

RISK MATRIX

We deem the following risk types to be material: credit risks of corporate and retail customers, country risk, financial institution credit risks, market risks of financial market transactions, ALM risks, loss risks due to changes in real estate value, operating risk, liquidity risk, compliance risk, tax risk, strategic risk, regulatory risk, model risk, and reputation risk.

Risk	2015	2016
<p>Credit risk</p> <p>Risk of losses occurring due to the failure to perform, delay in performance, or incomplete performance by a debtor of financial liabilities under the contract.</p>	<p>The following is applied for effective risk management:</p> <ul style="list-style-type: none"> ✓ Risk appetite and limit system ✓ Internal ratings system (Sberbank is the first bank in the Russian Federation that petitioned for the use of internal ratings to assess capital adequacy) ✓ Multilevel system of decision-making powers ✓ Sectoral strategies ✓ Security is used to mitigate risks 	<p>Further development of internal risk assessment models and use of artificial intelligence elements.</p> <p>Streamlining the decision-making process ("real time" decision making).</p> <p>Implementation of a unified centralised retail collection system.</p>
<p>Liquidity risk</p> <p>Ensuring the capability to perform obligations to clients and counterparties unconditionally, on time, and in compliance with the regulations of Bank of Russia. The Bank distinguishes regulatory, physical, and structural liquidity risks.</p>	<p>The approach to liquidity management is largely dictated by the existing macroeconomic situation and the state of the Russian financial sector.</p> <p>With its flexible interest-rate policy and effective management of the assets and liabilities base, the Bank has managed to reduce the amount of the funds borrowed from Bank of Russia by attracting customer deposits.</p> <p>Sberbank is more than complying with the limits of mandatory liquidity ratios established by Bank of Russia.</p>	<p>In 2016, Sberbank will continue to comply with the limits of mandatory liquidity ratios established by the Bank of Russia.</p>
<p>Country risk</p> <p>Includes transfer risk and national economy risk.</p>	<p>The Bank has developed a system of country risk limits to restrict the total concentration of transactions with counterparties from any given country, including sovereign borrowers/issuers and public authorities.</p>	<p>In 2016, Sberbank will continue to comply with the developed system of country risk limits to restrict the total concentration of transactions with counterparties from any given country.</p> <p>Concurrently, issues related to extension of the country risk management model, allocation and additional limitation of the sovereign's (state's) direct risk concentration are considered.</p>

Risk	2015	2016
<p>Financial market risks</p> <p>Risk of losses or reduction of profit associated with adverse changes in the value of financial instruments as well as foreign exchange rates and precious metal prices.</p>	<p>The increase in market risk in 2015 resulted from an increase in volatility caused by a shift of the historical volatility window used in modelling possible scenarios of how the value of the instruments in a portfolio may change.</p> <p>The stock position in the trading portfolio on Sberbank's balance sheet was liquidated.</p>	<p>We presume that the market risk will remain unchanged in 2016.</p>
<p>Interest rate and currency risks of the banking book</p> <p>The risk of incurring financial losses on banking book positions due to an unfavourable change in interest rates, currency exchange rates, or prices for precious metals.</p>	<p>In 2015, Sberbank mitigated rouble interest rate risk by implementing a set of anticrisis measures adopted by the Bank.</p> <p>In 2014–2015, the Bank closed the currency positions of the banking book, and, consequently, the Bank did not suffer any losses due to the considerable weakening of the exchange rate of the Russian rouble compared to foreign currencies.</p>	<p>In 2016, Sberbank will establish its target position for rouble interest risk; indicators for monitoring the volumes and maturity structure of products have been established in order to reach the target.</p>
<p>Operational risk</p> <p>The risk of losses incurred as a result of defects/errors in internal processes, employee or third-party error, or failures in the operation of information systems and due to external events.</p>	<p>The Bank has introduced processes for collecting internal data on operational risk incidents, self-assessment, and scenario analysis.</p> <p>The Bank regularly monitors its operational risk level.</p> <p>The users of various functional units are being gradually connected to the automated operational risk management system.</p>	<p>Standardisation of the operational risk list, introduction of the incident cause analysis system, and control over implementation of measures aimed to reduce the risk level.</p>
<p>Risk of losses due to a change of the property value</p> <p>Risk of losses due to adverse changes in the value of owned property.</p>	<p>The decline in real estate prices has led to the growth of economic capital to cover risk. The weight of this type of risk in the general structure of the Bank's economic capital remains consistently low.</p>	<p>Organisation of work and process to form a single risk management system. Preparation of a methodological framework for risk management - development of a Policy and other statutory documents.</p>

