



## API Voting Recommendations for Annual General Meeting

Company: Sberbank of Russia (SBER)

Meeting date: May 26, 2017

Record date: May 2, 2017

### Company Overview

Sberbank of Russia established in 1841 is the oldest and biggest Bank in Russia providing services to more than 145.6 million clients in 22 countries.

The Bank's ordinary and preferred shares have been listed on Russian stock exchanges since 1996 (the [SBER](#) ticker). American Depositary Receipts (ADRs) representing the Bank's ordinary shares (1 ADR stands for 4 ordinary shares) are listed on the LSE and the Frankfurt Stock Exchange, admitted to trading on the U.S. OTC market.

Relative weight of Sberbank shares / ADRs in indices Index	Relative weight, %	Security type
MICEX/RTS	15.46	Ordinary and preferred shares
FTSE Russia IOB	23.60	ADR
DAXGlobalRussia	10.23	ADR
MSCI Russia	17.39	Ordinary shares
MSCI Russia 10/40	9.30	Ordinary shares
MSCI Russia ADR/GDR	20.24	ADR

As of January 1, 2017, the authorized capital of Sberbank amounted to RUB 67,761 million, the total number of issued shares is:

- 21,586,948,000 ordinary shares with a face value of 3 rubles;
- 1,000,000,000 preferred shares with a face value of 3 rubles.

The Bank's principal shareholder is the Bank of Russia which owns 50% plus one voting share in the authorized capital of Sberbank. Most of the other shareholders (45.6%) are non-resident legal entities.

Materials prepared for general shareholders meetings (GSMs) are disclosed in the English and Russian languages 30 days prior to the GSM, according to the standards of corporate by-laws. Unlike in previous years, the Bank has disclosed meeting materials for each agenda item separately this year. The materials include a report on non-arm's-length transactions concluded by the Bank in the reporting year. In particular, the Bank effected 25 non-arm's-length transactions in 2016, for a total amount of:

- RUB 454,814.6 million;
- USD 2,104.6 million;
- UAH 4,293.0 million;
- EUR 532.4 million;
- CHF 8.8 thousand.

For all transaction, the Bank provides the name of the counterparty, the list of parties interested in the transactions and the grounds for recognizing the parties as being interested in the transactions, as well as the subject and material terms of the transactions.

### Largest counterparties to transactions

Counterparty name, transaction amount			
Bank of Russia	Novy Urengoy Gas Chemical Complex LLC	Sberbank Europe AG (Austria), Signa International Sports Holding GmbH	SBERBANK PJSC (Ukraine)
RUB 430,000 million	USD 1,760 million	EUR 275 million	UAH 4,293 million
	EUR 240 million		

The meeting materials do not include information on the participants of the open competitive auditor selection, as well as the terms and conditions proposed by them. Nor does the Bank disclose information on shareholders proposing candidates for the Supervisory Board, only referring to a "group of shareholders who own more than 2% of votes." Our recommendation is to disclose such information in materials prepared for shareholders meetings.

No.	AGM agenda item	API recommendation
1.	<a href="#">Approval of the annual report for 2016</a>	<b>FOR</b>
2.	<a href="#">Approval of the annual accounting (financial) statements for 2016</a>	<b>FOR</b>
3.	<a href="#">Distribution of profits and payment of dividends for 2016</a>	<b>FOR</b>
4.	<a href="#">Appointment of an auditing firm</a>	<b>FOR</b>
5.	<a href="#">Election of members of the Supervisory Board</a>	API recommends voting <b>FOR</b> Nadia Wells (independent director)*
6.	<a href="#">Election of members of the Audit Commission</a>	API recommends voting <b>FOR</b> : Natalya Borodina Maria Voloshina Irina Litvinova Tatyana Domanskaya Voting <b>ABSTAINED**</b> is recommended on the other Sberbank employees
7.	<a href="#">Approval of a related-party transaction</a>	<b>FOR</b>
8.	<a href="#">Approval of the new version of the Regulations on the General Meeting of Shareholders</a>	<b>FOR</b>

\* The shareholders have nominated 14 candidates for 14 seats, all the independent directors will be elected to the Supervisory Board of the Bank. The API supports independent director Nadia Wells.

