

## 2017 Priorities

In response to external challenges and for the purposes of acceleration of the internal transformation, Sberbank has formulated its key general banking priorities for 2017:

- Decrease of time-to-market
- Increase of efficiency and performance of processes, including through automation and growth of STP share (continuous data processing)
- Personalization of client servicing on the basis of data analytics
- Increase the speed and quality of decision making

## Status of implementation of Sberbank's Development Strategy for 2014–2018 by main areas

### Financial performance

In terms of financial performance, Sberbank has achieved the Strategy's purpose with respect to indicators of profitability, efficiency, and adequacy of capital, despite preservation of crisis signs in the economy.

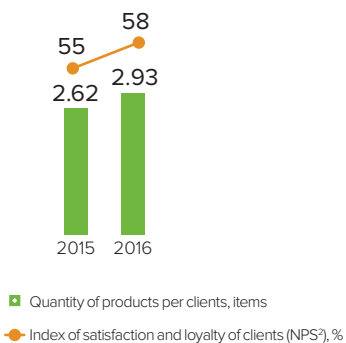
|                           |   |                          | 2016      | Target 2018 <sup>1</sup> |
|---------------------------|---|--------------------------|-----------|--------------------------|
| Profitability and capital | » | The return on equity     | 21%       | ~18%                     |
|                           |   | Capital adequacy level 1 | 12.3%     | >10%                     |
| Efficiency                | » | Expenses to income       | 39.7%     | <40%                     |
|                           |   | Expenses to assets       | 2.6%      | <2.5%                    |
| The growth                | » |                          | 2016/2013 | 2018/2013                |
|                           |   | Net profit               | x1.5      | x1.8+                    |
|                           |   | Assets                   | x1.4      | x1.8                     |

<sup>1</sup>Note: The financial purposes of the Strategy were revised in September of 2015 due to overseas confrontation, sanctions against Russia and Sberbank introduced by the U.S. and the European Union, and deterioration of expectations toward the loan portfolio quality. Changes to the Strategy were approved by the Supervisory Board.

### Number of active retail clients, mln



### Retail segment



### Corporate segment



## With the client for life

### Retail clients

Sberbank's clients are almost the entire population of Russia, and we are proud that the number of our active retail clients is growing.

In 2016, great attention was paid to increasing the quality of customer service quality and to working with applications. For that, the client feedback request system was implemented. Each third client received an invitation to participate in that poll; in total, over 30 mln texts were sent to clients. "Hearing the client's voice" is a top priority of Sberbank's interaction with clients that allows us to speak with confidence about the growth of satisfaction with Sberbank's service level. The highest level of CSI has been reached in premium service channels ("Sberbank Perviy" and "Sberbank Premier") as well as in Sberbank Online banking services. Satisfaction with the service level has a significant impact on the loyalty level of our clients and the readiness to recommend Sberbank to friends and familiar persons; this indicator grew again in 2016 as compared to the previous year (from 55% to 58%). Moreover, we made progress in the most numerous segments (youth, social, mass market) and kept the indicator at the 2015 level in the segments focused on the higher service level (mass high-yielding segment, VIP-clients).

That work resulted in the growth of the quantity of products per client (2.9 in 2016 as compared to 1.7 in 2013), which evidences the deepening of Sberbank's relations with the client and promotes the growth of operational income per client.

For the last several years, Sberbank has been actively creating infrastructure and forming the habit of using remote service channels for financial transactions.

### Corporate clients

Sberbank's clients are 1.8 mln corporate clients and individual entrepreneurs. We divide them by segments proceeding from their size and needs: "Small and microbusiness," "Large and medium business," "Regional state sector," "Military industrial complex," and "Large clients."

Preferences of corporate clients are not changing as quickly as those of retail clients, especially large clients. However, key trends such as ensuring speed, simplicity, and convenience gain even more impact on the arrangement of corporate customer service. One of the examples of such products is a pilot project SMART-loans (offering preapproved limits).

In 2016, the Intelligent Control System (ICS) for corporate clients was launched by analogy with the "Retail Business" Unit. It is designated for setting goals for our employees for interaction with clients and monitoring of deviations. In 2016, through ICS, Sberbank performed control over deviations of sales in segments "Large and medium business," "Small and microbusiness," and "Regional state sector." As a result of that, the efficiency of client managers has significantly increased: the number of transactions has increased by three times as compared to 2015.

<sup>2</sup> NPS is the index of a clients' readiness to recommend Sberbank to friends and familiar persons; CSI is the client satisfaction index. Key diagnostics question: To what extent are you satisfied with today's visit to Sberbank? This assessment is made on a 10-point scale, where 1 is "not satisfied at all," and 10 is "very satisfied."

<sup>3</sup> TRIM is the corporate client satisfaction and loyalty index. Based on the sampling of several thousands entities, including nonclients of the bank, the factors affecting bank reputation and image and strong and weak points are discovered, and comparison with the competitors is performed (TRIM=Measuring, Management, Monitoring).

