products are virtual in their nature and the Internet is the best channel for models of instant personalization and electronic distribution. Modern technologies also make it possible to implement new business models associated with new transaction forms (e.g. payment solutions, e-wallets), new forms of intermediary services (banking service aggregators) or approaches that make such services obsolete (crowdfunding, peer-to-peer lending). The development of social networks and mobile technology and devices also plays an important role here (Figure 4).
**Figure 4. New technology is a competitive factor in the financial markets**

<table>
<thead>
<tr>
<th>New interfaces for regular services</th>
<th>Aggregation of banking information</th>
</tr>
</thead>
<tbody>
<tr>
<td>- New interfaces for regular services are easier, more convenient and cheaper than those offered by traditional banks (e.g., regular payments, acquiring at sales outlets, money transfers)</td>
<td>Aggregators make all banking information instantly accessible for clients</td>
</tr>
<tr>
<td>- Technology companies and third-party providers compete with banks, providing services directly to companies (e.g., payment processing, invoicing, asset management)</td>
<td>- Combined information on all the client's accounts, cards and other products at various banks</td>
</tr>
<tr>
<td>- New remote service model is more convenient than servicing at branches and is used by</td>
<td>- Comparative analysis of market products and best offers from other banks</td>
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<td>- Independent banks that only work through remote channels</td>
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<tr>
<td>- Online &quot;shell banks&quot; that use traditional bank products as white label</td>
<td></td>
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<tr>
<td>- Thanks to the rapid growth of information volumes and by using the principles of social networks, not only banks but also any other company and individuals are able to assess risks</td>
<td></td>
</tr>
</tbody>
</table>

New offers in the financial markets based on modern technological solutions will develop rapidly. This creates a significant risk of losing the client base and reduced profitability for traditional banking models.

**INEFFICIENT COST MANAGEMENT**

Inefficient cost management represents a major challenge for Sberbank (Figure 5).

Sberbank’s cost-to-income and cost-to-assets ratios currently lag behind those of a number of comparable foreign banks. This is especially clear when comparing Sberbank’s indicators with the indicators of several high-tech financial institutions. Moreover, in recent years, Sberbank has demonstrated rather high cost growth rates, partially a result of its modernization program. The slowdown in market growth rates and margin reduction, combined with high cost growth rates, creates the risk of a sharp reduction in Sberbank’s overall rate of return.
As of 2012, Sberbank’s level of efficiency was close to the average for developing countries banks. This situation may turn out to be quite fragile on the 5 year horizon

**Potential efficiency reduction factors.**
Slow down in income growth due to slow down in asset growth and margin decrease.
Accelerated cost growth rate.

**Levers for further efficiency increase by leading banks.**
Internal efficiency increase and expense control.
Development of remote channels and transfer to new business models.

---

**Figure 5. Cost Efficiency at Sberbank and Other Leading Global Banks**

<table>
<thead>
<tr>
<th>Bank</th>
<th>C/I, %</th>
<th>C/A, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ind &amp; Comm bank of China</td>
<td>37</td>
<td>1,1</td>
</tr>
<tr>
<td>China Construction Bank</td>
<td>37</td>
<td>1,2</td>
</tr>
<tr>
<td>Agricultural Bank of China</td>
<td>44</td>
<td>1,4</td>
</tr>
<tr>
<td>Bank of China</td>
<td>44</td>
<td>1,3</td>
</tr>
<tr>
<td>Sberbank</td>
<td>50</td>
<td>3,1</td>
</tr>
<tr>
<td>Bank of Communications</td>
<td>41</td>
<td>1,2</td>
</tr>
<tr>
<td>Commonwealth Bank of Australia</td>
<td>46</td>
<td>1,3</td>
</tr>
<tr>
<td>ITAU</td>
<td>56</td>
<td>5,0</td>
</tr>
<tr>
<td>Banco Bradesco</td>
<td>56</td>
<td>4,6</td>
</tr>
<tr>
<td>Banco do Brasil</td>
<td>65</td>
<td>4,9</td>
</tr>
<tr>
<td>Maybank Malaysia</td>
<td>49</td>
<td>4,2</td>
</tr>
<tr>
<td>Garanti Bankashi</td>
<td>44</td>
<td>1,6</td>
</tr>
<tr>
<td>Akbank</td>
<td>40</td>
<td>2,0</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>72</td>
<td>5,1</td>
</tr>
<tr>
<td>Banco de Chile</td>
<td>50</td>
<td>3,0</td>
</tr>
</tbody>
</table>

---

**Bank rating by profit.**
Average value: 49 3

C/I — Cost to Income Ratio.
C/A — Cost to Assets Ratio.

SOURCE: The Banker
REGULATION

An important factor that could potentially limit the growth of Sberbank’s business is additional requirements by regulators in countries where Sberbank operates:

- New global and regional regulation with the aim of reducing financial system risks (Basel III) will considerably raise the requirements and tighten control with regard to meeting requirements for capital adequacy, asset liquidity and loan portfolios. Restrictions are being imposed on the conduct of certain banking activities, and regulation procedures are becoming more complex. The monitoring of large, system-relevant financial groups, holdings and lending institutions is increasing. As part of the consolidated supervision and interaction between regulators in different countries, the practice of performing audit trails of the different financial institutions within a banking group across several countries will accelerate.

- Regulatory and supervisory authorities in many countries are implementing additional measures in order to protect clients’ rights. In particular, they are strengthening requirements regarding the completeness and transparency of disclosed information on products, implementing restrictions on maximum interest rates, trying to ensure easy transfer of clients between banks and introducing various other restrictions.

As a result of these trends, banks will face additional costs, which will put additional pressure on capital. In addition, restrictions on client data will be strengthened and the costs of data protection will grow. To operate efficiently in these conditions, Sberbank must learn to plan activities for ensuring regulatory requirements are met and for minimizing the negative impact of the new restrictions well in advance.

GROWING COMPLEXITY AND BUSINESS SCALE

In recent years, Sberbank has undergone a large-scale transformation. This has increased both the complexity and the scale of its business. In particular:

- The geography of the business has considerably expanded. Sberbank has become an international financial group. International assets already make up 12% of total Group assets and around 7% of profits. Sberbank is present in 22 countries.
Lines of businesses and services have expanded considerably. New areas have appeared, such as insurance, point-of-sale loans (through the acquisition of Cetelem), investment banking and global market products (through the acquisition of Troika-DIALOGue).

The number and depth of client servicing channels have increased. In addition to traditional branches, Sberbank has established a fully-fledged Internet and mobile bank and purchased one of the leaders in electronic payments, Yandex.Money. As a result, the structure of operations has also changed considerably: About 80% of all client transactions are now performed via remote channels, which considerably increases the risk of fraud and other operating risks. It also raises requirements regarding security systems and necessitates closer management attention.

The divergent requirements of different customer segments drive an explosion of the scope and complexity of financial services and service models that we offer.

Markets and competition are changing more and more quickly. This requires faster decision-making, creating potential conflicts between the various dimensions of Sberbank’s governance model (geography, function, business direction).

The legal structure of the Group has become considerably more complicated.

Within the timeframe of the new Strategy Sberbank must address these challenges in a way to make the scale and range of its operations a source of its competitive advantage rather than an obstacle to growth.
Sberbank is approaching the next stage of its development in much better shape than in 2008. Today, we are a dynamically developing bank in Russia and a prominent player in international markets. We have achieved much in the last five years in areas such as modernization, technological improvement, convenience and client-centricity. In doing so, we have created a basis for stable long-term growth.

However, a number of tasks are yet to be completed. Sberbank’s modernization program is not quite over yet. New challenges create significant risks — as well as opportunities. Our understanding of these risks and opportunities is reflected in our new development strategy: the Sberbank Development Strategy 2014–2018.

Five years ago, we chose to go along a path of modernization. Now, it is clear that simply modernizing will not be sufficient to secure the future success of Sberbank. Our business and our clients are changing rapidly. We must change along with them, so that we can stay with them throughout their lives.
Sberbank’s MISSION AND VALUES

We are a team

I am a leader

All for the customer
Truly great organizations systematically produce four key results:

– A stable, ongoing achievement of the highest level of productivity. These organizations flourish financially in the short term, as well as in the long term.

– They have earned the loyalty of their clients—and not only their satisfaction, but also passionate devotion and love.

– Their employees are completely loyal to the company, and put their heart and soul into their work. People who work in truly great organizations are not merely satisfied with their work for them, it serves as a source of inspiration, and they commit all their passion and energy to their task.

– Truly great organizations do not simply ‘do business’ as we commonly understand the term, rather they fulfill a unique mission, which clearly distinguishes them from the common mass.

— Stephen Covey

Five years ago, Sberbank formulated its new mission — the purpose of the bank and the reason for its existence. That mission remains relevant for Sberbank today:

We instill confidence, provide reliability and make people’s lives better by helping them fulfill their aspirations and dreams.

Every word of our mission statement is important for us. It defines what we do for our clients — making people’s lives better — and how we do it — by instilling confidence and providing reliability.
We know that financial services are not the most interesting thing in the world for most of our clients. They are a means to an end, a way of achieving other needs and goals that are more important to them. Our role is to help them achieve those goals. That is what we want our clients to value us for.

Five years ago, we also formulated our development strategy for the period until 2014. Now, as we formulate new goals for the coming period, we once again define our ambitions and key principles. This is what we believe in:

- We are building one of the best financial companies in the world.
- We want Sberbank to demonstrate that it is not only Russian commodity companies that can be major players in the international arena.
- Organizational development is only possible through change and personal growth of its employees — beginning with its leaders and managers.
- Our success is only complete if we also help our employees achieve a sense of harmony and happiness.
- We focus on long-term development, reliability and stability in any circumstances.
- We are proud of what we are doing — and we want the whole country to be proud of it too.

**OUR VALUES**

Our values underpin our work/life balance. They are our internal compass that helps us make decisions in the most difficult of situations. They are the principles that we maintain always and everywhere.

Our values are based on our mission and our underlying principles. In our Development Strategy 2014 we have formulated nine key values — ideas that we still hold to be true. Now, however, with our experience of the last five years and our understanding of what we now want to achieve, we can reformulate our key values in a few simple words.

Our values are not theoretical: They have practical relevance for everyone in the organization. They are clear and transparent, a basis for our decision-making and our behavior. They guide our conversations and interactions with one another and with clients. They shape our products and services and affect all areas of our work. We examine everything we do and make sure it is in line with our values.
We believe in values that are actually lived out every day, not just words. For us, it is important to do and not to talk. We strive to do better, to do more, to excel. We must deliver the best service possible to our clients. We must go the extra mile for our colleagues. We must be able to be proud of ourselves and to understand that there are no limits to what we can achieve.

We formulate our values in three simple phrases. These phrases guide our decisions in every situation:

**I AM A LEADER**

**WE ARE A TEAM**

**ALL FOR THE CUSTOMER**

Why have we chosen these three phrases? For three reasons: we believe that they are correct, we believe that they will help Sberbank achieve success, and we know that by following them we will become a unique and special organization.

For us, leadership is first and foremost the readiness to accept responsibility. It is constant development and improvement. This is what we would like to see in every Sberbank employee, irrespective of his or her position in the company.

In an organization as big as Sberbank, we can only get the maximum from our various businesses and geographical locations by working as a team. And only by working as a team, in an atmosphere of mutual trust and respect, can our people get true satisfaction from their work.

Exceeding client expectations is now the main criterion for assessing our work and measuring our success. We want every employee to strive to exceed their clients’ expectations, to surprise and delight them with the quality of their work.
OUR VALUES

I am a **LEADER**
- We take responsibility for our actions and for what is happening around us.
- We give our best effort.
- We continuously develop and improve ourselves, the bank and our environment.
- We are honest with each other and with our clients.

We are a **TEAM**
- We gladly help each other, working to achieve a common goal.
- We are open and trust our colleagues.
- We respect each other.
- We help our colleagues grow and develop.

All for the **CUSTOMER**
- All our activities are built around clients and are in their interests.
- We aim to surprise and delight clients with the quality of our services and attitude.
- We exceed client expectations.

Our objective for the next five years is to ensure that these values penetrate all areas of Sberbank. They must become the sole standard for our behavior and our work.
Financial GOALS OF THE STRATEGY
Sberbank’s strategy is aimed at further strengthening its position as one of the leading and most stable financial institutions in the world. Over the next five years, we aim to double our net profit and asset size, make a breakthrough in our cost management efficiency, increase our Tier 1 capital adequacy indicators, and ensure that return on equity remains higher than that of our global peers (Figure 7).

**Figure 7. Key Financial Indicators for Sberbank’s Activities**

<table>
<thead>
<tr>
<th>Rate of return, %</th>
<th>Efficiency, %</th>
<th>Scale, growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity</td>
<td>Tier 1 capital adequacy</td>
<td>Ratio of operational costs to operational income</td>
</tr>
<tr>
<td>18–20</td>
<td>&gt;10</td>
<td>40–43</td>
</tr>
</tbody>
</table>

The goal of doubling the size of our net income and maintaining its annual rate of growth at a level of 14–16% is ambitious given the current macro-economic instability and increasing pressure from regulators and competitors. However, we believe that we can achieve this goal by working in the following five key areas:
Financial Goals of the Strategy

**Strengthening our competitive position.** We have set ourselves the task of maintaining or increasing Sberbank’s share in most markets. This will allow us to ensure growth rates for our business that exceed average market figures. This will be a particularly important factor in transaction services, working with small and medium-sized enterprises in Russia and in a number of foreign markets.

**Keeping the net interest margin at the level of our best competitors.** We forecast that the emerging trend toward reduced rates will be maintained on the five-year horizon and will place pressure on the net interest margin in all markets where the Group operates. However, changes in the structure of our business will have a positive effect on profitability (*Figure 8*). In particular, we see the following trends helping us provide a higher level of net interest margin:

- Growth rates for retail business will be faster than for corporate business.

- In retail lending in Russia, credit cards and other high-margin products will grow faster than mortgages.

- In corporate lending in Russia, more marginal small and medium-sized enterprises segment will grow faster than corporate and investment banking (CIB) and business with large clients.

- In all markets, we expect to see accelerated growth in current accounts.

- We also expect to see a positive impact on the margin from the restructuring of our international business.

According to our estimates, the combined impact of these factors will reduce the Group’s net interest margin to no more than 100–130 basis points.
### FIGURE 8. STRUCTURE OF THE LOAN PORTFOLIO FOR RUSSIAN AND INTERNATIONAL BUSINESS

#### Russian corporate business: segment structure

<table>
<thead>
<tr>
<th>Year</th>
<th>CIB</th>
<th>LMB</th>
<th>SMB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8%</td>
<td>37%</td>
<td>55%</td>
<td>90%</td>
</tr>
<tr>
<td>2018</td>
<td>12%</td>
<td>42%</td>
<td>46%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Russian retail business: product structure

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit cards</th>
<th>POS and car financing</th>
<th>Consumer</th>
<th>Mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5%</td>
<td>47%</td>
<td>8%</td>
<td>41%</td>
</tr>
<tr>
<td>2018</td>
<td>10%</td>
<td>18%</td>
<td>12%</td>
<td>41%</td>
</tr>
</tbody>
</table>

#### International corporate business: regional structure

<table>
<thead>
<tr>
<th>Year</th>
<th>Denizbank</th>
<th>SBE</th>
<th>CIS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>28%</td>
<td>27%</td>
<td>45%</td>
<td>90%</td>
</tr>
<tr>
<td>2018</td>
<td>26%</td>
<td>40%</td>
<td>36%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### International regional business: regional structure

<table>
<thead>
<tr>
<th>Year</th>
<th>Denizbank</th>
<th>SBE</th>
<th>CIS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4%</td>
<td>76%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>2018</td>
<td>5%</td>
<td>79%</td>
<td>1%</td>
<td>100%</td>
</tr>
</tbody>
</table>

1 Ave. growth
Ensuring accelerated growth rates for non-credit incomes. We aim to increase the share of non-credit commissions in operating income before provisions to 25–27%. This will be achieved by expanding our products range and improving the quality and depth of our relationships with clients: For different business areas we aim to increase the number of products per client by 50–70% (Figure 9).