\*\* Most of the proposed candidates are employed by the Bank, only one of them is Sberbank's internal auditor. Given a potential conflict of interests we cannot issue an affirmative voting recommendation in relation to Sberbank employees, except for the representative of the Bank's internal auditor.

### In-depth AGM agenda review:

1 - 2	AGM agenda item	API recommendation
1.	<a href="#">Approval of the annual report for 2016</a>	FOR
2.	<a href="#">Approval of the annual accounting (financial) statements for 2016</a>	FOR

### AGENDA ITEMS 1 AND 2 DETAILS:

Sberbank's annual report for 2016 is prepared taking into account the GRI (Global Reporting Initiative) and ISO26000 standards. Among other things, it includes information on the compliance with the corporate governance principles and the Corporate Governance Code recommended for application by the Bank of Russia. According to the Bank's report, Sberbank complies with 69 recommendations of the Code (68 in 2015), partially complies with 10 (11), with no recommendations the Banks failed to comply with in 2015-2016.

The key recommendations the Bank partially complies with are as follows:

- dividend policy (determining the factors or circumstances of non-payment of dividends);
- appointment of the CEO by the Supervisory Board (currently within the purview of the shareholders meeting);
- disclosure of information on the structure of capital;
- definition of the list of significant corporate actions in the Charter.

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The annual accounting (financial) statements for 2016 were audited by JSC PricewaterhouseCoopers Audit, an independent auditor elected for 2016 and the 1<sup>st</sup> quarter of 2017 at the annual general shareholders meeting on May 27, 2016).

Please see below the key performance results of Sberbank Group according to IFRS:

Item	2015	2016	Change, year-on-year
Operating income before provisions, billion rubles	1,429.8	1,697.5	18.7%
Provision charge for loan portfolio impairments, billion rubles	(473.1)	(342.4)	-27.6%
Operating income, billion rubles	954.6	1,355.1	42.0%
Operating expenses, billion rubles	(623.4)	(677.6)	8.7%
Pre-tax profit, billion rubles	331.2	677.5	104.6%
Net profit, billion rubles	222.9	541.9	143.1%
Profit per ordinary share, rubles	10.36	25.00	141.3%
Return on equity, %	10.2	20.8	10.6 p.p.
Return on assets, %	0.9	2.1	1.2 p.p.

### DRAFT RESOLUTION ON AGENDA ITEMS 1-2:

No. 1: Approve the annual report of Sberbank of Russia for 2016.

No. 2: Approve the annual accounting (financial) statements of Sberbank of Russia for 2016.

3.	AGM agenda item	API recommendation
	<a href="#">Distribution of profits and payment of dividends for 2016</a>	FOR

#### AGENDA ITEM 3 DETAILS:

The source of annual dividends is the Bank's profit after tax (net profit) according to Russian accounting standards (RAS). In the period from January 1 to December 31, 2016, the Bank earned RUB 498.3 billion in Russian GAAP (RAS) net profit, which is 2.3 times higher than in 2015.

In accordance with Sberbank's Regulation on Dividend Policy, the Supervisory Board shall consider, inter alia, the following factors when giving recommendations to the general shareholders meeting on the amount of dividends payable on the Bank's shares:

- the availability and amount of net profit determined under the Bank's consolidated financial statement prepared according to the International Financial Reporting Standards (IFRS) for the relevant period;
- the Bank's capital requirements for business development and implementation of the Bank's Development Strategy with regard to dividend payments to ensure compliance with the current and expected requirements of the applicable laws of the Russian Federation and the Bank of Russia, local regulators in the countries of presence and Basel Committee recommendations;
- balancing the interests of the Bank and its shareholders with due regard for the need to increase investment appeal and to observe shareholders' rights.