## Team and culture

Employees are a key competitive advantage and the basis of Sberbank's success. The Group wants its employees to be worthy representatives of Sberbank in interaction with clients, be leaders irrespective of a position, and assume responsibility for themselves and their work. The Group actively supports the professional and personal growth of employees as their development would enhance Sberbank's operation. Transitioning to a new level of leadership in the Group lays new demands for leaders, not only as efficient managers but also as tutors of their teams. The task of Sberbank is to create and keep the involvement level of employees that will ensure the high quality of client services and support by employees during transformation of the business model

Sberbank forms such culture and practice that will help it become the most client-oriented, innovative, and quick technological company in Russia. Development of human capital and talent management is a key prerequisite for long-term and sustainable development. We believe that the top-priority task is forming the basis—that is, competencies of the future for our employees since by 2020, according to the forecast of World Economic Forum, only 57% of current skills will remain relevant.

In 2016, a new model of competencies of employees was developed, and we plan to completely integrate the new competencies in all HR-processes during 2017: recruitment, promotion, development, retention. The model includes six competencies: solving problems, achievement of a result/responsibility, innovation, client-oriented approach, team development/cooperation, self-management.

On the horizon of implementation of the Strategy, we strive to be included in the top-5 most attractive employers, and we will complete the following tasks for that:

- Ensure high-quality recruitment (external/internal) and on-boarding
- Decrease the cost of the HR function for the Group
- Create HR infrastructure for trimode organization

Sberbank works on creating a system of continuous diagnostics of corporate culture and involvement. The first steps for a switch from the annual overall poll of involvement to continuous spot pulse measurements of involvement, team atmosphere, and leadership styles in particular business units and territories have already been made. The permanent work with the results is in progress; in addition to that, the qualitative diagnostics of corporate culture is performed through focus groups and facilitated meetings with employees. Moreover, we study and pilot the possibilities of assessment of team atmosphere and interaction between employees with the aid of new instruments of sociometry.

For monitoring of the dynamics of change of Sberbank's corporate culture, the following indicators were chosen:

- Level of involvement of employees equal to 75.6 p. p. (65 p. p. in Sberbank's Development Strategy for 2014–2018)
- Readiness of employees to recommend Sberbank as an employer (ENPS equal to 72.6 p. p., earlier, 65.5)
- Level of use of the tutorial style of leadership by executive officers of Sberbank (57.9%, needs enhancement)Technological breakthrough

### **Technological breakthrough**

The priority areas in the development of the technological platform of Sberbank were the following.

#### **Reliability and safety:**

- Ensuring reliability and performance of automated systems with due regard to reserve required for the growth of business. In 2016, the reliability level of 99.99% was achieved for crucial automated system in the mode 24/7.
- Simplification and unification of the IT-landscape of Sberbank for increase of satisfaction, loyalty of external and internal clients, as well as enhancement of quality and convenience of service: Based on the results of 2016, approximately 700 nontarget automated system were pulled out of operation that is 66% higher than the plan.
- Due to the growth of volume and share of transactions made in remote channels of service, cyber security becomes the most important element of securing stable functioning of Sberbank and client protection. In 2016, Sberbank prevented over 1.5 thousand cyberattacks per day.

#### **Innovation infrastructure:**

- On the base of innovation laboratories, pilot control of new technologies from the standpoint of their application in the financial activity is performed in Sberbank.
- Innovation laboratories cover all key bank functions (retail, corporate, cybersecurity, general banking), which allows for testing new business models and client feedback to new products on an on-going basis.

## Mature organization

In 2016, Sberbank started reforming the bank management model and achieved the biggest progress in the implementation of agile-approaches at the headquarter.

In the first quarter of 2016, the Executive Board of Sberbank made a decision on preparation for the launch of agile-transformations with the purpose of implementing practices that allow for accelerating development of products for clients. In the third quarter, 125 agile-teams (over 1 thousand representatives of retail business and IT) got started.

The distinctive characteristics of the new approach are:

- Commitment to the final result when an operating product is more important than exhaustive documentation
- Full-time work of the cross-functional team over one task E2E with the existence of powers for its completion that decreases management levels and takes Sberbank away from a hierarchical interaction model
- Absolute transparency, clear responsibility, and contribution of each team member in the final result are achieved through observance of simple interaction rules (prioritizing and distribution of tasks, summing up, and open discussion of problems)

The first months of work on the basis of the new methodology demonstrated optimistic results:

- Involvement of employees of the agile-organization is higher than involvement of employees working on the basis of the traditional model.
- Despite the short-term work period, the speed of implementation of project tasks in agile compares favorably to projects on the basis of the waterfall methodology.
- All teams in agile accomplished their goals by 100%.

Sberbank will continue a switch to the agile-organization and plans to transfer all corporate and retail business to that work format by the end of 2017.