**Figure 9. Number of products per client by client segment**

- **Retail clients**: 1.6 in 2013, 2.7 in 2018.
- **Corporate clients: Micro-businesses**: 2.9 in 2013, 4.3 in 2018.
- **Corporate clients: Small businesses**: 3.6 in 2013, 5.1 in 2018.
- **Corporate clients: Medium-sized businesses**: 3.8 in 2013, 5.4 in 2018.
- **Corporate clients: Large businesses**: 4.0 in 2013, 6.0 in 2018.

Ensuring cost-management efficiency within the Group. Sberbank should become a world leader in terms of the efficiency of its activities. The most important task for the Group is to make sure that income grows faster than expenses, leading to an improvement in the Group’s target indicators: a reduction in the ratio of operating expenses to operating income before provisions to 40–43%, and in the ratio of operating expenses to assets to a level no higher than 2.5% by 2018. We will achieve this through the implementation of large-scale changes in the organization of sales and client service systems and increased operational efficiency, aimed at a significant increase in productivity.
Supporting sufficiently high-quality assets. A further important goal of Sberbank’s development strategy is to ensure an optimal balance between income and risk in our credit operations. We expect to see structural changes in the Group’s loan portfolio: The share of higher margin businesses will increase (retail, small and micro-corporate business) and the share of loans to major and large corporate clients will decrease. This should ensure an optimal balance between the Group’s income from operations, assuming accepted credit risk and expenses for loan loss provisioning. According to our calculations, in the base case scenario in the following five years, the average annual cost of risk would be 120–140 basis points, which is in line with the Group’s risk appetite.

As part of the Development Strategy 2014–2018, we will strive to maintain Tier 1 capital adequacy above 10%. In the next few years, we expect to move to the advanced Basel II approaches for the valuation of assets, weighted by risk, and we assume that this will have a positive impact on the level of capital adequacy, however the implementation of Basel II depends to a large degree on the actions of the regulator, which does not allow for accurate decisions at present.

Sberbank’s dividend policy is aimed at achieving an optimum balance between the current interests of investors and the long-term goals of the Group. We intend to maintain the current dividend policy, providing for the payment of dividends of 20% of the Group’s net profit under IFRS per year. We may increase the dividend payout in the event of favorable market developments.
VISION
and development
PRIORITIES
Our vision for Sberbank in 2018 is shaped on the basis of the five key development directions or strategic themes. We believe that focusing our efforts on these areas will lead us to success, and allow us to achieve all the financial and qualitative objectives that we have set ourselves for the period to the end of 2018. The five key themes are as follows (Figure 10):

**With our customers for life:** We will build deep, trusting relationships with our clients, becoming an integral part of their lives without drawing attention to ourselves. Our objective is to exceed our clients’ expectations.

**Team and culture:** We will make our people and our corporate culture one of the main sources of our competitive edge.

**Technological breakthrough:** We will complete the technological modernization of Sberbank and integrate the most advanced technologies and innovations into our business.

**Financial performance:** We will increase the financial returns of our business through more efficient management of costs and the ratio of risk to return.

**Mature organization:** We will develop organizational and managerial skills and establish processes that reflect the size of the Group and the level of our ambitions.
WITH OUR CUSTOMERS FOR LIFE

OUR VISION

We want to build deep, trusting relationships with our clients and become an integral part of their lives. To be with the client throughout their lifetime is our most important task.

We want our clients to choose us and not our competitors because it is simpler, more convenient, and more profitable for them to be with us. Each client will be able to say that it is a pleasure to work with us. We do not deceive our clients, which means that we will never offer them products that do not suit their interests and needs.

We want to be a trusted adviser for all our clients. Individuals and small businesses need someone who can help them understand the intricate world of financial products and provide them with support in the most important financial decisions in their lives. Large corporations need qualified experts who can select and configure an integrated solution according to their requirements. We will become such advisers to our clients.
Many of our clients see certain financial services — mostly those associated with payments and transfers — as a burden or inconvenience. These services should be simple and easy for our clients, smoothly integrated into their lives and work. We want Sberbank to become an integral part of the personal and professional lives of our clients.

We want our clients to solve all their financial issues with the help of Sberbank. The more financial issues clients solve with our help, the more we learn about them and the better we can serve them — and the more mutually beneficial the cooperation with us will become.

As we have pointed out already, we know that financial services are not a very exciting topic for many of our clients: They are a means to an end, a way to achieve other needs and goals that are more important to them. We want our clients to value us for helping them achieve those goals. If that means we have to provide our clients with more than just financial services, then we will do so — on our own, or by working with partners.

*Our clients should not have to choose where to go with their financial needs. The choice should be obvious: Sberbank, always by your side.*

**PRIORITIES FOR EXECUTION**

To achieve these objectives, we will work in the following seven areas:

1. **The best client experience**
   We want to make the client’s opinion the foundation of our work. We will create a system for evaluating the quality, reliability and efficiency of our client-service processes. This system will provide us with regular feedback from our clients that we can use to understand where and how we need to change. The evaluations will form part of how we assess and compensate our staff.

   Through crowdsourcing and the Sberbank Production System, we will involve all our people in the search for ideas about how to make our clients’ experience with Sberbank better.

2. **Multichannel sales and service**
   We want our clients to use our products and services as it suits best them — whenever, wherever and however they want to.

   To this end, we will invest in a *multichannel sales and service, actively developing digital products and technologies*. We expect most simple day-to-day operations and a significant portion of sales to take place remotely. At the same time, clients will be able to start dealing with us through one channel then shift to another as desired.
There will be fewer physical points of service, and their main purpose will be to offer clients advice in situations requiring direct communication.

3. Development of the product range
We will continue developing our products. We will work on expanding our product range and improving our ability to combine products and configure them for the needs of specific clients. We will make our products intuitive and highly convenient. We will also develop commission and non-bank products.

This approach will enable us to offer clients services and product packages that cover all their finance-related needs. In this way, we will become a profitable and convenient partner for our clients.

4. Individual client approach
We have many clients, and each and every one of them is different. We will adapt the way we work with clients and recognize the needs of groups of clients with similar characteristics, such as young or affluent clients. For these groups or segments we will create special products, service models and formats. With this in mind, we will expand the powers of the managers in charge of working with specific client segments, allowing them to change product features, channels, sales and service techniques, as well as how they communicate with clients.

We want to adapt the way we work with our clients, reflecting the specific situation of each of them. We want to know and understand all our clients better, to analyze their needs and behavior. This will allow us to create in a timely manner for our clients offers that match their personal needs, making their experience of dealing with Sberbank more convenient and pleasant. To this end, we will also widen the role and importance of our account managers.

5. Data and analytics
We will invest in the accumulation, storage and analysis of information about our clients. Moreover, we will collect, store and analyze not only regular data on clients and their behavior, but also the huge amount of unstructured information that increasingly exists on every aspect of clients’ lives — also known under the term of “big data”.

This approach will allow us to understand and serve our clients better. We will be able to predict their behavior and make them offers in the right place and at the right time. We will also be able to manage risks and optimize costs better.

6. Building a cross-selling platform
We will build an efficient cross-selling system based on understanding the potential of every client and the commercial activities that must be implemented to tap this potential.
Thanks to our ability to analyze the behavior of our clients, we will be able to create new products, services and service packages and offer them to our clients at the right point in time.

We will train our people to offer our services in an effective manner, going beyond the needs of our clients. We will create all the conditions required to make sure that the number of Sberbank products for each of our clients grows steadily. We want our clients to solve *all* their financial goals and needs with us.

7. Shaping ecosystems around client needs

We will actively create *ecosystems* around the needs of our clients. These ecosystems will help our clients solve both their financial and non-financial issues, bringing added value to their lives. Here, it will be essential for us to work with our partners on a mutually beneficial basis.

We understand that our clients have a huge, unmet need for education — a need to raise the level of their financial and professional literacy. We will make sure that all our clients, both private individuals and businesses, can access the best educational resources and services.

**HOW WE WILL MEASURE SUCCESS**

We will evaluate our success in the area of Client Ownership by looking at three key areas:

- **Market share in volumes and profit.** Our market share in most segments should increase or remain stable. Exceptions are possible in a limited number of segments where we will reduce our presence in a business for risk/return-related reasons.

- **Depth of client relationship.** We will measure the depth of our relationship with our clients by looking at the number of products per client. Within the next five years, we would like to increase this figure by 50–70%. Where technically feasible, we will also monitor our share in the total expenditure of our clients on financial services, i.e. our share of the wallet.

- **Client satisfaction.** The most important indicator for client satisfaction will be the answer to the question: “Would you recommend Sberbank to your friends?” Our objective is to attain continuous growth in this indicator and to stay ahead of the competition.

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1 To evaluate responses, we will use the NPS (Net Promoter Score) technique, which focuses on the difference between most positive and most negative responses, ignoring neutral evaluations.
TEAM AND CULTURE

OUR VISION

Whether we can achieve true client ownership depends entirely on our employees. Our people form the basis of our competitive advantage, the foundation of our success.

It is our people who determine the quality of the interaction between our clients and Sberbank. They are involved in a vast number of processes and procedures. They know both the clients and our bank better than anybody else. Only with their help can we make Sberbank more efficient, modern and attentive to clients. Only through their efforts can Sberbank become a remarkable organization.

We want our people to be:

- **Worthy representatives of Sberbank when dealing with clients.** This means that they should not only have the necessary technical knowledge, but also make clients comfortable, show them respect, and understand and value their needs. We must ensure that our people understand the meaning of their work and that they make the experience of dealing with clients as useful and enjoyable as possible.

- **Leaders, irrespective of their position or title,** who take responsibility for themselves and their jobs and who want to grow and develop.

- **Team members actively involved** in developing and improving Sberbank’s operations.

- **Effective managers and mentors.**

- **Members of a single team,** not just employees of their specific unit, business area or country.

- **Globally competitive** in terms of their skills, knowledge and attitude to work.

We believe that it is impossible to provide good client service if you are unhappy with your job. We have made our employees’ sense of harmony and happiness one of our core principles. We want our people to love and be proud of their job. We want them to be involved in and fascinated with Sberbank and to consider it a great place to work.
Each employee should be able to answer the question “Where is the best place to work?” with a confident “Sberbank, of course!”

PRIORITIES FOR EXECUTION

To achieve these objectives, we will work in five main areas:

1. Modernizing Sberbank’s culture
   We will ensure that our values — *I am a leader, We are a team, All for our clients* — become an organic part of all of Sberbank’s processes and a part of the life and work of our employees.

   We realize that the only way for Sberbank to make these three phrases meaningful for everyone in the organization is for the company’s leaders to put them into practice themselves. The process starts with us.

   We will integrate this culture into our recruitment processes, evaluation, training and career development of our people.

   We will launch an internal communications program and initiate relevant changes to help this culture take root.

2. Creating a new standard for developing managers
   The way we work depends to a large extent on the quality of the work, knowledge, and experience of our over 30,000 Sberbank managers, and the example that they set for their teams. Given the challenges that we face, we need a new generation of leaders. Leadership, emotional intelligence, and knowledge of not only finance, but also risks and technology are called for.

   Using our corporate university, we will create a large-scale program of development of professional, leadership, and technical skills for all Sberbank managers, beginning with the branch manager.

   We will identify and develop the most talented managers within Sberbank. We will also fine-tune our processes of selection, assessment, rotation, and formation of the talent pool.

   We want the best managers in the market to work for Sberbank. The experience of working in an executive position at Sberbank should become a mark of quality, something that all managers in the countries where we work aspire to.
3. Creating attractive working conditions for a diverse workforce
We understand that the values, interests, and needs of people from different generations, professions, and countries are very different.

For every group of employees, we will shape our value proposition and customize our processes and practices in the area of human resource management so that people of different generations and backgrounds will want to work with us.

We will pay special attention to developing non-financial incentives.

We will attract and retain talented employees better, despite the unfavorable demographic situation in most of the countries where we operate.

We will become an international organization in terms of how we organize our human resources, what we expect from our people, and what they can expect from us.

4. Making client service skills a development priority
All of our employees work with clients. Some of them work with internal clients — employees of other units — and others work with external clients.

We will ensure that all our employees have sufficient skills and knowledge and the proper attitude toward clients, both internal and external.

We expect a nearly twofold rise in demand for such experts and very significant growth in demand for their skills and technical knowledge. Our clients trust us with their most important financial issues and problems. We want them to trust Sberbank — not just the organization as a whole, but also the specific employees that they deal with.

5. Ensuring next-generation human resources processes and procedures
There is still much for us to do in order to complete the modernization of Sberbank’s human resources processes and procedures. We realize that a significant portion of these processes and tools are now obsolete and do not meet the current needs of Sberbank or the labor market. Our task is, on the one hand, to ensure the smooth functioning of human resource processes, and, on the other, to re-examine them in the light of twenty-first century requirements.

6. Building an international organization
We will become an international organization in terms of our human resources processes and procedures, our expectations of our people and what they can expect from us.
HOW WE WILL MEASURE SUCCESS

To evaluate our success in developing our corporate culture and team, we will use the following three types of indicators:

- **Employee involvement.** We consider employee involvement to be the most important measure of the success of our work with Sberbank’s employees. The level of employee involvement should be comparable to that of other companies, enabling us to compete with them. By 2018, we want the level of employee involvement to reach that of leading market players.

- **Client surveys.** We will measure our clients’ satisfaction by asking them the simple question: “Would you recommend Sberbank to your friends?” We will also ask our clients what contribution their experience of dealing with our staff has made to their willingness to recommend Sberbank. In this way, we will measure the success of the work of our people and culture through the eyes of our clients.

- **Employee surveys.** We have defined three principle values in our revised corporate culture. These values have concrete manifestations in the everyday behavior of Sberbank’s managers and other staff: the behavior that we strive for and the behavior that we avoid. We will ask our people regularly if they see these manifestations in the behavior of their colleagues and managers. Based on their responses, we will assess how far we have succeeded in improving our corporate culture.

TECHNOLOGICAL BREAKTHROUGH

OUR VISION

Sberbank will complete the technological modernization it began a few years ago and will build world-class IT systems and a technological infrastructure. This is necessary for us to ensure the best possible client experience.

We aim to become the market leaders in terms of the use of modern digital, mobile, and social technologies. We also want to be a world leader in the field of cyber security, analytics, and working with big data.

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1 We measure employee involvement using an annual survey of over 100,000 employees. The survey is conducted in accordance with the standard technique used by other companies. It measures the following parameters: pride in Sberbank as a company, evaluation of Sberbank as an employer, personal identification with Sberbank at the level of goals, values and the future, and whether Sberbank encourages employees to work to their full potential.
Vision and Development Priorities

We will make technological innovations a part of our DNA and learn to integrate them into existing businesses. We will launch new business models on their basis.

This will let us effectively protect our market positions in the Russian market and become one of the most successful «attacking» banks in other countries.

We will make our IT systems, infrastructure, and processes:

Reliable — We will ensure high levels of reliability and the accessibility of all IT services by simplifying the architecture and centralizing and modernizing the infrastructure.

Flexible — We will ensure maximum speed in launching products on the market through parameterization and simplification/standardization of the existing landscape, technologies and business processes, and the scalability of IT systems.

Cost efficient — We will optimize both the IT costs and general expenses of our business.

Future-proof — We will lay a solid foundation for the further development of Sberbank for a period exceeding the term of the new strategy: by looking to the future, we can become a modern bank.

PRIORITIES FOR EXECUTION

In order to achieve our objectives in the area of technological development, we will work in six main areas.

1. Implementation of a new application architecture
We will achieve an evolutionary transformation of the existing automatic banking system (ABS) in Russia into a centralized reliable banking IT system featuring a high level of automation and modularity. We will gradually move to a single platform for front-office systems. We will also pay special attention to the development of remote and digital channels.

2. Modernization of the technological platform
We will continue consolidate the existing geographically distributed data processing centers and completing the establishment of an integrated global network. In addition, we will start actively applying modern virtualization and cloud computing technologies.
3. Creation of a new IT operating model
We will increase the level of consistency and quality of interaction between our IT services unit and their internal clients. We will create a new IT operating model, including revisiting the most critical processes and competences as a part of the preparatory phase before commencing large-scale work on the application architecture.