The Bank's Regulation on Dividend Policy does not provide for an obligation to aim at paying a certain proportion of Sberbank Group's IFRS net profit or Russian GAAP (RAS) net profit taking into account statutory capital requirements. The dividend policy is determined by the Development Strategy of Sberbank Group until 2018 which normally provides for the payment of at least 20% of the consolidated IFRS profits. The application by the Supervisory Board of benchmarks for profit distribution purposes is not disclosed.

Taking into account the current capital adequacy forecast and changes in external and internal factors affecting capital adequacy, the Bank, in view of the Supervisory Board, can earmark 25% of the net IFRS profit for dividends. In absolute terms, the Bank will pay RUB 135.5 billion in dividends; compared with last year, the dividends are increased by 204.5%.

Besides, the Bank will retain RUB 362.8 billion in profits to ensure capital expenses and for other purposes.

#### DRAFT RESOLUTION ON AGENDA ITEM 3:

Approve the following distribution of Sberbank's net after tax profit earned in 2016 in the amount of RUB 498,289,432,764.72 recommended by Sberbank's Supervisory Board:

- RUB 135,521,688,000.00 to be earmarked for dividends.
- RUB 362,767,744,764.72 to remain within Sberbank's retained profit.

Pay out the 2016 dividends in the amount of RUB 6.00 per ordinary share of Sberbank and RUB 6.00 per preferred share of Sberbank.

The current dividend yield (in relation to the exchange closing price on May 2, 2017) is 3.60% for ordinary shares, 4.67% for preferred shares.

3. Approve June 14, 2017 as the dividend record date, i.e. the date on which the persons entitled to 2016 dividends are determined.

4.	AGM agenda item	API recommendation
	<a href="#">Appointment of an auditing firm</a>	FOR

#### AGENDA ITEM 4 DETAILS:

The Bank annually holds an open tender to select the auditor authorized to audit the Bank. Documents related to the holding of an open auditor selection tender are subject to approval by the Bank's Tender Commission for Procurement of Goods, Work and Services and published on the Bank's official website ([www.sberbank.ru](http://www.sberbank.ru)) and the official procurement portal of the Russian Federation ([www.zakupki.gov.ru](http://www.zakupki.gov.ru)). We recommend that the Bank should provide the exact location (URL) of the pages where tender documents are published or ensure availability of such pages for the shareholders without much browsing. In our view, information on the basic tender parameters (names of bidders, terms and conditions proposed by them, etc.) should be directly included in materials prepared for general shareholders meetings.

In 2017, the winner of the open tender was the audit firm JSC PricewaterhouseCoopers Audit whose tender proposal was deemed the best one.

At the meeting on April 20, 2017, the Supervisory Board considered the item: "Appointment of an auditing firm" and resolved as follows:

- agree to the proposal of Sberbank's Executive Board and the recommendation of the Supervisory Board's Audit Committee and recommend that the shareholders resolve to appoint PricewaterhouseCoopers Audit as Sberbank's auditor for 2017 and the 1<sup>st</sup> quarter of 2018 at their Annual General Meeting;
- set the fee for the audit services of PricewaterhouseCoopers Audit related to auditing Sberbank in 2017 and the 1<sup>st</sup> quarter of 2018 equal to no more than RUB 77,000,000 (including the VAT and overhead costs).

#### DRAFT RESOLUTION ON AGENDA ITEM 4:

Appoint PricewaterhouseCoopers Audit as the auditor of Sberbank for 2017 and the 1<sup>st</sup> quarter of 2018.

5	AGM agenda item	API recommendation
	<a href="#">Election of members of the Supervisory Board</a>	API recommends voting <b>FOR</b> <b>Nadia Wells</b> (independent director)

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#### AGENDA ITEM 5 DETAILS:

The Supervisory Board consists of 14 members. 14 candidates are nominated, 11 of whom are the Bank's current Supervisory Board members.