Risk	2015	2016
<p>Compliance risk</p> <p>The risk of legal sanctions or sanctions of regulators, significant financial loss, or loss of reputation as a result of noncompliance with laws, regulations, rules, standards of self-regulatory organisations, or codes of conduct and ethical norms of business.</p>	<p>Efforts were made to improve and automate review procedures for compliance activities and adaptation of the best international practices of compliance control.</p> <p>The Group's Code of Corporate Ethics, which establishes unified principles for business ethics and conduct, was approved.</p>	<p>Areas for the improvement and automation of review procedures:</p> <ul style="list-style-type: none"> ✓ the Bank has already completed implementation of phase one of a new centralised platform to identify controlled transactions (AML/CFT – anti-money laundering, counter terrorist financing), and will complete implementation within the planned scope by late 2016. ✓ the Bank has centralised post-control of customer transactions (i.e., controlling transactions after they have been made) in the St. Petersburg Compliance Centre and is now focused on enhancing performance; ✓ the Bank is taking a set of measures to introduce a Corporate Code of Ethics based on a compliance-oriented employee behaviour model; ✓ Approaches to information disclosure are being introduced in accordance with Transparency International recommendations.
<p>Legal risk</p> <p>The possibility of suffering financial losses or unplanned expenses or the possibility of reducing projected revenues as a result of:</p> <ul style="list-style-type: none"> ✓ Nonconformity of internal regulations to the requirements of legislation, legal acts, and law enforcement practice ✓ Failure to take into account (ignoring) judicial and law enforcement practice ✓ Imperfection of the legal system ✓ Legal errors committed in the course of business 	<p>The Bank prepares reports on instances of losses (damages) incurred in connection with the realisation of legal risk, the current level of legal risk, the level of legal risk management, and the current status of measures for minimising legal risk.</p> <p>In 2015, after the approval of legal risk management policies in the Group members, the Group members generate and submit legal risk reports to the Bank.</p>	<p>The Bank will continue to build a unified legal risk management system for the banking group.</p>

Risk	2015	2016
<p>Regulatory risk</p> <p>The risk that arises if there is a possibility of enactment of any regulation that regulates an activity, operation, or business of the group and that has adverse financial or other consequences.</p>	<p>The Bank has a Working Group for the improvement of legislative control and creation of a favourable legal environment.</p> <p>In 2015, the Bank worked on forming a consolidated position for key regulatory areas in accordance with the plan of regulatory initiatives.</p>	<p>We plan further improvement of regulatory risk management.</p>
<p>Tax risk</p> <p>The uncertainty as to achievement of business goals as a result of the influence of factors associated with the taxation process that may materialise as financial losses or any other adverse effects.</p>	<p>A multilevel system has been created for tax risk management:</p> <ul style="list-style-type: none"> ✓ Tax support for the business ✓ Implementation of internal control procedures ✓ Identifying and remedying internal sources of tax inefficiency ✓ Ongoing monitoring of tax initiatives. 	<p>The Bank will continue to establish a single tax risk management system for the banking group.</p>
<p>Strategic risk</p> <p>The risk of the Group incurring losses in more than one year's time as a result of errors made when decisions that determine the development strategy were made.</p>	<p>Despite changes in the economic and geopolitical landscape, the key focus areas of development outlined in the 2013–2018 Development Strategy as a priority require no changes.</p> <p>Implementation of the Strategy is supported by the established processes of strategic and business planning and project activities management, as well as the system for managing the performance of executives.</p>	<p>Under the deteriorating economic conditions, Sberbank sees new opportunities for successful implementation of the Strategy through strengthening the technical component of a number of key initiatives and additional sources of efficiency.</p>
<p>Model risk</p> <p>Model risk arises from uncertainty/errors in models (including risk measurement, appraisal of the cost of securities and financial instruments, and liquidity assessment), including the risk of model parameters changing over time.</p>	<p>In 2015, 174 models were validated, of which 23 models needed to be reworked.</p>	<p>Introduction of automated validation of adaptive credit risk models</p> <p>Inclusion of the banking book into the scope of model validation</p> <p>Obtaining approval of the Bank of Russia to use IRB for calculating capital.</p>

Risk	2015	2016
<p>Risk of loss of goodwill</p> <p>The risk of losses that may be incurred by a credit institution as a result of a reduction in the number of its customers (counterparties) following the formation of a negative public opinion regarding the credit institution's financial stability, the quality of its services, or the overall nature of its business.</p>	<p>The bank approved the Code of Corporate Ethics to avoid conflicts of interest between bank employees and clients and counterparties, and between credit institution employees and the bank itself.</p> <p>The bank developed Reputational Risk Management Policy 4094 that was approved and signed by Herman Gref.</p> <p>The Bank ensures prompt settlements upon customers' and counterparties' instructions, payments of deposits and interest on accounts (deposits) and settlements on other transactions.</p> <p>The Bank controls the accuracy of financial statements and other published information made available to shareholders, clients, and counterparties, regulatory and supervisory bodies, and other stakeholders, including for advertising purposes.</p> <p>The Bank is making efforts to improve the training of employees and the level of service provided.</p>	<p>Offering new convenient banking services to corporate and retail customers.</p> <p>Expanding the range of non-banking services.</p> <p>Carrying out comprehensive advertising and information campaigns.</p> <p>Improving the level of service in branches.</p>



For more details on the key risks, see Appendix Risk Management Report.