4. Technology as a source of innovation
We will improve mechanisms for identifying, piloting, and implementing technological and business innovations both in Sberbank’s core business and related areas. We will also launch an independent digital bank in Europe and evaluate the feasibility of such a solution in the Russian market. We will develop a portfolio of venture capital investments, create non-banking businesses, and provide financial services to venture capital companies.

5. Leadership in working with “big data”
We will develop cutting-edge technological and analytical skills, creating opportunities to work with “big data.” We will become a leader in the banking industry in terms of the commercial application of these technologies.

6. Cyber security
We will work to improve personal data protection and strengthening cyber security. As the number of remote transactions made by our clients increases, data security issues will rapidly become critical. We will find an effective compromise between the requirements of business, convenience for users, and the increasing risks in this area.

HOW WE WILL MEASURE SUCCESS
Plans and programs have been set up in Sberbank’s project portfolio to match every line of activity. We will assess the success of our work on the basis of key milestones and targets for individual projects, as well as the program of technological development for Sberbank as a whole. The share of our client operations (in particular sales of products and services) performed through remote and digital channels will remain an important indicator of the success of our work.
FINANCIAL PERFORMANCE

OUR VISION

The new challenges facing Sberbank require new relationships and improved financial performance on our part. We will increase the financial returns for our business, learning to manage costs and risk-to-return tradeoffs more effectively. We will increase our productivity and efficiency systematically and predictably in terms of risk-adjusted return on capital.

In line with this goal, we aim to increase our efficiency by 25% in terms of the costs-to-assets ratio, and maintain our leading positions in terms of return on equity.

To attain these goals, we must:

- Create all the necessary tools, processes and procedures;
- Make lean, responsible resource management and optimization of the risk/return ratio a part of the culture of managerial decision-making at Sberbank.

PRIORITIES FOR EXECUTION

In order to improve the financial performance of the Sberbank Group, we will work in three key areas:

1. **Management through financial performance**
   We will learn to measure the costs, income, and the financial results of Sberbank efficiently and in greater detail. We must be able to analyze the financial results of Sberbank in the context of each transaction, client, sales channel, product, process, structural unit, and line of business. This will be possible due to the implementation of the functional cost analysis model.

   Taking these steps will enable us to determine the responsibility of each Sberbank manager for the financial results of his or her operations.

2. **Optimizing risk and return**
   We will develop tools and practices for using RAROC (risk adjusted return on capital) for pricing, as well as for planning and analyzing the efficiency of transactions, client relations, products and lines of business.

   On the basis of RAROC, we will create effective capital allocation tools both at the Group level and at the level of units, products, and clients.
3. Better planning, control and management of Sberbank’s costs

We will learn to plan and control Sberbank’s cost levels better. We will manage our costs more effectively and optimize them for all categories. This will involve a number of steps, in particular:

- We will implement a more advanced resource-planning system using specific indicators, rates, and operating costs drivers. We will continue working on building a labor-productivity management system.

- We will make changes to the way we interact with clients and transfer transactions and sales to remote channels. This will help us optimize costs at physical branches.

- We will optimize Sberbank’s management system in order to reduce management personnel costs and will continue the process of integrating and optimizing business provision and support functions.

- We will rebuild the procurement system, taking it to a new professional level and establishing an efficient institution for managing purchased products and services.

- We will implement a number of special projects for optimizing specific cost categories. The most significant category in terms of optimization will be our IT costs.

- We will define Sberbank’s policy regarding outsourcing for a number of functions and make consistent efforts to increase the share of variable costs within Sberbank’s cost structure.

**HOW WE WILL MEASURE SUCCESS**

The main metrics for measuring success regarding costs will be operating costs to operating income (C/I) and operating costs to operating assets (C/A). In terms of the efficient use of capital, we will keep track of the indicators return on equity (ROE) and risk-adjusted return on capital (RAROC).
MATURE ORGANIZATION

OUR VISION

In the last five years, Sberbank’s organizational infrastructure has undergone major changes. Some critical functions and business lines have appeared without which it is difficult to imagine Sberbank today.

At the same time, the transformation of Sberbank’s business has begun outpacing the development of our basic management systems and processes. In some instances, we underestimated the complexity and importance of working in these areas. In others, we established powerful processes and tools but did not fully ensure their general and efficient application. We believe that our business will become increasingly complex over the next five years. This puts significant limitations on the further development of Sberbank.

We want to eliminate these limitations and establish a solid foundation for further development and growth. We aim to build all the elements that are necessary for a mature and efficient organization of our scale and complexity.

Special emphasis will be placed on creating a sustainable management system, retaining key people for the development of Sberbank, and implementing best practices in corporate governance.

While improving risk management in our production and process control system, we will build the organizational skills and opportunities that will turn Sberbank into a unique organization.

PRIORITIES FOR EXECUTION

In order to transform Sberbank Group into a truly mature organization, we will work in eight key areas:

1. MIS, data warehouse, data management. We will build a world-class management analytics systems.

2. Management system. We will identify the correct balance between efficiency, coordination, and speed/flexibility in the course of building the management and organizational structure, both in Russia and abroad.
3. **Sberbank Production System (SPS).** We will implement an SPS maturity model as a standard for Sberbank’s everyday operations, integrate it with the personnel cycle, and make crowdsourcing a standard tool for Sberbank’s operations.

4. **Process management.** We will make processes a part of Sberbank’s management system, along with products, territories and segments. To do so, we will learn how to measure their indicators and integrate processes into Sberbank’s planning, motivation, and performance appraisal systems.

5. **Project management.** We will build a next-generation project management system, ensuring the efficient use of our resources and fast implementation of critical tasks.

6. **Synergies within the Group.** We will learn to take advantage of the synergies between our businesses as much as possible. Our scale and coverage will put us beyond the reach of our competitors.

7. **Ecosystems.** We will learn how to establish ecosystems around us and how to manage partnerships.

8. **Corporate social responsibility.** We will become a region-leading company in the sphere of corporate social responsibility.

**HOW WE WILL MEASURE SUCCESS**

Two types of indicators will enable us to measure our success in establishing a mature organization. First, we will monitor key milestones and targets for individual projects. Second, we will continue using various efficiency indicators relating to processes, quality of project implementation in the portfolio, innovation activity, and surveys of the SPS maturity level.
STRATEGIES FOR DEVELOPING key business areas
Strategies for Developing Key Business Areas

Retail Clients

Implementation of the Sberbank Development Strategy 2014

Over the last five years, Sberbank has achieved significant results in banking services for individuals (Figure 11):

Figure 11. Sberbank’s Retail Business in Russia

Low NPL and high growth rates of the loan portfolio, strong growth of credit cards

- Loan portfolio
  - Compound Annual Growth Rate
- NPL
- Credit cards
  - Debt balance on credit cards
  - NPL
  - Compound Annual Growth Rate
Client experience and quality of service have improved significantly and time spent waiting in line in branches has fallen substantially.

The quality of Sberbank’s products has been improved, the product range expanded and products that are fundamentally new to the market have been introduced, for example direct-debit.

New client service channels and formats have been established both in the physical network and on the Internet with mobile and telephone banking. The task of transferring 75% of transactions to remote channels has been completed ahead of schedule.

The volume of the business and market share in individual priority segments has grown significantly. In particular, Sberbank’s share of payroll client accounts increased, its share of the market of financial services for affluent clients grew, and the number of pensioners who chose Sberbank as a partner to service their accounts and savings increased.

Sberbank’s market positions in lending have been consolidated, while the very high quality of its portfolio has been retained.

A new technological platform for working with retail clients has been built and increased labor productivity has been ensured, partly through the introduction of the Sberbank Production System (SPS). However, we are not fully satisfied with the results achieved in a number of areas, in particular:
By trying to ensure a fast pace of change, Sberbank failed to reach the targets set for the quality and reliability of systems and processes.

About 40% of our clients cannot be considered active, and the number of products per active client remains rather low at 1.6 (compared to 2.7 in EU countries; Figure 12).

**FIGURE 12. ACTIVE CLIENTS AND DEPTH OF RELATIONS**

<table>
<thead>
<tr>
<th>Number of clients, million</th>
<th>59% of Sberbank’s client base is active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>65</td>
</tr>
<tr>
<td>Non-active</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
</tr>
</tbody>
</table>

Sberbank has approx.
- 65 million active clients and
- 45 million non-active clients

Even for active clients, the sales level is only 1.6 products per client compared to a euro zone average of 2.7 products per active client (active clients are clients with a deposit account, a card they have used in the last 3 months, or a loan).

A key focus of the new retail business strategy will be expanding the relationship with active clients reactivating non-active clients

Operating efficiency and the ratio of operating expenses to operating income do not correspond to current international best practices.

Sberbank has faced a significant challenge in the form of lower employee engagement and higher staff turnover. This is largely due to the emergence of a new generation, which will determine the nature of the labor market in the coming years.

Sberbank has slowed down, but failed to stop, its falling market share in personal deposits.

Clients’ perceptions of Sberbank have improved by almost all parameters: however, the extent of the improvement does not always match the scale of the change at Sberbank. For instance, only 40% of our clients think that it is easy to obtain a credit card at Sberbank.
MARKET AND CLIENT DEVELOPMENT OUTLOOK — KEY CHALLENGES FOR SBERBANK

The Russian market for banking services for individuals is still one of the world’s most attractive. Although annual average growth rates for assets and liabilities will slow down in 2014–2018 compared to 2009–2013, and margins are set to fall, the market remains highly profitable.

The mass segment will account for two-thirds of market revenue. The importance of the large-scale high-yield segment will increase, its specific weight in retail market revenue growing from 20% to 30%. We expect the highest rate of growth to be seen in the high-yield segment: however, its share of revenue will not exceed 2%.

Clients’ demands for basic financial services will remain unchanged. However, the development of modern technologies will sharply alter clients’ expectations in terms of how they interact with Sberbank. Round-the-clock accessibility, speed of interaction, a personal approach and personalized offerings will become critical factors. The financial literacy of the population will grow. The share of «self-reliant» clients will increase — clients who prefer using remote channels without visiting Sberbank’s offices and contacting employees directly (Figure 13).

The amount of information available to clients will expand at a tremendous rate. On the one hand, this will make it possible for them to easily compare prices and other product features. On the other hand, it will result in information overload and growth in the influence of emotional and reputational factors in decision-making. For many clients, an increasingly important role is played not only by the quality and ease of interaction in receiving financial services, but also by the emotional component and the seamless integration of the service provider in their everyday lives — for individuals and businesses alike.

New players will appear in the market, creating new challenges. They will include banks from mobile communications operators and new high-tech market players. These firms will mainly specialize in lending, payments, and convenience of client experience in remote channels, cleverly using the client information that they already have. From this point of view, retail chains will also become Sberbank’s competitors. The emergence of new players in the banking market will increase requirements with regard to client experience and cost management, which will most likely lead to consolidation.
The relatively low level of financial literacy among the population in general and poor development of the payment infrastructure result in a high rate of non-cash turnover in the Russian economy — more than 80% in terms of volume of transactions. In many respects, cash continues to be Sberbank’s major competitor. Increasing the proportion of non-cash turnover is a major challenge and also a great opportunity for Sberbank.

VISION AND KEY ELEMENTS OF THE BUSINESS MODEL

Based on the analysis of our strengths and weaknesses, and the new challenges that we see before us in the medium term, we have identified the following priorities for the retail business development strategy over the next five years:

- To ensure the reliability and quality of processes;
To form a positive client experience and build deep relationships with clients;

To focus on our people, changing the corporate culture and principles of employee selection, adaptation and training; and

To improve the operating efficiency of Sberbank’s retail function.

The main objective of the retail business when it comes to implementing the Development Strategy 2014-2018 is to establish deep, trusting relationships with our clients. We want to become an unnoticeable but integral part of their lives. Our aim is to be a reliable and proven financial advisor and partner for our clients, and to help them make their most important financial decisions. We want to be at our clients’ side at all stages of their lives — from their first experience of using financial services, when taking out loans for education, and buying their first car or home, to investing in their old age and the future of their children. We want our clients to come to us to satisfy all of their financial needs. They should not have any doubts when choosing a bank: Sberbank should be their trusted partner. Everything should be easier, more convenient, and more profitable with Sberbank. We should be the only ones who can advise them on what to do, and the only ones they want to deal with.

In order to achieve this goal, we need to perform four tasks for developing Sberbank’s retail business model in Russia (Figure 14):

1. *To strengthen Sberbank’s leadership in channels for mass client attraction.* We will continue giving priority to the salaries, pensions, and social benefits markets. Converting users of regular payments into active Sberbank clients is also a key issue.

2. *To make Sberbank’s products an integral part of the daily lives of our clients.* We want to make it more convenient, profitable, and easier for our clients to receive money, to make regular payments, to transfer money to their relatives and friends, to pay for goods in stores, and occasionally to put aside some money from their salaries. To that end, Sberbank will focus on developing auto-payments, transfers between individuals, overdrafts, and credit lines secured against existing assets. We will also develop products for regular savings and improve the attractiveness of debit cards/current accounts by developing new client identification methods and the loyalty program. From these products, the “Sberbank for every day” package will be formed, meeting the requirements of different client segments. By 2018, our objective is to have at least 30% of the client base using such packages.
3. **To build as deep a relationship as possible with our clients by understanding their needs and offering them a personal approach.** We have over 65 million clients. We understand that they are all different. Through a single bank platform, we will continue developing specialized service models and value proposition that meet the needs and preferences of different client segments: pensioners, young people, wealthier clients, and employees of our corporate clients. We will also develop our capacity to build individual, personalized offers for our clients, tailored to their particular situation and needs. Very often, these proposals will consist of a combination of products and services that will be much cheaper for the client than if they were purchased separately. In addition, we will take a more integrated look not just at the individual client but at entire households.

**FIGURE 14. KEY ELEMENTS OF THE BUSINESS MODEL**

<table>
<thead>
<tr>
<th>Attract via Key channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll clients</td>
</tr>
<tr>
<td>Pensioners/social</td>
</tr>
<tr>
<td>Payment users</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consolidate client relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBERBANK FOR EVERY DAY</td>
</tr>
<tr>
<td>Receive</td>
</tr>
<tr>
<td>Pay</td>
</tr>
<tr>
<td>Borrow</td>
</tr>
<tr>
<td>Save</td>
</tr>
<tr>
<td>Spend</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deepen relationship using knowledge about the client</th>
</tr>
</thead>
<tbody>
<tr>
<td>MASS CUSTOMIZATION</td>
</tr>
<tr>
<td>Big data</td>
</tr>
<tr>
<td>CRM</td>
</tr>
<tr>
<td>Segmentation</td>
</tr>
</tbody>
</table>

**MULTICHANNEL SALES AND SERVICE: BUY AND USE PRODUCTS WITHOUT VISITING BRANCH**

- On-line
- Mobile bank
- Website
- Self-service devices
- Call center
- Branch office

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www.sberbank.ru
At the heart of this approach will be developing customer relationship management (CRM) systems and expanding our ability to collect, store, and analyze information about our clients, including “big data.” We will gain an excellent understanding of the economy of our relationship with each client. As a result, we will build a system of integrated client service and cross-selling of products and services that will allow us to increase the number of products per active client by 70% by 2018.

4. To create a completely seamless and high-quality interaction for the client and Sberbank through any channel. We want every client, no matter which channel they use (branch, ATM, mobile bank, etc.), to receive the same information and to be able to access the majority of products and services that we offer. Our interaction with clients will be multichannel: clients will be able to start in one channel (e.g. by phone or online) and easily shift to another (e.g. a mobile application or the branch). The development of remote and digital channels will continue. By 2018, the vast majority of interactions between clients and Sberbank, both in sales and services, will be conducted without a visit to a branch. Most transactions, and about a third of sales, will be performed by our clients remotely, and the total number of operations by our clients will almost double. We will pay special attention to the issue of cyber security.