Just as last year, the API considers it possible to support the candidacy of independent director Nadia Wells. It should be noted that when reviewing corporate governance at the Bank and other major public joint-stock companies (the full version of the report is available at <http://api-russia.org/content/evaluation-corporate-governance-state-owned-russian-public-joint-stock-companies-traded>), the API was unable to meet with any of the Bank's independent directors, which is why we cannot provide our own opinion on the candidates in addition to the publicly available information.

It should be noted that the Bank does not provide information on shareholders proposing candidates for the Supervisory Board, only referring to a "group of shareholders who own more than 2% of votes" in materials prepared for the shareholders meeting. Our recommendation is to disclose such information following recommendations of the Corporate Governance Code, among other things.

The Government of Russia (represented by the Bank of Russia) has nominated only one independent candidate, Vladimir Mau, the other independent candidates being nominated by minority shareholders.

#### DRAFT RESOLUTION ON AGENDA ITEM 5:

Elect the following members to the Supervisory Board:

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Тел./факс +7 495 510-53-06  
[api-russia.org/ru](http://api-russia.org/ru)

127473 Moscow, 1st Schemilovsky per., 17, office 11  
Tel/fax +7 495 510-53-06  
[api-russia.org](http://api-russia.org)

No.	Name	Candidate office / position (at the primary place of employment)	Nominated by	Status
1.	Esko Tapani Aho	Chairman of the Board of Directors, East Office of Finnish Industries	A group of shareholders who own more than 2% of votes	Independent director
2.	Leonid Boguslavskiy	Founder, international investment company ru-Net Limited	A group of shareholders who own more than 2% of votes	Independent director
3.	Martin Grant Gilman	Advisor to the Rector of National Research University Higher School of Economics	A group of shareholders who own more than 2% of votes	Independent director
4.	Herman Gref	CEO, Chairman of the Executive Board of Sberbank	Bank of Russia and a group of shareholders who own more than 2% of votes	Executive director
5.	Nadezhda Ivanova	Advisor to the Chair of the Bank of Russia	Bank of Russia	Non-executive director
6.	Sergey Ignatiev	Advisor to the Chair of the Bank of Russia	Bank of Russia	Non-executive director
7.	Aleksei Kudrin	Dean, Faculty of Liberal Arts and Sciences, Saint Petersburg University	A group of shareholders who own more than 2% of votes	Non-executive director
8.	Georgy Luntovskiy	First Deputy Chair of the Bank of Russia	Bank of Russia	Non-executive director
9.	Vladimir Mau	Rector, Russian Presidential Academy of National Economy and Public Administration (RANEPA)	Bank of Russia	Independent director
10.	Gennady Melikyan	Honored Economist of the Russian Federation	A group of shareholders who own more than 2% of votes	Independent director
11.	Maksim Oreshkin	Minister of Economic Development of the Russian Federation	Bank of Russia	Non-executive director
12.	Olga Skorobogatova	Deputy Chair of the Bank of Russia	Bank of Russia	Non-executive director
13.	Nadia Wells*	Independent investment and corporate governance consultant	A group of shareholders who own more than 2% of votes	Independent director
14.	Sergei Shvetsov	First Deputy Chair of the Bank of Russia	Bank of Russia	Non-executive director

Members of the Bank's Supervisory Board are elected by cumulative voting.

\* The API supports this candidate at the AGM.

Details on the API liaison with independent directors are provided on the official API website at:

<http://api-russia.org>.

6.	AGM agenda item	API recommendation
	<a href="#">Election of members of the Audit Commission</a>	API recommends voting FOR: 1) Natalya Borodina 2) Maria Voloshina 3) Irina Litvinova 4) Tatyana Domanskaya Voting <b>ABSTAINED**</b> is recommended on

the other Sberbank employees

#### AGENDA ITEM 6 DETAILS:

The number of candidates nominated to the Audit Commission (seven) is equal to the number of Audit Commission members provided for by the Charter. It should be noted that most of the Audit Committee members are employed by the Bank and only one of them represents the Bank's internal auditor. This approach, in our view, poses a potential conflict of interest as the auditor is employed by the audited entity. Therefore, we cannot recommend voting for such candidates.

