New launches

On February 1, 2018, the Business Environment platform of knowledge and services for entrepreneurs was launched. This helps to realize the “one-stop shop” principle in the digital space for services to small business (educational, banking and non-banking services, and government services in the digital space). The platform is built on the principle of an aggregator; at the first stage, it will work as a knowledge platform, and is planned to later host services required by entrepreneurs.

With the support of the Ministry of Economic Development, the Federal Tax Service, and the Ministry of Communications, we launched Russia’s first online service for business registration and opening of a settlement account. It is now possible to become a sole proprietor without leaving home. Registration proceeds in five simple steps and takes no more than 30 minutes. As a pilot project, the service will be available from February 15 for entrepreneurs in Kaluga, Tula and Tver Oblasts.

In March 2018 Sberbank launched an applications store for users of cash registers jointly with the largest operator of fiscal data in Russia, the OFD Platform. This service is available from Sberbank Business Online. The OFD store has useful services for retail and catering outlets, enterprises in the services sector and in other business areas where the processing of fiscal data is required. The services on offer include:

- analytical tools (monitoring, control, analysis of sales indicators);
- financial statements (reconciliation with the Federal Tax Service, Z-reports);
- recommended services (recommendations on prices, locations);
- synchronization with the business automation systems and loyalty store programs;
- retail insurance services.

Both professional agencies and also stores and other interested companies may develop and post applications within the framework of open cooperation.

Major clients (CIB)

Sberbank CIB was recognized as the best investment bank on the equity capital market in Central and Eastern Europe, and the best investment bank in Russia according to the rating of Global Finance magazine (The World’s Best Investment Banks 2017).

In 2017 the CIB team carried out a large number of major structured transactions. The number of transactions on the equity capital market (ECM), the ruble and foreign-currency debt capital market (DCM), and also mergers and acquisitions (M&A) rose substantially compared to the previous year. In 2017 Sberbank took part in five of six Russian IPOs on the ECM, including En+ (the largest IPO of a Russian company in the past five years), Polyus, Detsky Mir, Phosagro, and Obuv Rossii.

During the year we held one of the leading positions on the ruble DCM, with a market share of around 25%, taking part in 46 issues (to a total volume of RUB 286 billion). On the foreign-currency DCM the number of eurobond issues involving Sberbank doubled (volume of USD 2.4 billion). The largest projects were placements by

Sberbank CIB was declared best in the category Private Banking according to Forbes, Frank Research Group and Euromoney Private Banking 2017.

Sberbank Investment Research received first place in the category Best Brokerage House in Russia in the prestigious Extel Pan-Europe Survey 2016.

Norilsk Nickel, Rusal, Metalloinvest, Polyus, EuroChem, Phosagro, Petropavlovsk, Sibur, and Industrial Metallurgical Holding. The Bank was also a co-organizer of a placement of sovereign eurobonds to a total of about USD 4 billion.

At the same time, we are working to implement a number of new products and non-financial services for major clients, such as acquiring for developers, syndicated mezzanine financing, cap and floor swaptions for ruble and foreign-currency rates, cybersecurity services, and pilot services on the basis of blockchain technology.

In September 2017 a pilot transaction was carried out on the issue of an international letter of credit in favor of Severstal using blockchain, with the aim of paying for a delivery of rolled metal products to a foreign counterparty. This was the first such transaction in the CIS. The uniqueness of the project lies in the implementation in blockchain of the full cycle of an international letter of credit transaction: from the time of submission of the application for a letter of credit to the provision of the package of documents for the letter of credit and tracking progress in the document review. The technology makes it possible to substantially reduce the implementation time of the transaction and makes it more transparent.

Another important achievement in 2017 was the performance of Russia's first blockchain payment transaction with the participation of the companies Megafon and Alfa-Bank. Whereas using the standard arrangements the performance of the transaction could take up to 30 hours, the use of blockchain technology made it possible to reduce the transaction time to a few minutes.

We implemented a number of organizational changes in 2017 that allowed us to raise the quality of service for our major clients, and we continued to improve our internal processes that affect the speed of service.

In order to improve the CIB management model regional CIB Centers will be created, in which only front office functions on the conclusion of transactions and building client relationships remain. Operational and some product support will be consolidated in several hubs. This will allow to double the time on front-office functions, and increase employee efficiency by 20%.

Within the framework of the pilot project for a new lending process, the amount of time required for lending decisions was reduced for selected industries. By the end of 2017 the pilot project was extended to all industries, and we expect that the project will enable us to achieve a substantial reduction in times needed to make decisions on new disbursements in the following year.

The major client satisfaction index rose by 0.5 points in 2017 over 2016, and equaled 82.5 points. We are proud that our client satisfaction is at the same level as leading global corporate investment banks.

Development of service channels

During 2017 we offered our clients a number of technological innovations allowing them to use more convenient service channels. Among them, the Bank introduced the mobile app Sberbank Investor, offering access to investment consulting and brokerage, as well as other investment products in iOS and Android. The app determines the investor's profile and offers ready-made solutions for beginners and professionals, gives clients the ability to make their own investments in shares and bonds, and has a high level of security with two-factor authentication. More than 1500 clients use the app every day. In December 2017 clients were also given the opportunity to remotely open a brokerage account through a web interface. Clients opened 45 thousand new brokerage accounts during 2017.