The transition of transactions and a significant portion of sales to remote channels will lead to a change in the role of our branches. A significant part of Sberbank’s branch network will be converted to consultation and sales points, and routine services and transactions will be increasingly performed online, by telephone or through other remote channels. The increase in the share of sales in the total number of transactions conducted in branches will require a corresponding change in the network configuration and the profile and skills of our employees working in branches. Some service points will be consolidated and some will be converted in line with changes to the client service model. This will make it possible to support business growth while simultaneously improving the efficiency of the branch network.

An important part of our strategy will be to develop new product lines for retail business and our partnerships. In particular, we will continue developing the Cetelem platform. Our goal is to ensure that Sberbank Group is among the top three players in the lending market at points of sale, and the leader in the car loans market. We will also develop new payment services and digital solutions via the Yandex.Money platform. Non-banking financial services to our clients, in particular insurance, pensions and asset management products, will remain an important area of work.
HOW WE WILL MEASURE SUCCESS

We want to be with our clients for life. We want our clients to trust us and turn to us for advice on any financial questions they may have. We want our products and financial solutions to become an integral and organic part of their lives. We want them to feel that dealing with Sberbank is convenient, profitable, and pleasant.

Accordingly, the basic measure of success for our retail business strategy will be the depth and quality of our relationships with our clients. By the end of 2018, we plan to slightly increase the number of active clients, while at the same time doubling the intensity of our dealings with them. Therefore, we aim to significantly increase the number of products per client, the share of income from commissions, our market share in most areas, and the level of client satisfaction. Together with our efforts to increase efficiency in our work, this will result in a significant improvement in the financial performance of Sberbank’s retail business (Figure 15).

FIGURE 15. MEASURING THE SUCCESS OF THE RETAIL BUSINESS STRATEGY

<table>
<thead>
<tr>
<th>Strategic themes</th>
<th>Goal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>With our customers for life</strong></td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td>Growth for most products and segments, maintaining market position for attracting funds from individuals</td>
</tr>
<tr>
<td>Number of products per client</td>
<td>x 1.6-1.8</td>
</tr>
<tr>
<td>Client satisfaction(Net Promoter Score /NPS/)</td>
<td>Positive trend, exceeding the performance of competitors</td>
</tr>
<tr>
<td>Share of sales in remote service channels</td>
<td>Growth to 30% of the total number of retail sales</td>
</tr>
<tr>
<td><strong>Financial performance</strong></td>
<td></td>
</tr>
<tr>
<td>Operating income before provisions</td>
<td>1.7-2.0 fold growth</td>
</tr>
<tr>
<td>Net fee income</td>
<td>x 3</td>
</tr>
<tr>
<td>Operating costs to net operating income (C/I) and assets (C/A)</td>
<td>Significant decrease</td>
</tr>
<tr>
<td>Operating income before provisions per employee</td>
<td>x 2</td>
</tr>
<tr>
<td>Operating income before provisions per branch</td>
<td>x 2</td>
</tr>
</tbody>
</table>
CORPORATE CLIENTS: SMALL AND MICRO-BUSINESSES

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

The small and micro-business segment (SMB) includes corporate clients with annual revenues of 60-400 million RUB (small businesses) and companies with annual revenues of up to 60 million RUB (micro-businesses). The needs of our clients in each sub-segment and the model of their behavior when interacting with banks differ. In particular, the most important requirement of micro-businesses is advice, personal attention, and convenience. As the business grows, the client’s sensitivity toward service costs grows as well. The owners of larger businesses begin to differentiate their business and personal finances, while for small businesses this is often not the case. At present, Sberbank provides services to about 0.2 million companies in the small business segment and 1.2 million companies in the micro-business segment.

When planning the development of the SMB segment until 2014, we identified several objectives in terms of improving the product line: creating a differentiated product offering for different segments, increasing the efficiency and quality of traditional banking products, developing new loan products, and introducing non-banking services that support the development of our clients. An important task was also to build a sales and service system with a stronger role of Account Managers. In implementing these objectives over the past few years, Sberbank has made significant progress in the banking services market for the SMB segment:

- A specialized sales and service infrastructure has been created for this segment, including the Account Managers Institute.
- High growth rates of our credit portfolio have been achieved.
- The loan approval process has been completely restructured, optimizing the time needed for issuing loans and reducing the cost of considering applications, while ensuring the effectiveness of credit risk management systems.
- Previous products have been modified with the aim of improving the quality of client service, pricing for loan products has been introduced taking into consideration the risk of a specific loan, and product characteristics have been adapted to the needs of specific client groups.
From December 2011, the Business Environment platform has been under development, aimed at creating an ecosystem around the needs of our clients on the Internet. Based on this platform, services have been implemented providing clients with training for entrepreneurship, selling products and services to facilitate running a business, assistance in finding business partners, and so on.

However, a number of areas remain with significant improvement potential for achieving better results, in particular:

- Sberbank’s share of the SMB market is lower than in other segments of the corporate market, both in terms of the level of penetration of the client base (micro-businesses: 53%; small businesses: 28%) and share of the loan market (micro-businesses: 29%; small businesses: 11%).
- Share of wallet can be increased.
- Client satisfaction with the quality and reliability of the service is not high enough. Errors and malfunctions in transaction services have a negative impact on this indicator, as does the speed of the online bank.
- There is significant potential for growth in non-credit commissions.
- The quality of the loan portfolio requires greater attention.

**MARKET AND CLIENT DEVELOPMENT OUTLOOK — KEY CHALLENGES FOR SBERBANK**

The market for financial services to the SMB segment will grow at a slower rate than the banking sector as a whole. Over the next five years, we expect it to increase by about 70% in terms of total income from financial services. The structure of bank income from clients in the SMB segment will not change: 30–40% will come from credit operations and no more than 20–30% from transactional products. However, we do not expect to see a significant increase in the number of entrepreneurs, which will amount to just 1% per year.

In these circumstances, two groups of factors will mainly shape the development of the market:
The development of modern digital technology will reduce the complexity of launching new businesses and lead to a major increase in the share of companies without significant tangible assets. This is a serious challenge, as banks today have few or no effective techniques for working with companies in the field of lending. Another consequence of this trend will be a change in the form of interaction between banks and SMB clients, with a shift of business to remote channels. This shift will create the necessary preconditions for a substantial increase in performance with this segment.

Institutional reforms and government policies may have various impacts. On the one hand, measures to support small businesses and the freeing up of the workforce due to the continued modernization of the economy is likely to cause an increase in the number of self-employed people and people who want to start their own businesses. On the other hand, certain government policies could lead to a drop in the number of small businesses and growth in the size of the shadow economy (businesses not formed legally).

Level of competition is most intense in the market for servicing small businesses, where the major federal lending institutions and regional banks are present. Competition in the micro-business segment is lower, as most market participants do not have the scale and technology required to work effectively with this client category. In both markets, Sberbank is losing market share in large cities, which have the greatest growth potential. It is important to note that so far none of the market players has been able to develop a profitable business model for these segments: SMB clients are generally dissatisfied with the quality of the banking services they receive.

In the course of the next five years, we expect the competition in the market for financial services to the SMB segment to consolidate and develop in terms of technology. Owing to the complexity of working with this segment, especially in the area of lending, we do not expect a large number of new players to appear in the market (unlike in the retail market). This includes players with high-tech business models.

The market for financial services to the SMB segment is thus a difficult market in which none of the parties has yet created an offer that fully meets clients’ expectations. Sberbank has an efficient sales network, a wide client base, and advanced technology. By improving the quality of our work with clients and focusing on meeting their key needs, we can dramatically change the development trend for our business in the SMB segment and also contribute to the development of this segment in Russia as a whole.
VISION AND KEY ELEMENTS OF THE BUSINESS MODEL

We want to be the main bank and partner of small businesses in Russia. We want our clients to choose us because our financial products and solutions are the clearest, most convenient, and most advantageous for them, and because they are better suited to their needs at each stage of their business development. We want our clients to come to us because they are confident that with us they will maximize their likelihood of success, whether they are just starting out or expanding. We believe that, due to our scale, we can have a significant, positive impact on the development of entrepreneurship in Russia as a whole.

To achieve these goals, we need to address three areas:

- Forming a clear value proposition for different types of SMB clients and a corresponding product line;
- Building an effective client service model in this segment; and
- Implementing a number of supporting measures, especially regarding analytics and systems for managing client relationships, creating a multichannel sales and service system, and establishing an effective transactional platform.

1. Value proposition and product line

Value proposition for clients will differ by sub-segment depending on the degree of business maturity and the client’s desire for development and growth versus stability. At the heart of the offers will lie the task of maximizing the likelihood of our clients’ success (Figure 16).

FIGURE 16. SBERBANK’S VALUE PROPOSITION FOR SMB CLIENTS

<table>
<thead>
<tr>
<th>Businesses at concept stage</th>
<th>Micro-businesses</th>
<th>Small businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unofficially self-employed (shadow economy)</td>
<td>“Our services are simple, quick and convenient!”</td>
<td>“With us, your business grows quicker and stronger!”</td>
</tr>
<tr>
<td>“Setting up a business is easy!”</td>
<td>“Our services are simple, quick and convenient!”</td>
<td>“We make growing easy!”</td>
</tr>
<tr>
<td>“Most start-ups use our services!”</td>
<td>“It’s worth working legally!”</td>
<td>“We make growing easy!”</td>
</tr>
<tr>
<td>Priority — stability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority — growth</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Sberbank’s product offers will be packaged in the appropriate manner. We will offer comprehensive, packaged solutions for any of our clients’ objectives:

- **For founders**, we will introduce a set of services for a simple business start-up: easy account opening, a loan to start-up a business, assistance in registration with the Federal Tax Service, access to training programs, and participation in Sberbank’s business social network, which will help in the search for ideas, suppliers, clients, and will provide access to the trading platform.

- **For micro-businesses**, we will introduce a corporate card providing access to a convenient set of products and remote services: a current account with integrated book-keeping, overdraft, pre-approved credit, and discounts from partners, supported by reliable and well developed digital channels. For companies operating in the area of retail trade and services, we will create special offers in the field of acquiring.

- Clients will be provided with an integrated solution to manage both their personal finances and the finances of their business.

- **For small business clients**, product and service packages will be created taking into account industry-specific features, and the team of assigned account managers will be strengthened, which will guarantee a more personalized service.

- **Special solutions will be offered for business development**, in particular solutions for scaling up successful projects and simplified project financing products.

For SMB client growth and development, Sberbank will develop an ecosystem for supporting business based on the Business Environment, which will include training, online services for business process automation and outsourcing, a platform for searching for suppliers and clients, a trading platform, and much more.

### 2. Effective service model

The SMB client service model will take into account specific client behaviors and needs, as well as the financial parameters for working with these clients.
For micro-businesses, the targeted service model assumes a reduction in the cost of client acquisition and involvement through the active transfer of services to remote and digital channels. However, as in the retail business, an integrated system of cross-selling personalized offers and packages of services will be created, based on a detailed analysis of the client base and efficient customer relationship management systems.

For small business, we can offer an even greater individual service and support from an account manager, who is the bank’s face for the client and works closely with our product specialists.

Shifting operations and sales to remote and digital channels will enable us to optimize the number of branches servicing the MA client segment. In addition, the number of account managers will be increased, as we are aiming to expand the number of SMB segment companies we service. Great attention will be paid to improving the performance of these employees.

3. Supporting activities
Successful work with SMB clients will require a number of supporting activities. These will primarily focus on the following three areas:

- Accumulating information about clients, building analytical skills and customer relationship management systems, providing a single view of the client’s finances both as a private individual and an entrepreneur.

- Developing remote and digital channels, and creating an efficient and reliable transaction platform. As in the retail business, we have set ourselves the goal of making our products as convenient as possible and accessible 24/7 to clients, developing the functionality of all remote channels, integrating the channels with each other, and making sure that all interactions with Sberbank are possible without visiting a branch.

- Building an efficient system of cross-selling based on individual offers, opportunities to package products and flexible pricing, given the economy and the level of risk of each client and product.
HOW WE WILL MEASURE SUCCESS

Our goal is to be the main bank and partner of small businesses. The first step to achieving this goal is to increase the number of our active clients. Our objective is to increase our share of the micro-business segment by 20% over the next five years, and increasing our share of the small business segment by 80%. In addition, we want to increase by 10-20% our share of wallet in this segment, which is already quite high, and raise the number of products per client. The result will be a substantial increase in Sberbank’s share of the volume of banking services in the SMB segment. The volume of assets and liabilities of the clients in this segment in Sberbank’s balance sheet should increase more than threefold. As a result, the volume of operating income before provisions from servicing the SMB segment should increase by 2-2.5 times. This growth, together with measures to improve Sberbank’s efficiency, will substantially reduce the operating costs to income ratio (Figure 17).

**FIGURE 17. MEASURING THE SUCCESS OF THE SMB SEGMENT STRATEGY**

<table>
<thead>
<tr>
<th>Strategic themes</th>
<th>Goal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>With our customers for life</strong></td>
<td></td>
</tr>
<tr>
<td>Share of the companies – clients of the Bank</td>
<td>65% of the companies from the micro business segment</td>
</tr>
<tr>
<td></td>
<td>50% of the companies from the small business segment</td>
</tr>
<tr>
<td>Market share</td>
<td>Increase for all products and subsegments</td>
</tr>
<tr>
<td>Number of products per client</td>
<td>x 1.3–1.5</td>
</tr>
<tr>
<td>Client satisfaction level (Net Promoter Score /NPS/)</td>
<td>Positive trend, exceeding competitors’ indicators</td>
</tr>
<tr>
<td>Share of sales in the remote service channels (RSC)</td>
<td>Over 40% of sales and over 95% of transactions</td>
</tr>
<tr>
<td><strong>Financial performance</strong></td>
<td></td>
</tr>
<tr>
<td>Operating income before provisions</td>
<td>x 2–2.5</td>
</tr>
<tr>
<td>Net fee income</td>
<td>x 2.3–2.6</td>
</tr>
<tr>
<td>Operating costs to operating income before provisions (C/I) and to assets (C/A)</td>
<td>Significant reduction</td>
</tr>
<tr>
<td>Operating income before provisions per employee</td>
<td>x 2–2.5</td>
</tr>
</tbody>
</table>
CORPORATE CLIENTS: LARGE AND MEDIUM-SIZED BUSINESSES

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Our clients in the large and medium-sized business (LMB) segment are companies with annual revenues of between 400 million RUB and 2.5 billion RUB (medium-sized businesses) and between 2.5 and 15 billion RUB (large businesses). Over 44,000 companies fall into this segment in Russia, more than 80% of which are serviced by Sberbank.

In our work with the LMB segment, a number of tasks have been carried out aimed at implementing the Sberbank Development Strategy 2014:

- A sales and service system in the LMB segment has been implemented based on account managers, with account managers individually assigned to large and medium-sized companies.
- Sberbank has taken a leading position in the market for long-term lending and construction loans.
- A new credit process and credit risk management system has been introduced.
- An updated product line for managing enterprise cash flows has been successfully introduced.
- The use of Sberbank’s remote banking service by LMB clients has increased significantly.

In addition, there are a number of areas with significant potential for further improving client service and financial results. These areas are:

- Insufficiently deep relationships with clients and a lower share of non-lending products than for lending products;
- Inadequate growth in the lending segment compared to other corporate client segments;
- An insufficient share of commission income in the segment income; and
- Inefficient systems for managing the commercial activity of account managers and collecting and analyzing client information.
MARKET AND CLIENT DEVELOPMENT OUTLOOK — KEY CHALLENGES FOR SBERBANK

We do not expect to see significant growth in the number of companies in the LMB segment in the period 2014–2018. The average annual growth rate for bank income from the segment is forecast at 8% a year, or about 60% over the five years.

LMB clients prefer being served simultaneously by three or four banks and place high demands on financial institutions. Over the next five years, the LMB segment will increasingly expect banks to provide the following:

- Affordable, fast and flexible credit terms;
- Reliable, fast transactions and efficient solutions for liquidity management;
- Highly skilled bank representatives with knowledge of specific areas;
- The ability to offer integrated solutions that address the needs and specific industry-related issues of the client; and
- Efficiency and flexibility.