No.	Name	Candidate office / position (at the primary place of employment)
1.	Natalya Borodina	Deputy Director, Internal Auditing Department, Bank of Russia
2.	Maria Voloshina	Head of the Division for Development of Industry Standards for Accounting and Preparation of Accounting (Financial) Statements for Credit Institutions and Non-Credit Financial Institutions, Department of Accounting and Reporting, Bank of Russia
3.	Irina Litvinova	Deputy Director, Internal Auditing Department, Bank of Russia
4.	Tatyana Domanskaya	Executive Director, Head of Interaction with External Control Bodies Section, Internal Audit Division, Sberbank
5.	Yulia Isakhanova	Senior Managing Director, Head of the Financial Control Division, Finance Department, Sberbank
6.	Alexei Minenko	Managing Director, Deputy Chief Accountant – Deputy Director of the Accounting and Reporting Division, Sberbank
7.	Natalya Revina	Senior Managing Director, Director of the Integrated Risk Management Department, Sberbank

Audit Commission Members are elected by a simple majority of votes.

#### DRAFT RESOLUTION ON AGENDA ITEM 6:

Elect the following Audit Commission members:

1. Natalya Borodina
2. Maria Voloshina
3. Irina Litvinova
4. Tatyana Domanskaya
5. Yulia Isakhanova
6. Alexei Minenko
7. Natalya Revina

7.	AGM agenda item	API recommendation
	<a href="#">Approval of a related-party transaction</a>	<b>FOR</b>

#### AGENDA ITEM 7 DETAILS:

The Insurance Agreement proposed for conclusion contemplates liability insurance related to damages and costs incurred for the protection of the insured (members of the Supervisory Board and officers of the Bank and companies operating as part of the Bank's Group) in the case of any claim related to the exercise of their powers.

The insurance company, transaction price (insurance premium) and other material terms and conditions were determined by an open tender held by the Bank. In accordance with Articles 81 and 83 of Federal Law 208-FZ "On Joint-Stock Companies" dated December 26, 1995, the Insurance Agreement qualifies as a related-party transaction.

The CEO, Chairman and members of the Executive Board and members of the Supervisory Board of the Bank are insured under the transaction and recognized as the parties interested in the transaction. Consent to the conclusion of the Insurance Agreement shall be given by a resolution of the Bank's general shareholders meeting on the proposal of the Supervisory Board.

At the meeting on April 20, 2017, the Supervisory Board considered the terms of concluding the insurance agreement and recommended that the Bank's shareholders give consent to this related-party transaction at their Annual General Meeting.

#### DRAFT RESOLUTION ON AGENDA ITEM 7:

Pursuant to clause 1 of Article 81, clauses 3.1 and 4 of Article 83 of Federal Law 208-FZ "On Joint-Stock Companies" dated December 26, 1995, pass a resolution to give consent to the following related party transaction:

Insurance Agreement (the Policy):

Parties to the transaction: Sberbank of Russia (Sberbank) is the Policyholder, SOGAZ INSURANCE (Gas Industry Insurance Company, Joint-Stock Company) is the Insurer.

Subject matter of the transaction: The Insurer undertakes to pay the insurance compensation under the Policy to (as the case may be) the relevant Insured and/or any third party entitled to such compensation should any of the insured events listed in the Policy occur.

Insured:

- 1) any Company (the Policyholder and/or any Subsidiary of the Policyholder)

and/or

- 2) any Insured Person: any individual who (a) at any time prior to the Policy period was, and/or (b) at the Inception date, is, and/or (c) at any time during the Policy Period, will become:

- a) a Director (a member of the Supervisory Board or the Board of Directors) / Officer (including the sole executive body, a deputy of the sole executive body, a member of the collective executive body, a senior vice-president, a vice-president, the chief accountant, etc.)/ another Company Employee referred to in the Policy; and/or

- b) any other person referred to in the Policy.

Beneficiaries: with reference to covering Companies and Insured Persons' liability for financial losses incurred by third parties, third parties incurring such financial losses; with reference to covering any costs and expenses incurred by Companies and Insured persons, the Insured Companies and persons.