The number of clients of the Sberbank FinLine remote banking service system more than doubled in 2017. By the end of the year 225 credit institutions were already using it to make payments, confirm transactions on global markets, and under agreements on cash and transit servicing, and 728 correspondent vostro accounts in Russian rubles, foreign currencies, and precious metals were connected to the system.

As part of the project to implement the Algorithmic Trading Platform, the share of automatically hedged foreign currency transactions rose from 25% at the end of 2016 to 50%. The project makes it possible to manage risk dynamically through the intersection of reciprocal client flows.

For the purpose of developing service channels and increase the convenience of using Sberbank services, access to exchange foreign-currency and interest-rate tools on the forward section of the Moscow Exchange was automated in 2017.

Also in 2017, analysts of the foreign-currency market implemented a pilot project to calculate the profile of the client, which is used to create insights for sales and trading algorithms, and organized mutual offsets of risk positions between voice and electronic trading online. This automation of processes made it possible to free up some traders who were engaged in simple current transactions and direct their efforts to more complex processes of algorithmic management of the trading position.

2017 saw the start of the sale of individual services on geomarketing for retail networks. Such services include calculation of the economic potential of a location for retail outlets, forecast revenues for retail outlets taking into account the surrounding area, and visualization of the most promising outlets on a heat map.

The Sberbank Markets electronic trading platform received a prestigious international award at the London 2017 Financial Innovation Awards in the category of Innovation in the Delivery of Financial Products. Over 2017 more than 1500 clients were connected to the platform.

Operations on global markets

Three key areas – currency instruments, repo and money market operations, and debt instruments – accounted for more than 75% of income in total.

A range of significant transformational projects on global markets operations were implemented including algorithmic trade and automatic access to exchange foreign-currency and interest-rate tools.

The line of brokerage business and electronic trading platform products of Sberbank CIB was substantially expanded for the Group's corporate and retail clients. These efforts were not only aimed at strengthening the position of Sberbank but also helped to a significant degree to develop Russian financial markets. Among the key achievements were:

- We prepared and conducted the placement of the debut issue of federal loan bonds (OFZs) for the public: about 3 thousand employees of the Retail Business unit were trained, bonds were sold worth more than RUB 22 billion, and more than 14 thousand clients were brought in.
- The brokerage business became No. 1 in Russia among brokers, banks, and management companies in terms of the number of individual investment accounts, taking 30% of the market. In total, more than 250 thousand brokerage accounts have been opened with Sberbank.

Sberbank maintains its leading position on the Russian market for repo financing. In 2017 the repo portfolio increased by 37.9% and equaled RUB 1,248 billion.

In 2017 a new entity began its work – SB Commodity Trader (SBCT), created to trade in commodities on the domestic market of Russia. With the help of SB Commodity Trader, Sberbank CIB can expand its line of services for clients in prepay products for sale-purchase transactions for commodity assets, arbitrage transactions, and repo goods transactions using price risk hedging tools.

Trade finance

The volume of our transactions in the area of trade finance and documentary operations for 2017 exceeded USD 36 billion. Settlements with domestic letters of credit were equal to RUB 702 billion, 1.6 times more than the figure for the previous year.

A process for the pre-approval of trade finance operation proposals was developed and implemented. This simplified process makes it possible to promptly consider and implement trade finance using unsecured letters of credit of Sberbank corporate clients.

Pre-approved products that carry with them credit risk, which can be provided on the basis of the SMART LMB transactional model of risk assessment, include trade finance operations using domestic unsecured letters of credit.

Clients continue to show interest in using letters of credit to perform import operations. The volume of import letters of credit issued in 2017 with financing exceeded USD 681 million, which is twice the figure for 2016.

In September 2017 Sberbank obtained the status of authorized bank under the government interest subsidy program for export loans – this allowed us to expand our support for Russian exporters.

We are successfully expanding our business of commodity trade finance through Sberbank (Switzerland) AG. Income in this area rose by 80% over the year. In 2017 Sberbank (Switzerland) AG was provided with its own powers to approve commodity trade finance transactions simultaneously with the creation of a local underwriting department, and has also organized a specialized transaction monitoring process.

Relations with financial institutions

CIB clients include about 1.7 thousand banking and non-banking financial institutions, the majority of which are international financial institutions.

A number of notable transactions were concluded with financial institution clients in 2017, including the Region Group (reverse repo, RUB 200 billion), Vnesheconombank (currency swap, USD 500 million), and Renaissance Insurance (M&A, RUB 18 billion).

Sberbank (Switzerland) AG made the first sale of physical gold on the Shanghai Gold Exchange, the largest exchange in China for precious metals (gold, silver, and platinum). This was another important step in developing the commodities business of the Sberbank Group through Sberbank (Switzerland) AG.

Sberbank has developed and approved a technology for performing operations for legal entities under a bank escrow account agreement, which made it possible to bring to the banking services market a modern settlement and at the same time security instrument.

In order to assist clients in the development of their foreign-trade activity and improve the quality of international settlements as of January 1, 2018 Sberbank (including the regional head offices) had opened 121 nostro correspondent accounts in 61 banks worldwide.

In 2017 14.4 million operations in rubles and foreign currency were performed monthly through the vostro correspondent accounts opened with Sberbank, which is 1.4 times more than the same figure for 2016. Average monthly operations in 2017 were RUB 4.8 trillion higher than the figure for 2016 and reached RUB 21.5 trillion.