The LMB segment is, and will remain, one of the most competitive. Regional and federal banks are paying particular attention to it. Sberbank works with most of the segment’s clients but has a low share of wallet: As a result, our market share in this segment is lower than average for corporate clients (25-27% in lending). This is especially true for a number of large regional markets and non-credit products. The main parameters where Sberbank loses out to the competition are speed and quality of the loan approval process, the level of rates and tariffs given the perceived quality of service, and the lack of reliability of the transactional platform.

Sberbank is thus in a relatively weak position in a very competitive market. However, the factors where Sberbank lags behind its competitors are largely of technical nature and can be corrected relatively quickly. Sberbank’s scale and capabilities suggest great potential to build a competitive advantage on the basis of an efficient sales and service model and an individual approach to working with LMB clients supported by analytical systems and skills.
VISION AND KEY ELEMENTS OF THE BUSINESS MODEL

The main tasks in the LMB segment for the next five years are deepening and improving the quality of client relationships and increasing the share of banking services that LMB segment clients receive from Sberbank.

We want our clients to see their Sberbank account manager as a trusted advisor who understands their needs even better than they do themselves. We want Sberbank to be seen as a bank with deep expertise and knowledge of specific industries, a bank capable of offering customized financial solutions and not just standard products with fixed terms. Clients should see us as the leader in the banking products area primarily due to the reliability of our transactional services and the speed and flexibility of our lending processes.

To achieve these goals we will work in four areas, closing gaps between ourselves and the competition and building new sources of competitive advantage:

1. **Optimizing the product line** by increasing the speed of the loan approval process (particularly for simple and short-term products), introducing industry-specific solutions and improving the quality and reliability of the transactional platform. We aim to make our products as convenient as possible, integrated into the business processes of our clients and accessible 24/7. An important task will be integrating products and solutions with Sberbank’s accounting and client ERP systems.

2. **Enhancing the efficiency of sales and service systems** by improving the skills of account managers, setting up industry-specific expertise centers, establishing efficient mechanisms of interaction between account managers and product specialists, and introducing efficient systems of planning and control for clients’ commercial activities.

3. **Introducing effective mechanisms for complex cross-selling** of financial solutions based on personalized offers, the packaging of products and services, detailed industry and client analytics, and analysis of the economy of each client and product.

4. **Differentiating Sberbank’s offering** by including non-banking products and additional services, such as in the field of electronic document management, access to electronic trading platforms and financial advice.
An important element in the LMB business model is the synergy with the activities of Sberbank in the CIB segment, particularly in the area of industry and product expertise, and offering investment banking and global market products to LMB clients.

**HOW WE WILL MEASURE SUCCESS**

We expect Sberbank to significantly deepen its relationship with LMB clients and increase the number of products per LMB client by 2018. The share of wallet is expected to grow by 10-12 percentage points. The result will be growth in the market share across all products and segments, especially non-credit products (net commission income up by a factor of 2–2.5) and operating income before provisions (also up by a factor of 2–2.5; Figure 18).

**FIGURE 18. MEASURING THE SUCCESS OF THE LMB SEGMENT’S STRATEGY**

<table>
<thead>
<tr>
<th>Strategic themes</th>
<th>Goal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>With our customers for life</strong></td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td>Increase for all products and sub-segments</td>
</tr>
<tr>
<td>Share of wallet</td>
<td>Growth by 10-12pp</td>
</tr>
<tr>
<td>Number of products per client</td>
<td>x 1.4-1.5</td>
</tr>
<tr>
<td>Client satisfaction (Net Promoter Score, NPS)</td>
<td>Positive trend, better than the competition</td>
</tr>
<tr>
<td><strong>Financial performance</strong></td>
<td></td>
</tr>
<tr>
<td>Net operating income before provisions</td>
<td>x 2–2.5</td>
</tr>
<tr>
<td>Net commission income</td>
<td>x 2–2.5</td>
</tr>
<tr>
<td>Cost/income and cost/asset ratios</td>
<td>Significant decrease</td>
</tr>
<tr>
<td>Net operating income before provisions per employee</td>
<td>x 2–2.5</td>
</tr>
</tbody>
</table>
Sberbank treats corporate and investment banking (CIB) as a separate business domain within the Group. The clients here are the largest Russian corporations, with annual revenues of more than 15 billion RUB, as well as the biggest companies in the CIS, Central and Eastern Europe and Turkey, financial institutions and federal authorities.

Over the last five years, Sberbank has achieved significant results in the CIB market, partly due to the acquisition and subsequent integration of Troika-Dialog Investment Company (now called ZAO Sberbank CIB). In particular:

- Coverage of the client base has been expanded: Currently, the overwhelming majority of Russia’s biggest companies use Sberbank’s financial solutions.
- The product range has been extended: Today, Sberbank offers clients the whole range of complex financial solutions in both Russian and international markets.
- A leading position has been achieved in the market — particularly in lending, where Sberbank’s market share is above 35%.
- A system of industry coverage has been created in the form of the central office and regional banks.
- The CIB team has been significantly reinforced by professionals with experience working in leading financial institutions in Eastern Europe and around the globe.

As a result, the CIB business accounted for almost 20% of the Group’s operating income in 2013, with high rates of efficiency and profitability.

At the same time, a number of areas remain where action is necessary under the new strategy:

- There is a potential for a significant increase in the depth of coverage of the client base and the level of cross-selling.
Strategies for Developing Key Business Areas

The process of integration with ZAO Sberbank CIB needs to be completed by introducing a unified management system and a common model of working with CIB clients.

The product offering requires further improvement, especially with regard to structured products and short-term lending.

Internal technologies and processes require further improvement — simplification, standardization, and automation of the whole range of banking services to CIB clients.

The existing management model requires improvement regarding organizational structure, as well as speed in making and implementing decisions.

MARKET AND CLIENT DEVELOPMENT OUTLOOK — KEY CHALLENGES FOR SBERBANK

In the next five years in the CIB segment, the credit margin and the margin on commission products are forecast to decrease. Despite this, by 2018 — according to our estimates — the Russian CIB market will grow by more than 60%. CIB markets in the CIS and Turkey will double, and the Turkish market will grow as large as the Russian market in terms of volume. The market in Central and Eastern Europe will increase by more than 50%. This shows the significance not only of the Russian market, but also of the foreign markets for Sberbank’s CIB business.

The structure of the Russian CIB market and CIB markets in the Group’s operating countries will remain quite stable, while revenue from corporate lending will continue to make up the bulk of the market income. Income from commission products will grow at a higher rate than income from lending, while transactional business and trade finance products will account for most of the growth in commission products. The bulk of the income from IBGM (investment banking and global markets) products will be in FICC (fixed income, currencies and commodities), mostly from currency operations.
CIB clients are traditionally the most demanding corporate client segment. Their needs increase as the complexity of their business grows, they expand geographically, and their business portfolio becomes more complicated as a result of mergers, acquisitions, and divestments. Important trends in this segment will be the increasing skill level and the quality of the processes of financial division of these clients, as well as their use of state-of-the-art technology solutions. With respect to bank partners, expectations will rise steeply with regard to the quality, degree of adaptation to the personal characteristics of the clients, and the technological implementation of the products and services.

As the client’s business becomes more complex, the possibility of packaging products and services and creating customized solutions based on them becomes more important. This is also the most important factor for the profitability of the CIB business, as the profitability of simple products in this segment is falling drastically.

The increasing significance of clients’ direct access to the Russian and international capital markets is another important factor. Thus, it is assumed that the ratio of the volume of outstanding corporate bonds to the volume of bank lending in Russia will increase from 39% in 2012 to 45–50% in 2018. This will lead to a fall in the needs of the largest Russian corporations for bank lending.

Sberbank’s competitors in the CIB market are not only the Russian and international capital markets, but also the largest Russian and international banks, plus — for IBGM products — investment and brokerage firms. In addition, competition in the CIB segment is growing with the presence of leading international banks in the market and further consolidation of the Russian market around a limited number of large financial institutions, many of which have access to state support and can invest significant amounts in technology and product development.

Under these circumstances, Sberbank’s strengths (large balance sheet that allows for assuming significant credit risks, low funding value and reputation as a reliable partner as regards to business development, even in crisis situations) will continue to form the basis of Sberbank’s competitive advantage. However, the significance of these factors will decrease. To compete successfully in the CIB market, Sberbank will need to work in five areas:

- Building an efficient model for working with clients, ensuring a depth of client relationships and a higher level of cross-selling by completing integration with ZAO Sberbank CIB;
Ensuring leading positions in terms of the quality of the services provided and technological business support;

Building skills for packaging client offers and engaging in complex work with the clients on this basis, ensuring priority growth rates for commission income;

Creating an efficient model for working with CIB clients outside Russia; and

Learning how to work more efficiently with client segments, especially foreign financial institutions and Russian institutional investors.

VISION AND KEY ELEMENTS OF THE BUSINESS MODEL

Sberbank aims to take its relationships with CIB clients to a new level. We aim to be their trusted advisor for key financial issues and a reliable executor of their daily financial operations. We will offer our clients the widest product line and product packages, creating the greatest value for them. We want to understand our clients’ business best, to create customized solutions for them, and to optimally adapt our coverage and cooperation channels to their needs. We are confident that ultimately this will enable us to achieve our business and financial objectives.

Sberbank has set itself the task of significantly strengthening its positions in the CIB segment in Russia and becoming a major participant in this market outside its region of operation. For this purpose, as a part of its strategy to 2018, Sberbank will develop its model for working with CIB clients in five main areas (Figure 19):

1. Developing the product range. The main emphasis in developing the product line will lie in the area of short-term credit products, liquidity management, trade financing, and global market products, in particular currency market products. In this respect, the most important task is to increase the level of technology used in the bank’s products to a maximum, achieving a sharp rise in the convenience, speed, and quality of interactions with clients and the ability to adapt product parameters to clients’ needs and package them flexibly. We will also continue developing project financing and related non-banking services.
Strategies for Developing Key Business Areas

**Figure 19. Model for Working with CIB Clients**

**Products**
- Using long-term lending relationships to expand share of wallet with other products
- Focus of product development:
  - Short-term loans (credit lines, overdrafts, etc.)
  - Cash management, liquidity management and transactional products
- Developing options and flexibility for packaging «simple» products into complex multi-product solutions

**Multi-level Coverage**
- AMs and product specialists join forces in a unified client support team to ensure full service in all product areas
- Complex work with clients in a multi-level system of relationships: senior bankers with CEOs and owners of holdings, AMs with CFOs and CEOs of separate companies
- In all countries and regions where the client operates, AMs are included in the client support team so we can provide assistance to the client everywhere

**Process Optimization**
- Using a regular planning process for clients with a clear activity plan and monitoring of results
- Implementing rigid control by targets with monitoring of results and a system of motivation aimed at increasing cross-selling

**Technological Platforms**
- Developing MIS functionality so it provides a detailed overview by client, product and AM
- Individual pricing on a client basis taking into account the RAROC calculation for all the client’s products
- Significant reinforcement of the platform for GM, TF and transactional products

**Client Offering**
On the basis of these four key elements, Sberbank CIB offers the following to clients:
- Professional and visionary client support teams, working with the client in an integrated manner for all products and across all regions
- Quick, customized solutions for long-term and short-term lending
- Fast, sustainable and convenient FX, TB and TF services
- Packaging and designing products that meet client needs
- Pricing based on complex, multilevel relationship
2. **Building integrated cross-selling and multi-level client coverage on the basis of client-product teams.** As part of the multi-level model of client coverage, client-product teams will be formed for corresponding clients (or groups of clients), comprising both account managers and product specialists in all of Sberbank’s operating regions where clients conduct their business. This will make it possible to effectively form individually packaged offers for the client, not only at his main location, but also in all of Sberbank’s operating countries and regions. This, in turn, will enable high-quality client service.

3. **Optimizing processes and tools for supporting and managing commercial activities by Sberbank’s staff.** To ensure the efficiency for our client-product teams, a system of control over their commercial activity will be established and the planning system will be improved. The motivation system for CIB employees would be designed to encourage the growth of client-based income in all product groups with regard to the risk-adjusted return on capital. This will make it possible to ensure efficient teamwork by client and product specialists across the Group.

4. **Adjusting and developing technological platforms, basic processes, and information systems.** For the purpose of ensuring the maximum use of technology in Sberbank’s product offer, electronic platforms for FX, MM products, and trade financing will be developed. On the one hand, insignificant growth in market business activity is forecast for these products; on the other hand, taking into account the size of Sberbank’s business, the development of electronic platforms will make it possible to achieve significant economies of scale compared to our Russian competitors. As far as possible, we plan to transfer short-term lending products and the transaction business online. To achieve the best results from this increased use of technology, optimization of bank processes is planned for the major bank products for which there is great demand from CIB clients, including the credit process. Reporting and analysis systems will also be upgraded.

5. **Developing the international component of the CIB business, especially in the Turkish and CEE markets.** The relatively small scale of the activities of Sberbank’s subsidiary banks in Turkey and CEE has not yet allowed them to provide a full range of financial services to major players on the national markets and multinational companies. Using the capabilities of Sberbank in Russia, together with smooth procedures and a developed product range, will enable to take an important step in developing this area of the business. As a result, we will be able to integrate our work with CIB clients in all markets where we operate.
It is important to note that Sberbank does not plan to develop speculative operations at the expense of its own balance (proprietary sales and trading) in the next five years. In addition, to increase the efficiency and use of the Group’s capital, and to decrease credit and liquidity risk, a gradual development of the originate-to-distribute\(^1\) model is planned in all the countries where Sberbank operates.

**HOW WE WILL MEASURE SUCCESS**

Work in these five areas will allow Sberbank to offer clients competitive products that are customized for their needs. This should result in a simultaneous increase in CIB client satisfaction, growth in cross-selling volumes (in particular commission products), and growth in Sberbank’s share of CIB segment clients’ spending on banking services.

For the next five years, Sberbank has set itself the following goals with regard to CIB:

- To increase CIB operating income before provisions by a factor of 1.6–1.8 and become one of the leading CIB businesses in the world in terms of profitability and efficiency of use of capital;

- To increase the CIB fee income by a factor of 2–2.3 and to increase the share of commission income in the total CIB income;

- To strengthen Sberbank’s position as the main financial partner for clients in the macro-regions of Russia, the CIS, Turkey, Central and Eastern Europe, by significantly increasing the market share in income and volume; and

- Create the best CIB client support team in the market and increase income per employee by a factor of 1.6–1.8.

\(^1\) Securitization of CIB client loans by means of mutually beneficial relations with financial institutions, funds and other participants in the Russian and international capital markets.
Strategies for Developing Key Business Areas

WEALTH MANAGEMENT

Wealth management (WM) refers to asset management, Sberbank’s pension1 and insurance business, and its depositary activities.

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Today, Sberbank holds a leading position in the bancassurance, asset management, and private pensions markets.

In the period 2009–2013, Sberbank’s insurance business, which has been set up from scratch, became the largest business in the bancassurance market in Russia. The business includes both life insurance products from IC Sberbank Insurance and sales of products from third-party insurers. Sberbank’s total income from the insurance business in 2013 exceeded 20 billion RUB.

As of the beginning of 2013, NPF Sberbank occupied the third place by assets among Russian private pension funds. The total number of mandatory retirement insurance (MRI) accounts amounted to 1.3 million, and the total amount of assets under management exceeded 70 billion RUB.

1 It is important to note a significant degree of uncertainty with regard to the pensions business in Russia. In modeling the pension business, we have used forecasts and assumptions that were developed before the proposals on making fundamental changes to the pension systems voiced by the Russian government in September-October 2013. The model and plans of development for the pension business of Sberbank will be adjusted after final decisions are made in this respect.
Sberbank occupies a leading position in the investment fund market, with a market share of 19%, and 6% in the trust management market.

A problem area for PM is insufficient coordination of the sales of different products, and an ineffective and insufficiently industrialized system for promoting and supporting PM products, particularly in the Sberbank network.