Insured Interest:

Cover A: material interests of the Insured Person related to (1) the obligation to indemnify a financial loss sustained by a third party in relation to a legal claim; (2) the incurrance of and/or the necessity to incur any costs associated with a legal claim.

Cover B: material interests of any Company related to indemnification by such Company of any losses associated with a legal claim filed against an Insured Person.

Cover C: material interests of any Company related to (1) the obligation to indemnify financial losses sustained by a third party in relation to a securities claim; (2) the incurrance of and/or the necessity to incur any costs associated with a securities claim.

#### Insured events:

Cover A: (1) the occurrence of all of the following circumstances: the incurrance by any Insured Person of the



obligation to indemnify financial losses sustained by third parties through a wrongful act of that Insured Party and the filing of a legal claim related to such losses against that Insured Person; (2) the filing of a legal claim against an Insured Person that may result in any expenses for that Insured Party or the necessity to incur such expenses in relation to that claim.

Cover B: any costs / expenses for the Company exclusively in relation to the indemnification by that Company of losses to any Insured Person and/or another party in the interest of any Insured Party in connection with any claim against any Insured Person and/or the liability of any Insured Person for any financial loss sustained by third parties.

Cover C: (1) the occurrence of all of the following circumstances: the obligation of any Company to indemnify any financial loss incurred by any third parties in connection with any wrongful act of the Company, and any securities claim filed against such Company in connection with such financial loss; (2) any securities claim filed against any Company which may entail any expenses or the necessity for the Company to incur such expenses in connection with such a securities claim.

Transaction value: the premium shall equal RUB 36,600,000 (Thirty six million six hundred thousand rubles).

Insurance limit: RUB 4,600,000,000 (four billion six hundred million rubles) in aggregate for all insurance coverage and extensions other than the Independent Director extension.

Additional independent director insurance limit: RUB 30,000,000 (thirty million rubles).

Aggregate additional insurance limit for independent directors: RUB 150,000,000 (one hundred and fifty million rubles).

Deductible (for each insured event):

Cover A: not applicable.

Cover B: RUB 1,500,000 (one million five hundred thousand) (for claims attributable to the SPO of the Bank); RUB 500,000 (five hundred thousand rubles) (for all other claims).

Cover C: RUB 7,500,000 (seven million five hundred thousand) (for claims attributable to the SPO of the Bank); RUB 3,000,000 (three million rubles) (for all other claims).

Discovery period at no additional premium: sixty (60) calendar days.

Policy period / Insurance period: July 1, 2017 – June 30, 2018.

Insurance territory: worldwide.

Other material terms: consistent with the Policy.

Parties interested in the transaction and the ground(s) for recognizing them as such:

- members of the Executive Board;
- the sole executive body;
- members of the Supervisory Board of the Bank.

The persons referred to above are the insured persons under the Policy.

8.	AGM agenda item	API recommendation
	<a href="#">Approval of the new version of the Regulations on the General Meeting of Shareholders</a>	<b>FOR</b>

**AGENDA ITEM 8 DETAILS:**

The new version of the document aims at bringing its provisions in compliance with the Company's Charter, the legal innovations taking effect recently (including the procedure for exercising rights by shareholders whose rights to securities are recorded by nominal holders, provisions for the possibility of remote participation in the general shareholders' meeting, filling in of ballot papers electronically on the website and other innovations), as well as recommendations of the 2014 Corporate Governance Code.

At the AGM in 2017, the Company proposed that shareholders vote electronically via the Internet. The API intends to take this option with the aim of evaluating the electronic voting process.

**DRAFT RESOLUTION ON AGENDA ITEM 8:**

Approve the new version of the Regulations on the General Meeting of Shareholders.

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The AGM Voting Recommendations are based, among other things, on the Annual General Meeting reference materials published on the website of Sberbank of Russia. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: [polovnev@api-russia.org](mailto:polovnev@api-russia.org).