**MARKET AND CLIENT DEVELOPMENT OUTLOOK — KEY CHALLENGES FOR SBERBANK**

The low level of penetration of insurance and long-term investment products in the Russian market demonstrates the great potential for market growth. For instance, the level of penetration of life insurance in Poland is 1.8% of GDP and in the United Kingdom 8.3% of GDP. In Russia, the figure is less than 0.1%. The gap between Russia’s long-term investment to GDP ratio and that of developed countries is even more significant: This indicator is 56% in France, close to 100% in the USA and the UK, while in Russia it is not more than 3% (*Figure 21*).

**FIGURE 21. PENETRATION OF LIFE INSURANCE**

<table>
<thead>
<tr>
<th>Premium volume to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GDP per capita (2012, USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000</td>
</tr>
</tbody>
</table>

Studies show significant market demand for insurance, pension and investment products and services, but real demand for these tools is still low due to the existence of a number of barriers. They include:

- A low level of financial literacy, which is insufficient to understand more complicated products;
- The novelty of insurance and endowment/investment products, a lack of awareness of the need for them, and no culture of investing in long-term insurance and investment instruments;
A low level of general confidence in insurance and management companies; and

Low accessibility of insurance and investment products and services owing to weak development of infrastructure and sales networks by professional players in the market.

Sberbank has a substantial potential to overcome these barriers and activate demand for insurance services. Sberbank’s advantages include:

- Brand recognition and client trust;
- A well-developed sales network;
- An extensive client base; and
- Successful experience in promoting non-bank financial products through its network, demonstrated over several years.

We believe that Sberbank can act as a catalyst for the development of the insurance and long-term investment markets. It can shape these markets in such a way that a substantial share of sales in the market will be made by promoting services and products through banking channels.

**VISION AND KEY ELEMENTS OF THE BUSINESS MODEL**

By 2018, Sberbank aims to:

- Achieve leading positions in all the main product segments for the wealth management market in Russia;
- Make insurance and long-term savings products simple, understandable and accessible, so that they can provide our clients with protection and confidence in the future;
- Develop a comprehensive long-term relationship of trust with our clients by expanding our share of their attention on this basis;
- Establish a new major area of business for the Group, which will ensure a steady inflow of commission income and additionally form a permanent flow of new long money held under management; and
- Create one of the largest, most profitable and efficient businesses in wealth management in Russia and Eastern Europe.
Our value proposition to clients will be based upon:

- Client confidence in Sberbank as a financial institution with a high level of reliability, capable of protecting their interests and resolving their long-term investment issues;

- Availability of insurance and investment products at Sberbank both through our network and by selling them through remote and digital channels together with banking products;

- Convenience of a comprehensive and integrated service; all financial needs can be met in one location; and

- High-quality sales and subsequent client service.

The proposed business model is based on three elements (Figure 22). As regards products and sales, work will be aimed at establishing a system of sales for four groups of products of varying complexity and degree of integration with Sberbank’s products. Special emphasis will be placed on the maximum integration of sales of wealth management products in the work processes of the seller and in remote channels. After launching in-house “product factories,” Sberbank will be able to derive extra income and form more effective and transparent processes of interaction with the sales network, thereby achieving a better client experience. In order to provide organizational support for wealth management products, a sales structure will be created focusing on non-banking products, a specialized infrastructure to support sales, and restructured interactions with Sberbank’s retail and corporate units.

**FIGURE 22. KEY ELEMENTS OF THE BUSINESS MODEL**

<table>
<thead>
<tr>
<th>1. Products and sales</th>
<th>2. In-house “production”</th>
<th>3. Organizational support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four types of products, each with their own sales system: 1. Basic bank products 2. Products integrated with bank products 3. Additional security products 4. Complex wealth management products – Maximum integration into the seller’s workflow, commercial activity management system – Maximum presence in remote channels</td>
<td>– Chance to earn extra margin – Chance to ensure desired product features – Chance to guarantee maximum integration with Sberbank’s systems and channels – More efficient interaction and “orderliness” in channel management – Eliminates corruption – Production of profitable products only and careful attention to regulatory requirements</td>
<td>– Creation of vertical lines in the organization focused on the success of wealth management – An integrated view of all aspects of the business – A specialized infrastructure supporting sales (up to ISU) – Development of non-banking channels too, where relevant – A clear system and processes of interaction with retail and corporate banking</td>
</tr>
</tbody>
</table>

*Increase the “share of attention” from clients to Sberbank’s products — through a single contact with Sberbank, clients can receive more solutions and satisfy a wider range of needs*

*Maximize returns from fast-growing markets*

*Another major business area for the Group*
HOW WE WILL MEASURE SUCCESS

Successful implementation of these tasks by 2018 will allow wealth management to attract assets under management of 1.5 trillion RUB (excluding the possible effects of changes in the pension system) and to derive net commission income from insurance, pension, and asset management products of 100-120 billion RUB. Sberbank plans to occupy up to 50% of the savings and investment life insurance market, 25-40% of the life insurance market, and 10% of the market for property insurance for individuals. We also plan to significantly increase our market share in asset management and pension schemes (Figure 23).

FIGURE 23. MEASURING THE SUCCESS OF THE WEALTH MANAGEMENT STRATEGY

<table>
<thead>
<tr>
<th>Strategic themes</th>
<th>Goal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>With our customers for life</td>
<td></td>
</tr>
<tr>
<td>Market share of accumulative and investment life insurance</td>
<td>Up to 50%</td>
</tr>
<tr>
<td>Market share of the term life insurance</td>
<td>25–40%</td>
</tr>
<tr>
<td>Share in the market of individuals property insurance</td>
<td>10%</td>
</tr>
<tr>
<td>Market share of the pension coverage</td>
<td>TOP 3</td>
</tr>
<tr>
<td>Market share of unit investment funds</td>
<td>20–25%</td>
</tr>
<tr>
<td>Volume of assets under management</td>
<td>1.5 trillion RUR(^1)</td>
</tr>
<tr>
<td>Financial performance</td>
<td></td>
</tr>
<tr>
<td>Net commission income</td>
<td>100 – 120 bn RUR</td>
</tr>
</tbody>
</table>

\(^1\) Excluding possible consequences of changing the pension scheme.
INTERNATIONAL OPERATIONS

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Sberbank has achieved all the key objectives of the Development Strategy 2014 regarding operations in foreign markets:

- The Group’s bank divisions are working in 22 countries in the CIS, Central and Eastern Europe, the United Kingdom, Switzerland, the USA, India, and China.

- Sberbank’s international assets are bigger than the fourth biggest bank in Russia in terms of asset size, with a comparable number of branches.

- According to the 2013 results, the specific weight of the Group’s assets outside Russia will stand at about 12%.

- The number of clients in Sberbank’s international network exceeds ten million.

Key development strategy objectives in individual countries have also been fulfilled (Figure 24):

**FIGURE 24. RESULTs FOR SBERBANK’S INTERNATIONAL BUSINESS (FORECAST FOR THE END OF 2013)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Indicator, bln RUB (growth compared to 2009)</th>
<th>Market share1</th>
<th>Return on equity 2013, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>Assets 137,3 (↑ x 6) Profit 2,3 (↑ x 5,6)</td>
<td>3%</td>
<td>17,3</td>
</tr>
<tr>
<td>CIS Belarus</td>
<td>Assets 127,2 (↑ x 2,4) Profit 2,8 (↑ x 3)</td>
<td>8%</td>
<td>30,7</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Assets 197,2 (↑ x 4,4) Profit 3,5 (↑ x 7)</td>
<td>6%</td>
<td>16,4</td>
</tr>
<tr>
<td>CEE Sberbank</td>
<td>Acquired in 2012 Assets 480 Profit 0</td>
<td>2%</td>
<td>0,0</td>
</tr>
<tr>
<td>CEE Europe</td>
<td>Acquired in 2012 Assets 1196 Profit 17,5</td>
<td>4%</td>
<td>16,3</td>
</tr>
</tbody>
</table>

1 By assets, as per June 2013.
The Group’s bank in Belarus (one of the three market leaders) and its bank in Kazakhstan (one of the five market leaders) are key players in their local markets.

The Group’s banks in Ukraine is now one of the Top 10 players and has further growth potential.

The acquisition of Volksbank International (Sberbank Europe) has laid the foundation for growth in Central and Eastern Europe.

The acquisition of the Turkish banking group DenizBank has opened up the Turkish market, one of the most significant and promising markets for Russia.

The dynamic development of the foreign business arm has been supported by a corresponding development in IT and risk management systems. Sberbank has gained wide experience in implementing large-scale integration projects (Sberbank Europe, DenizBank), implemented principles of corporate management common to all foreign banks, formed basic approaches with regard to international client servicing covering the entire Group, and launched its first cross-border retail products and services.

VISON AND KEY ELEMENTS OF THE BUSINESS MODEL

Organic growth in the CEE, CIS and Turkish markets, secured by a set of actions to increase the efficiency of Sberbank’s subsidiary banks in the countries where it operates, will lie at the core of Sberbank’s international strategy.

In the next few years, the Group does not plan to acquire new banks: it will primarily focus on developing existing assets. We see building Sberbank’s international platform and stabilizing the business results of the Group’s international component as the main priority. Once this is done, we may revisit the possibility of inorganic growth in attractive markets, as relevant competence grows and on condition that we can identify attractive acquisition targets.

The next stage in developing the Group’s international activity will therefore be connected primarily with developing a new system of managing the international business, strengthening the transnational team working in the main functional directions, adapting internal processes and the corporate culture for building systemic mechanisms for integrating foreign assets, and maximizing synergies from working within a unified financial group.
In the base case scenario, the Group’s profit generated abroad is expected to increase by a factor of 2.5–3.0 by 2018, to about 8–10% of total Group income (Figure 25). In addition, the absolute size of the Group’s foreign assets will grow by a factor of 2.5–3.0, operating costs and the operating revenues ratio will decrease significantly, and the asset quality will remain at the current level. Return on equity for the international business will match that of comparable banks on domestic markets.

**Figure 25. Key indicators of the Group’s activities**

<table>
<thead>
<tr>
<th>Rate of return, %</th>
<th>Efficiency, %</th>
<th>Scale, growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity CAGR operational income after provisions</td>
<td>Ratio of operational costs to operational income</td>
<td>Ratio of operational costs to assets</td>
</tr>
<tr>
<td>14–16</td>
<td>&gt;17%</td>
<td>45–48</td>
</tr>
</tbody>
</table>

We believe that the following factors for creating value will ensure the success of the Group in achieving the objectives set out in the framework of the international strategy:

- **Presence in other markets as a relatively small, flexible bank.** Due to their medium size, the Group’s subsidiary banks can respond flexibly to changes in the economic, technological and competitive landscape in their markets. They can therefore efficiently introduce not only new technologies but also new business models, acting as a training ground for new approaches before further replicating them across the whole Sberbank system.

- **Export of skills/client relationships.** The Group will maximize the opportunities to create value by using its unique skills abroad. Existing relationships with corporate clients will be pushed as far as possible for business development outside the national market. Current products will be developed, and new competitive products will be created that can be efficiently distributed in other regions.

- **Import of best practices and talents.** Its foreign experience will allow Sberbank to ensure leading positions with regard to operating efficiency. Development in external markets will expand the Group’s access to the best employees in all countries and regions where it operates.
Use of market inefficiency. The Group will exploit the potential for creating value in markets with higher levels of profit growth (i.e. return on invested capital, ROIC) owing to lower asset value and market inefficiency.

We plan to take different approaches to working with corporate and retail clients abroad. We consider each group in turn below.

Corporate clients
Our main focus in attracting corporate clients will be on companies with partners in Russia, the CIS, Central and Eastern Europe or Turkey who do not hold loans from Sberbank. For this purpose, and for developing our asset management services, a multi-branch network of correspondent accounts between all of Sberbank’s operating countries will be created.

Close attention will be paid to developing a cross-border business. The efficient use of Sberbank’s economies of scale will be ensured for promoting deals on cross-border lending and trade finance, and use of the international network for serving and financing trade turnovers between countries where Sberbank operates will be developed.

The client service platform for CIB clients (the largest transnational companies), formed on the basis of Sberbank of Russia’s best practices, will form a new competitive advantage for Sberbank Group’s subsidiary banks. Projects for working with the largest clients will have high priority in all regions where the Group operates.

Our work with representatives of small and medium-sized businesses will proceed on the basis of processes and approaches developed and successfully applied by DenizBank in Turkey.

Retail clients
The main emphasis in the retail segment will be on developing digital banking services. The experience acquired by all members of the Group, plus new developments, will ensure implementation of the best solutions in the market in the area of Internet and mobile banking. Developing an area for attracting direct deposits in the markets of Germany and Austria will be a key focus area.

Developing operations with private clients will be supported by the development of customer relationship management (CRM) systems on the basis of technologies created at DenizBank and Sberbank of Russia (Ukraine).

For large-scale and high-yielding client segments in the retail market, a specialized network of branches and service areas will be created and separate product offers developed.
Co-branding products and services will be developed using the experience of DenizBank. Sberbank will widely use the mechanism of strategic partnerships with large retail and service sector companies.

By analyzing the outlook for the development of the banking markets in the countries and regions in which the Group operates, we have developed the key elements of a regional vision for the strategic development of the Group outlined below.

**Turkey**
The major mid-term goal of DenizBank is closer integration with other members of the Group. Sberbank already has a significant share of the Turkish market, but there is considerable room for growth. Major companies are the key segment for development. By 2018, the bank’s share in the banking system assets should increase slightly, net profit should more than double, and the ratio of operating expenses to operating revenues should not be greater than 50%. Taking into account additional opportunities identified by Sberbank in the Turkish market, the country strategy may need to be revised in 2015.

**Europe**
As of 2013, Sberbank’s subsidiary banks in Europe are not large enough to ensure an average ROE level. However, they can act as “attacking players” in national markets, as they are not burdened by outdated processes and systems and are able to flexibly implement the latest technology. In Europe, Sberbank will use its IT potential to the utmost in order to establish the most convenient and sophisticated digital bank for retail clients, as well as a laboratory for developing new technologies to be used in other markets. Given that the economic situation in the countries of the region vary considerably, decisions on priority countries for business development will take into account the risks and the availability of a growth potential in specific markets. The Group will consider promising opportunities for acquisitions in the countries where it is present in order to optimize its market penetration, as well as options for entry into other markets in the region, including by opening new branches. Overall, at the end of 2018, the market share of Sberbank in the countries where it operates should double, assets should more than triple and the specific weight of profit in the international business profit structure will be approximately 25%.
Ukraine
Sberbank has set itself the goal of becoming one of the Top 5 national banking market players by the end of 2018 by building up its retail client base and developing relations with corporate clients and the SMB segment. At the end of 2018, Sberbank’s share of the Ukrainian market should grow by a factor of 1.5, net profits almost triple, and the ratio of operating expenses to operating income should not exceed 50%.

Belarus
Sberbank already has a considerable share of the banking market in Belarus. Taking this into account, business development in Belarus will essentially focus on consolidating and optimizing current activities, especially decreasing the currency loan share and improving the ratio of raised client funds and allocated loans (LDR). In addition, Sberbank plans to implement network reformatting in order to enhance service quality and decrease expenditure levels. Organic growth should ensure a steady gain in the volume of profits and dividends generated by Sberbank. Cost efficiency will correspond to the target level of <50%.

Kazakhstan
As of 2013, the capacity to build market share in Kazakhstan has been almost completely realized. Sberbank has set itself the task of maintaining its position among the Top 5 banks in the country. Sberbank will optimize its balance structure by developing the retail business (ensuring diversification of sources for attracting funds) and rapid growth in the small and medium-sized business segment (decreasing the concentration of the loan portfolio). At the end of 2018, the net profit of the subsidiary bank should more than double and the ratio of operating expenses to operating revenues should be no more than 40%.

HOW WE WILL MEASURE SUCCESS
As early as 2015–2016, implementing the international strategy will allow us to build a strong team and management model, and key competences for international operations on the level of top international banks. Using these competences for further expansion of the Group’s area of presence will ensure maximally efficient integration of new members of the Sberbank family and make it possible to achieve ever higher absolute and relative ratios regarding the level of efficiency in our international business.
### Figure 26. Measuring the Success of the International Business Strategy

<table>
<thead>
<tr>
<th>Strategic themes</th>
<th>Goal 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>With our customers for life</strong></td>
<td></td>
</tr>
<tr>
<td>Share in the assets of banking</td>
<td>Growth of share in Ukraine and Kazakhstan, consolidation of business in</td>
</tr>
<tr>
<td>systems the CIS operating</td>
<td>Belarus</td>
</tr>
<tr>
<td>countries</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>Double growth to 3.6% (in total, across all operating countries 2013)</td>
</tr>
<tr>
<td>Turkey</td>
<td>Growth to 5%</td>
</tr>
<tr>
<td>Volume of the Group’s external</td>
<td>x 2.5–3.0 times</td>
</tr>
<tr>
<td>assets</td>
<td></td>
</tr>
<tr>
<td><strong>Financial performance</strong></td>
<td></td>
</tr>
<tr>
<td>Net profit (IFRS)</td>
<td>x 2.5–3.0 times</td>
</tr>
<tr>
<td>Net fee income</td>
<td>x 3.5–4.0 times</td>
</tr>
<tr>
<td>structure of net operating</td>
<td></td>
</tr>
<tr>
<td>income before provisions</td>
<td></td>
</tr>
<tr>
<td>C/I and C/A</td>
<td>Considerable reduction (4–7 percentage points)</td>
</tr>
<tr>
<td>Net profit per employee</td>
<td>x 2.0–2.3 times</td>
</tr>
<tr>
<td>ROE</td>
<td>Total: 14–16%, CIS: 15–20%, Europe: 15–17%, Turkey: 13–15%</td>
</tr>
<tr>
<td>Loan-to-deposit ratio</td>
<td>Significant reduction</td>
</tr>
</tbody>
</table>
Development strategy
FOR BUSINESS SUPPORT AREAS
DEVELOPMENT STRATEGY FOR BUSINESS SUPPORT AREAS

OPERATIONS

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Over the last five years, Sberbank has achieved significant results in optimizing its operations function:

- The operations function has been separated from the business function and consolidated in 15 Client Support Centers (CSCs). The first stage of process standardization has been completed.

- Labor productivity has increased significantly — the operating function has been reduced by more than 50% (from 51,000 to 24,000 FTEs for centralized functions), while securing a twofold growth in businesses volumes and simultaneously enhancing quality.

- An operating management system has been implemented: We have introduced a set of tools to monitor operating risk and a KPI system for the core activities of the Operations block, developed internal client service quality standards with clear performance and quality parameters of support, and ensured continuity in developing operations.
At the same time, we see opportunities for further development of the function through continued consolidation, optimization and automation of processes, and the introduction of uniform work standards for operating units. New challenges include the need for flexible operating support for product innovation, the development of Sberbank’s international presence, the use of redundant production capacity, and skilled human resources following further optimization of the operations function.

VISION AND EXPECTED RESULTS OF THE DEVELOPMENT STRATEGY 2014–2018

The goal of the development strategy for operations is to achieve the maximum possible efficiency and transparency in the business, to develop a fast, accurate and highly technological “factory” to support mass operations, and to introduce efficient processes and advanced technologies to serve corporate clients.

The main results in developing the operations functions will be

- **Consolidation of the operations functions in Russia** in inter-regional service centers with a more than three-fold increase in productivity by the end of 2018 compared to 2013. We also expect to see a significant improvement in the quality and accessibility of our service.

- **Organization of a common production space**: Common operating costs, common service standards and a common point of contact for internal clients.

- **Commercialization of the operations function**. The leading position the Bank has in operations technologies, well trained team and extra capacity obtained as the result of further consolidation offer an opportunity for the creation of a new business line for supporting the operations of external clients. This will allow us to retain 15-30% of highly qualified staff in the operations function due to be released by the end of 2018 as the result of the next stages of the optimization process.

- Implementation of effective models for managing and coordinating the work of the operations function at Group level.
IT

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Information systems and infrastructure have been among the most important and complex areas of Sberbank’s transformation over the past few years. During the period 2009–2013, we have managed to achieve most of our objectives, in particular:

- The foundation for the target IT architecture has been laid and the process of centralizing and unifying the key automated systems is successfully underway.
- The process for consolidating the IT infrastructure is progressing well, as part of which one of the largest data centers in Europe has been created.
- A number of key new systems have been implemented, such as the ERP class system, data warehousing, a risk management system, a customer relationship management system, and a client information management system.
- The level of automation of banking processes has sharply increased, improving the quality of client service and increasing productivity.
- Remote and digital channels for interacting with clients have been created almost from scratch, and the foundation for multichannel client service has been laid.

However, we were not able to fully achieve the objectives of ensuring the reliability and security of our IT systems, the efficiency of IT processes, and cost management in IT.

Vision and expected results of the development strategy 2014–2018

The activities of a modern financial institution are unthinkable without information technology. Developing IT is one of Sberbank’s most important strategic goals for the period to 2018. Our aim is to become an industry leader in the field and to build a modern, reliable IT system and infrastructure in line with our future development needs. The quality and capabilities of our IT systems will be critical to all aspects of our activities:
For our clients, our IT systems will provide highly convenient, flexible and customizable products, individual offers and service packages tailored exactly to their needs, and the ability to instantly interact with Sberbank through applications that are fully integrated into the digital and social technology space that is increasingly an integral part of our clients’ lives.

For our employees, IT will enable a sharp rise in productivity, eliminate routine operations without added cost, and enable the possibility of better quality client service, with access anytime and anywhere to the full range of client information.

For Sberbank’s managers, IT unit costs will fall thanks to the automation of processes. They will also be able to effectively manage the business and their staff in real time based on management analytics of any degree of detail, and they will be able to build new competitive advantages for Sberbank based on the accumulation and use of the vast array of client information available. We will also be able to effectively implement new business models based upon modern financial technology and effectively compete with our high-tech competitors.

Sberbank’s strategic IT objectives are thus as follows:

- To ensure the necessary functionality of IT systems and solutions as the most important factor in client experience;
- To ensure the highest levels of reliability and the required level of accessibility to all IT services by simplifying the architecture and centralizing and modernizing the infrastructure;
- To ensure the necessary flexibility, ensuring the maximum speed of launching products into the market through customization and simplification/standardization of the existing landscape, technologies, and business processes;
- To transform IT into a driver of innovation at Sberbank, creating an advanced system of identifying, developing, implementing and rolling out innovative products and technologies;
- To industrialize the development and operation of systems in order to maximize productivity and reduce operations costs — hiring, retaining, and developing IT professionals to create a sustainable competitive advantage; and
To achieve cost efficiency — improving the efficiency and transparency of IT costs and implementing the best strategy for attracting IT resources and the management of suppliers.

An important new factor in IT development is Sberbank’s transformation into an international group. On the one hand, this creates new challenges related to the need for associated development in different jurisdictions; on the other hand, it creates great potential to use the scale of the Group in the field of IT and to leverage the best practices of the individual countries in which we operate.

The development strategy for IT is structured according to four areas: application architecture, technological platform, innovation, and the IT operating model.

**Application architecture**

One of the main tasks of the transformation is to build a new architectural landscape based upon modular principles. This will significantly simplify the introduction of changes in different parts of the system. The key goals we need to implement regarding architecture include:

- Evolutionary transformation of the existing automatic banking system (ABS) in Russia into a centralized, reliable platform with a high level of automation;
- The allocation and separation of channels, middle office, “product factories” and analytic functions, modular building of business services to facilitate the integration of the multichannel front office, and integration of centralized management systems with reference data and product catalogs;
- Ensuring the proper level of reliability and accessibility of automated systems (AS) by optimizing their architecture, software, and scalability;
- Establishing a clustered international architecture in the key functional areas based upon the best IT components throughout the entire Group;
- Gradual transition to a unified platform for front-office systems and customer relationship management; and
- Accelerated development of remote and digital channels and integration of channels to ensure a seamless client experience.
Key objectives of the new strategy also include developing the systems and capabilities for cyber security and building analytical skills and world-class systems, including working with big data.

**Technological platform**

As part of increasing capital cost efficiency and ensuring transition to unified information standards, Sberbank will continue to consolidate the Data Processing Centers (DPC) currently located in different regions. We also plan to start applying advanced technologies, including cloud computing and virtualization in order to improve our use of the available infrastructure.

The key goals in upgrading the technological platform are:

- To achieve a high degree of system reliability and accessibility of services to our clients 24/7;
- To establish a single global network to ensure uniform and integrated service provision across all the Group’s banks;
- To apply a flexible cloud model to increase efficiency and flexibility for servicing internal and external clients; and
- To create advanced infrastructure workplaces to improve user performance with simple access to internal resources and communications.

**Innovation**

The bulk of our client base is now formed by the people who grew up after the widespread of digital technologies. At the same time, new high-tech rivals are appearing on the scene, dramatically changing the financial services landscape.

Identifying, creating, piloting, and implementing innovative technologies is becoming a key success factor. Sberbank is developing its own infrastructure for technological innovation and plans to continue working with leading universities and research groups.

The immediate areas for innovative research will be mobile banking, geolocation, new channels of social interaction, analytics, and working with big data.

The next generation of the digital bank project is scheduled for implementation as part of the studying and piloting of fundamentally new technological client service platforms in Europe. Launching such a project in Russia will also be considered.
IT operating model

Over the next five years, the IT development program requires Sberbank to significantly increase the level of maturity critical for the transformation of IT processes and the creation of a new IT operating model. Changes will be aimed at:

- Increasing the efficiency of interaction between IT and business units;
- Improving the quality and increasing the centralization of IT resources;
- Evolutionary development toward a centralized “IT Factory” for the development and support of applications and infrastructure; and
- Applying the best practices of IT initiative portfolio management in order to improve economic efficiency.

RISK MANAGEMENT

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Sberbank has successfully implemented the objectives of the Development Strategy 2014 related to risk management. Over the past five years, we have managed to build a modern risk management system in line with global best practices at Group level, based upon the requirements of the Basel Committee on Banking Supervision (Basel II). This has allowed us to ensure Sberbank’s leading market position while maintaining effective control over the level of credit and other risks.

Improving the risk management system has enabled considerable improvement in credit product attractiveness for all client categories by simplifying procedures, optimizing decision-making processes and increasing their speed and predictability:

- A formal credit risk assessment system for all of Sberbank’s clients has been built.
- Risk management functions have been enhanced in the process of preparing and making a credit decision and the independent risk assessment of client work. In addition, an independent inter-regional underwriting office has been set up.
The credit procedure has been optimized, and an electronic document management has been established for all loan applications. Also, the lending process has been changed in terms of the division of client work, loan analysis, and design and support of loan agreements.

The features of credit products have been greatly improved from the client’s point of view (for example, Sberbank can now make decisions on loans to private individuals within a few hours).

The market and operating risk management system has also been significantly extended.

The priorities for Sberbank’s further development in terms of risk management are implementing the approaches and systems that have been created across the Group, ensuring transition to Basel II, and making more systematic use of return ratios that take into account risks and other indicators in risk management decisions.

VISION AND EXPECTED RESULTS OF THE DEVELOPMENT STRATEGY 2014–2018

We see the Sberbank Group in 2018 as a financial institution that is a global leader in terms of its risk management system. All business decisions will be taken based on return ratios that take into account risks. High-quality and efficient risk expertise will be readily available everywhere we operate.

For the period to the end of 2018, the following are our key strategic objectives in the field of risk management:

To create and implement tools to optimize risk-return at the Group level, and to ensure performance management based on risk indicators at the level of each transaction, client, activities, and the Group as a whole;

To build an integrated risk management system for the Group based on the requirements of the Basel Accords, including methods and rules of risk management common to all members of the Group, and to build an effective organizational model;

To integrate risk appetite indicators and other measures of risk in planning processes, and to build effective mechanisms for the allocation of regulatory and economic capital;

To optimize the management of credit risks in subsidiary banks;
Development Strategy for Business Support Areas

To improve mechanisms for operational and market risk management; and

To ensure a high level of risk culture in all Sberbank units.

HUMAN RESOURCES MANAGEMENT

IMPLEMENTATION OF THE SBERBANK DEVELOPMENT STRATEGY 2014

Today, Sberbank Group employs more than 270,000 people in 22 countries. Over the last five years, we have established a modern HR management system. At the same time, our workforce has changed considerably:

The HR cycle has been systematized: Relevant competencies are used as the basis for recruitment and development; an effective target management system has been built (management by targets); and a number of critical HR processes have been automated.

A new system of incentives and compensation has been introduced, and staff income levels have been brought up to market levels, thus ensuring transparency of payments to employees and improving the efficiency of the financial incentive component.

The mass training system has been reorganized: Centralized training programs have been tailored to the needs of the business based on common standards; training centers in the regions have been unified; and a corporate university has been established. Over several years, we have managed to launch a number of innovative projects that are unique in the market, such as our Career Portal and Virtual School.

Sberbank’s management structure has been significantly updated, both at head office and in the regional departments. The team has become much younger. Today, over 33% of our people and about half of those working with clients were born after 1983.

The level of professional and management skills has risen.

The main elements of a career management mechanism have been put in place and a talent pool and «career lifts» created.
Measures have been implemented to significantly improve productivity, accompanied by downsizing. Sberbank’s labor productivity and staff cost efficiency are comparable in terms of scale to international banks in both developed and developing economies.

The involvement of our employees as a whole is gradually increasing, although it remains lower than at international banks.

At the same time, Sberbank faces a number of challenges in the area of human resources:

The level of competence and knowledge of ordinary employees and managers at Sberbank is not yet high enough. This applies to general management skills, professional knowledge, especially in the area of risk management and information technology, as well as to sales skills, advising, and interacting with clients.

In general, Sberbank is experiencing increased staff turnover: in some segments, this has grown from 10 to 25% per year over the past few years. Especially high staff turnover is seen among ISU employees.

The HR systems and processes require further development and integration.

Sberbank has become an international group, which has created new requirements regarding the qualifications and skills of managers.

Sberbank’s strategy for the next period of development creates a number of new requirements for employees and managers. We will need to significantly increase the number of employees who are able to build long-term relationships with clients. The rapid development of new technologies in the market and the need to continuously improve the efficiency of internal processes require adaptability and innovation from employees: employees must initiate and lead new ideas, and not be afraid to learn. The increasing complexity and pace of change in business places new requirements on management personnel, too – requirements that are often very difficult to satisfy owing to the hiring of employees from outside Sberbank.

In the near future, the labor market will develop fairly negatively. In all the markets where we operate there is a shortage of skilled labor, and increased competition for talent is expected. The demographic decline in the 1990s in Russia and inadequacies in the education system will make these factors particularly significant and will require special efforts to attract and retain staff, as well as to build internal training systems.
Finally, the changes in society that will affect client preferences and behavior by 2018 will also affect our potential future employees. By 2018, the profile of our staff will have changed significantly, with over half of them belonging to generation Y, born after 1983. The expectations of employees regarding career and achievements will change as well. Material incentives will not be enough for the next generation of employees: the opportunity for self-fulfillment will be very important, along with work/life balance, autonomy in decision-making, and a positive work environment. The current HR management technology at Sberbank and in the business world as a whole does not meet the needs and preferences of this generation and will need to be substantially rethought.

VISION AND EXPECTED RESULTS OF THE DEVELOPMENT STRATEGY 2014–2018

By 2018, in the eyes of our employees and external candidates, Sberbank will be

- A place where work is rewarding. We will make Sberbank the best place for people from different generations and with different needs.
- The best school for managers. Our goal is for the experience of working at Sberbank to be seen as a mark of quality.
- The best training ground for client service. All our employees will have a high level of skills and knowledge, and most importantly the right attitude toward their clients (internal and external) and their work.
- An international company. We will reach an international level both in our HR processes and procedures and in our corporate culture.

Realizing this vision and implementing our strategy will require changes in the following areas:

- We will make the transition to a new corporate culture of leadership. We want every employee to take on the leadership culture, regardless of their position and level in the organization. We want our key values — “I am a leader”, “We are a team,” “All for our clients” — to mean something to Sberbank employees and inform their day-to-day activities. The manifestation of our values in their behavior must be supported by our HR processes and procedures. To do this, we will change the system of selection, promotion, performance appraisal and compensation, the program for the formation of a talent pool, and our training systems. These changes will, of course, be linked to activities regarding internal communication and supported by role models in the form of key executives at Sberbank.
We will introduce a new standard for developing leaders. Our managers — from junior to senior level — have a key role in the involvement of our employees, the results of our business, and the quality of the client experience at Sberbank. Our goal is to provide the most effective recruitment, development and training for all managers in terms of their personal characteristics, work attitude, professional and managerial skills. We will strive to ensure that the market perceives the experience of working at Sberbank as an absolute mark of quality for a manager. A key role in the development of world-class managers will be played by the Sberbank Corporate University. We will also expand the inter-regional and cross-functional rotation program as much as possible in order to facilitate the development of managers’ competences in different areas of management and encourage effective cooperation between the leaders of functional units and regional offices.

We will take our ability to identify, train, and develop employees who deal with clients to a new level. It is important to us that clients trust not just Sberbank as a financial institution, but also their account manager as a professional advisor. During the period 2014–2018, we expect several tens of thousands of new positions associated with working with clients to be created at Sberbank. We will do our best to make sure that only true professionals work in these positions, people who are not indifferent to the needs of their clients and who see the opportunity for self-fulfillment, personal and professional growth in surprising our clients and exceeding their expectations every day. However, we recognize that client service skills and a focus on client needs are no less important in the rest of the organization. Accordingly, creating these skills and behaviors will be an important task for Sberbank’s recruitment and training system.

We will improve the personnel management cycle and key personnel processes and systems. In particular, we will implement the following important changes:

- A system of proactive recruitment of young people to work at Sberbank will be established, and cooperation with universities and other educational institutions will be set up so that we can effectively meet our growing business needs.

- A key element of professional development at Sberbank will be a distance learning system that uses the Internet and social technologies and is available around the clock from any computer or mobile device.
Our employees will be able to proactively manage their own careers and professional development, including through automated resources.

We will adapt our tools for selection, motivation, and training to meet the specific needs of different categories of personnel and business areas.

We will develop a system of incentives with long-term incentives for key executives, and with some elements of long-term incentives for a wide range of our employees.

We will complete the automation of HR processes, dramatically improving the functionality of the systems, convenience, and the quality of the consumer interface.

We will make Sberbank the best place to work for people with different needs and from different generations. To this end, we will develop and implement a set of value propositions for different employees, creating an opportunity for them to "create their own Sberbank." We will also develop technologies to attract, develop, motivate, and retain staff, appropriate to the needs, preferences, and outlook of new generations.

We will become an international organization. The requirements placed on our management personnel and many of our personnel processes will reach an international level. At the same time, staffing processes and procedures will be adapted, taking into account the traditions and cultures of the countries where the Group operates.

Finally, we cannot ensure greater involvement of our employees without addressing key obstacles in this area. To this end, we will optimize our processes and reduce labor intensity where necessary, monitor the compliance of salaries with market conditions, and strengthen the ability of employees to influence the adoption of management decisions that are important for them, in particular through crowdsourcing mechanisms.

We expect staff efficiency to increase by 2018, partly through training and employee involvement. The unit costs of employees will continue to grow, but cost efficiency will increase through growth in Sberbank’s revenue and reduction of costs in other areas. For example, profit per employee will more than double by 2018.

Our people are our most valuable asset. We are confident that our skills in the fields of selecting, developing, growing, and managing talent will become our major competitive advantage. Refining the talent management system is the main responsibility of every manager at Sberbank.
Other important STRATEGIC AREAS
OTHER IMPORTANT STRATEGIC AREAS

COST OPTIMIZATION

The strategy to 2014 envisaged a reduction in Sberbank’s cost/income ratio to 40% per RAS. Despite significant efforts, Sberbank failed to fully achieve this goal. This was due to higher than expected costs for implementing the transformation program, additional costs for bringing employee compensation up to market level and inefficiencies in the Group-wide cost management system. However, we managed to keep the ratio of operating expenses to operating income at the level of previous years. We expect it to decrease further this year, down to the level of other efficient universal banks in Russia and around the world.

Russia’s economy in the next five years is likely to experience slow growth. As business volumes increase slightly, competition will intensify, including from non-bank participants in the financial market. As a consequence, we can expect growing costs for attracting client financing, a tightening of banking regulation, and a maintenance of credit market risks. These factors will result in increased pressure on the operating margins of banks. The best results will be achieved by the financial institutions capable of ensuring high-quality client service while using the scale of their business and optimizing their operating costs.
To implement its Development Strategy 2014–2018, Sberbank needs to implement a number of major infrastructure development projects. If we do not build a systematic approach and apply a targeted policy for cost optimization, the growth rate for operating expenses will remain at about 13–16% per year — we call this the “inertia scenario.” As in the previous period, IT development costs will account for the bulk of cost growth. In order to achieve our objectives in terms of return on equity, the increase in Sberbank’s operating expenses needs to be significantly lower, averaging slightly over 10% per year.

To achieve this, Sberbank’s development strategy for businesses, functions, and sub-divisions envisages special strategic cost optimization initiatives integrated under a standalone cross-functional program. Work on optimizing efficiency and increasing productivity in the Sberbank Production System (SPS) will also continue.

Strategic initiatives also include improving Sberbank’s performance and reducing unit costs by accelerating growth in the share of transactions and sales taking place through remote channels (retail and corporate business), as well as optimizing the branch network. An additional source of cost optimization will be a reduction in the amount of offices and other real estate, in accordance with the changing needs of the business units.

Improvements in the efficiency of supporting units will be achieved by further centralization of functions, process optimizations, and changes to the management structure. Some functions may be outsourced if this would have a positive financial effect.

One of the focus areas of the cost optimization program will be improving the efficiency of the procurement system. The new procurement system will be designed to optimize costs across all major groups of goods and services purchased by Sberbank through targeted control for each procurement category.

To simplify the management model and reduce administrative staff costs, we will examine the feasibility of optimizing Sberbank’s management levels and ensure systemic changes to management processes.

Implementing the cost optimization program will entail developing accounting and cost control tools. We will expand the set of functional cost analysis tools used by Sberbank and further develop resource planning (ERP-based systems). This will allow us to develop a modern system of accounting and cost management.
With a view to building a platform for long-term, continuous improvement and the efficient use of resources, special focus will be placed on creating a lean culture within the Group. In addition, achieving the cost optimization targets will be supported by efficient management of human and material resources. Lean, responsible resource management will become a part of the decision-making culture at Sberbank.

As a result of the optimization program, we plan to reduce operating expenses in 2018 by 100 billion RUB a year compared to the “inertia scenario”, and ensure at least a doubling in net profit per employee.

SBERBANK PRODUCTION SYSTEM

THE FIRST FIVE YEARS OF SPS

As part of the Sberbank Development Strategy 2014, the Sberbank Production System (SPS) has been adopted as a management ideology. This was based on the involvement of Sberbank’s employees in the continual improvement of our activities using lean production instruments. Over the last five years, we have been introducing SPS principles into the key activities of Sberbank, and by this means we have increased efficiency by 30–50%. We have also developed a continual improvement infrastructure that is the best in Russia.

A series of major projects have been implemented:

- The work of the retail network has been transformed: A new role-based work model has been developed and introduced, flexible work schedules accepted, and a brand new incentive system developed, which correlates employees’ income with sales results and service quality. We have thereby boosted labor productivity by 50% and substantially improved the quality of our work. In particular, we have succeeded in greatly improving the time spent waiting in line at banks.

- Our work with small businesses has been optimized: Efficiency increased by 40% and client manager roles focusing on quality client service have been introduced using the time resources that this freed up.

- The work of the accounting departments has been standardized and optimized: Working standards for each operation have been developed, staff workload management mechanism adopted, and the incentive system correlated with labor efficiency and quality of operations. We have thus boosted labor productivity by 40%, while the operation of our accounting subdivisions now ranks best among top Russian companies.
The work of the IT department has been optimized: Key software development and testing processes have been improved, including the introduction of the practice of integration releases. Average labor productivity has increased by 20%.

Work standards have been developed and introduced, and they are being continuously improved in cash and collection services. SPS principles form the basis of a new approach to carrying out internal audits.

Using the «Do-it-Yourself, Step-by-Step» method, SPS principles and tools continue to be implemented in all units, allowing teams to achieve their goals for growth in productivity and the quality of internal services.

A strong infrastructure for continuous improvement has been developed:

We have taught the principles of SPS to over 150,000 of our employees. Components of SPS have been integrated into mass training programs, including the program for new employees. Since 2012, we have been training with the Black Belt and Green Belt training programs in accordance with global standards, and we have already certified the first “belts.”

Crowdsourcing and innovations are becoming standard in our work. Two e-trading platforms that enable any employee to participate in improving our activities operate at Sberbank. Using one of them — Ideas Exchange — employees can submit initiatives on improving our work standards; so far, a total of 100,000 ideas with a combined effect of several billion rubles have been submitted. The other platform — Sberbank Ideas — provides a forum for discussing important issues at Sberbank, from line control to changes to Sberbank’s policies and procedures. From the second half of 2013, crowdsourcing assessment has been obligatory for all key policies and procedures.

About 100 “Lean Laboratories” operate at Sberbank. These are subdivisions that, apart from their day-to-day activity, develop and test new approaches to work. Lean Laboratory staff are involved in all key projects aimed at improving Sberbank’s activities.

We continue to work on a number of goals that are crucial for success in implementing SPS:

Application of SPS is not yet universal: It is used in some areas but not others, and sometimes we see a decrease in activity after an initial
surge. The success of implementation is still greatly dependent on efforts by key personnel.

There is no complete understanding of what the production system is and what implementing it means. Consequently, implementation activities do not always produce results.

There is no obvious answer to the question of why the average employee needs SPS. In many cases, implementing SPS is perceived as an extra workload or, even worse, as a staff reduction measure.

WHERE WE WANT TO BE — A VISION OF SPS IN FIVE YEARS’ TIME

Five years from now, SPS will be a common approach to the efficient organization of production and service processes, forming the basis for Sberbank’s competitive advantage. Our vision for the future is as follows:

**Processes:** Sberbank’s operating logic will be geared toward satisfying our clients’ needs with the utmost efficiency and the best possible quality.

**The management system** will be aimed at achieving objectives, analyzing the reasons for deviation from objectives, and correcting these deviations.

**Our culture** will correspond to Sberbank’s new values, promoting teamwork, an open acknowledgement of errors as a natural consequence of development, and continuous improvement in all activities.

This is why we will always be better than our competitors:

**For clients,** we will understand and satisfy their needs better.

**For employees,** we will create an environment that provides the best opportunities for developing skills, self-fulfilment, and career growth.

**For shareholders and executives,** we will continuously improve our operating efficiency thanks to the commitment of our people to making improvements; we will upgrade the quality and accelerate the introduction of managerial decisions; and we will reduce our operating costs.
Breakthroughs in the following four areas will confirm that we have realized our vision:

1. **All Sberbank employees will be involved in SPS.** From the current situation, where the majority of our employees see SPS as an extra workload, we will arrive at a place where SPS and everyday work are perceived as an integral whole.

2. **Sberbank’s culture and work environment will promote the implementation of improvements.** We will reach a situation in which employees are encouraged to identify and eliminate problems themselves and have access to the infrastructure necessary for this purpose.

3. **A critical mass of employees will have developed who are trained in SPS programs relating to their roles in Sberbank, who sign up to the ideology, and who apply the tools in their everyday work to improve results.**

4. **Innovation and crowdsourcing will have become a natural part of Sberbank’s work at all management levels.** From the current situation, where innovative efforts in Sberbank are concentrated on a specific set of issues and in certain sub-divisions, we will have arrived at a place where the “knowledge cloud” is used for resolving the majority of problems at Sberbank and is a means for discussing topical issues related to our work, as well as other matters.

To accomplish these tasks, we will launch three large-scale initiatives:

1. **We will integrate SPS standards into units’ operating standards:**
   - We will form a common understanding regarding SPS in the maturity model, which describes in detail each of the three SPS modules.
   - We will introduce a unified self-appraisal scale and instrument for the objective self-assessment of the current SPS development level in each unit.
   - We will launch a continuous cycle for increasing the level of SPS development (current level detection — setting goals and plans — implementation — current level detection, etc.).
2. **We will integrate SPS principles into Sberbank’s personnel cycle:**

- We will integrate SPS principles into the corporate competence model so that SPS-related competencies are taken into account when making personnel decisions.

- We will integrate SPS principles and tools into existing training programs and develop Sberbank’s new training program for creating the necessary competencies for SPS.

- We will implement significant improvements in SPS development as a prerequisite for career advancement.

- We will create a temporary rotation program for high-potential employees in SPS units.

**Figure 27. Components of the SPS Maturity Model**

- **Management System**
  - Goal-oriented, visual management
  - Incentives and development management
  - Standardization
  - Project management
  - Space and time management
  - Crowdsourcing and innovation

- **Processes**
  - Direct involvement of top managers in improving operations
  - Involvement of employees in the improvement process
  - Mentoring and self-development
  - Partnership and responsibility
  - Efficient communication
  - A healthy lifestyle

- **Culture**
  - Client orientation
  - Process control
  - Process optimization
  - Continuous improvement
  - Developing fresh solutions for clients
3. **We will develop the «distributed intellect» infrastructure:**

- We will create expert communities (mainly virtual) for all of Sberbank’s areas of activity in order to search for new ideas and solutions and share experiences dealing with topical issues.
- We will substantially improve the crowdsourcing platform functionality by providing access to platforms for all employees and enhancing usability.
- We will create a best-practice and knowledge base, providing access to our accumulated experience for all Sberbank employees.

We will thus create mechanisms based on SPS for continuous improvement of the client experience and enhancing efficiency at Sberbank — both of which are important factors in our competitive advantage.

### GROUP GOVERNANCE SYSTEM

The implementation of strategic goals is contingent on building an efficient and modern governance model for Sberbank Group. To meet the challenges facing Sberbank, this model should have the following characteristics:

- **Flexibility** — the possibility to apply different approaches to management for different types of activities within the Group;
- **Dynamism** — management entities can make immediate decisions and take action thanks to greater authority and accountability; and
- **Efficiency and cost-effectiveness** — the governance system should meet our goals of substantially reducing costs.

In the next phase of Sberbank’s development, we need to address the following areas:

- Identifying different levels of corporate governance (group-wide, country, business unit level, regional);
- Improving the independence and accountability of business units in implementing decisions;
Completing the process of centralizing support functions and building efficient cross-territorial service centers;

Creating an effective system for managing the Group’s international operations; and

Optimizing the regional structure of Sberbank in Russia based on the principles of standardization and efficiency of administrative costs.

Building the target governance model is contingent upon the successful functioning of the necessary support infrastructure, both regarding the efficiency of the planning and management system and management information system, and the operating standards for business units.
STRATEGY IMPLEMENTATION
The strategy will be implemented by fully integrating strategy implementation measures into all of Sberbank’s management processes: business planning, project management, incentive systems, and executive performance management. Additional monitoring and updating procedures will help keep a constant focus on achieving the planned results and verify conformity of the results with what has been planned.

To implement and achieve the objectives of the strategy, we have developed a set of strategic initiatives. Strategic initiatives are ranked by priority, which determines resource allocation, monitoring and control of implementation, sequence, and deadlines. This allows us to create strategy implementation roadmaps for the units and for Sberbank in general. Together, the initiatives will form the basis for building Sberbank’s project portfolio. KPIs and key milestones of the projects and programs will be included in the incentives and performance evaluation of our executives.

Strategy implementation and review will be conducted within the business planning procedure. In addition, the status of Sberbank’s project portfolio and programs will be monitored on a monthly basis. Sberbank’s Executive Board will determine the Top 10 programs within the strategy for each calendar year. These programs will receive special focus from the Executive Board and will be reviewed at Board meetings on a quarterly basis. Using the results of this monitoring, decisions to update or amend project schedules will be made where necessary.
We believe in Sberbank’s mission.

It inspires us.

We have a long, difficult, but interesting path ahead of us.

We invite you to join us.