Pillar 3 Disclosures

Sberbank CIB (UK) Limited

31st December 2017

The Pillar 3 disclosures have been reviewed and were approved by the Board in September 2018

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1. General Information

The Capital Requirements Directive ('the Directive') of the European Union establishes a regulatory capital framework across Europe, governing the amount and nature of capital to be held by credit institutions and investment firms. The Capital Requirements Directive IV ("CRDIV"), which came into effect on 1 January 2014, was implemented in the UK through Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR), Part Eight, Disclosure by Institutions. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA').

The CRD focuses on ensuring that financial resources held by banks and certain financial services firms are adequate in relation to their business model, risk profile and control framework.
The CRD framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its statutory Pillar 1 capital is adequate given the risks it faces and is subject to annual review by the FCA via the ICAAP;
- Pillar 3 requires disclosure of specific information about the underlying risk management controls and capital position of the firm.

CRR articles 431 to 455 set out the provisions for Pillar 3 disclosures. This document is designed to meet the firm's Pillar 3 obligations.

Sberbank CIB (UK) Limited is permitted to omit certain disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, it may omit certain disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine the firm's competitive position. Information is considered to be confidential where there are obligations binding the firm to confidentiality with its customers, suppliers and counterparties.

2. Scope and application of the requirements

Sberbank CIB (UK) Limited ("CIB UK", "the Firm" or "the Company") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as an IFPRU €730K Full Scope Firm by the FCA.

CIB UK is 100% owned by SB Finance Holding LLC and the ultimate parent is Sberbank of Russia. CIB UK is not part of a UK consolidation group and this disclosure has been made on a solo basis.

This document is reviewed and approved by the CIB UK Audit, Risk & Compliance Committee and is designed to ensure that the disclosures convey the Firm's risk profile comprehensively to market participants as required by the CRR article 431.

As an international operation of a major Russian financial institution, the Company's principal activity is to support Sberbank's operation in Europe by providing brokerage services in Equity and Fixed Income-related products, concentrating predominantly on Russian and CIS markets. Given the relatively small size and the low level of complexity of CIB UK's structure, the Company operates a deliberately straightforward business model.

CIB UK has not been identified as G-SII in accordance with article 131 of Directive 2013/36/EU and therefore article 441 of the CRR does not apply.

All disclosures within this document are made in GBP.

3. Frequency of Disclosures

According to Part Eight of the CRR, the Pillar III disclosures of information shall be published on an annual basis at a minimum and in conjunction with the date of publication of the Company's audited financial statements. The disclosures may be updated more frequently than annually where material changes occur to the business model as required by CRR article 433.

4. Risk Framework

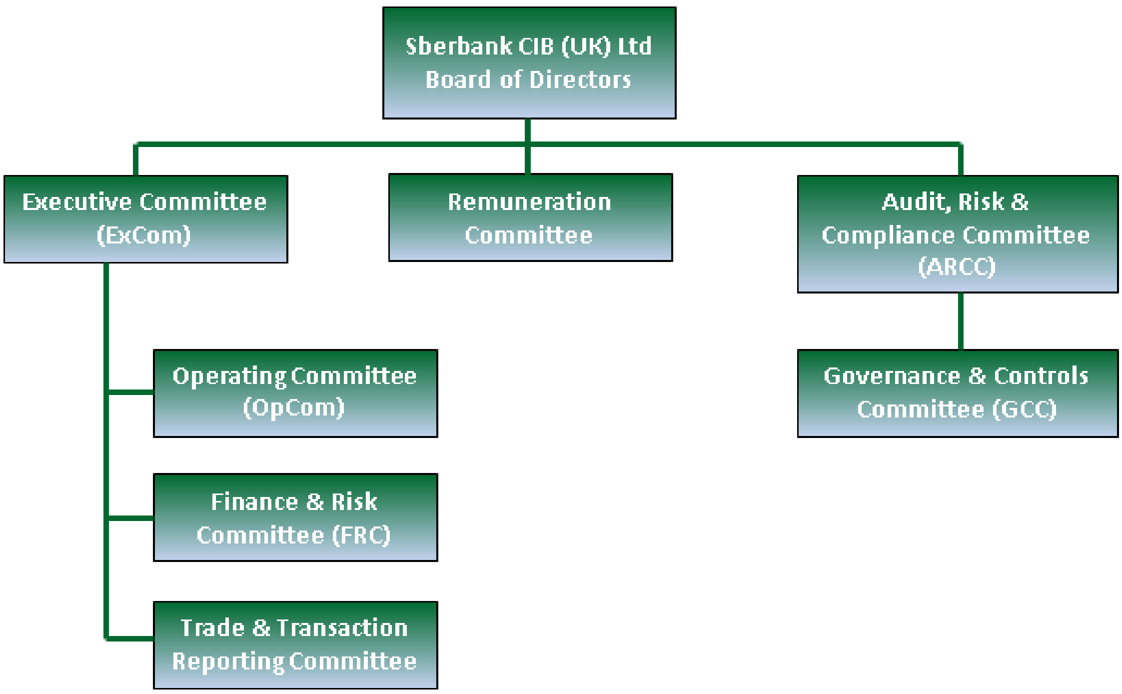
4.1 Governance Structure

The Firm is governed by its Board of Directors (the "Board"), who will determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Board also determine how the risks our business faces may be mitigated and assess on an on-going basis the arrangements to manage those risks. The Board meet on a quarterly basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Board manage the Firm's risks though a framework of committees, policies and procedures, having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim of operating a defined and transparent risk management framework.

CIB UK, being integrated within the risk management structure of the ultimate parent company, has a comprehensive and proactive risk management approach that combines the experience and specialised knowledge of risk professionals and the corporate oversight functions. CIB UK's approach is designed to promote a strong risk management culture and alignment with its strategic objectives.
Overall, CIB UK senior management and the Board are comfortable that the risk management framework and oversight functions governing CIB UK are operating effectively and are commensurate with the scope and complexity of the Company's operations.

Below is an overview of the CIB UK governance structure:



4.2 Roles & Responsibilities

The CIB UK Risk Framework operates under the Three Lines of Defence model.

First line of defence is Front Office staff and Line Management, who have direct responsibility for risk decisions.

The second line of defence is the support functions (i.e. Compliance, Risk, Legal, Finance, Operations, Tax, etc.) who will provide oversight and advice, and challenge risk decisions from the first line of defence.

The third line of defence is Internal Audit, which provides the required independent assurance to Senior Management that risks are recognised, monitored and managed within acceptable risk parameters.

4.3 Risk Identification, Measurement, Monitoring & Reporting

Business functions are responsible for identifying the most material risks faced by the business area under their oversight. Methods adopted in order to identify these risks include analysis of:

- internal or external past incidents;
- the ICAAP preparation, review and challenge process;
- the internal and external audit processes;
- the Risk and Controls Self Assessments

All identified risks are included and categorised in the Firm's Risk Register and mitigations are developed where risks are outside agreed tolerance levels.

Any new business initiative is reviewed by the CIB UK Executive Committee ("ExCom") and by the Sberbank Global Markets New products Working Group before presentation to the Board of Directors for further approval if appropriate.

Risk Reporting is produced by UK Risk Management on a daily basis and circulated to CIB UK senior management, relevant Global business heads and Moscow Group Risk.

There is a standing agenda item for Risk Management issues at each of the following meetings:

- The ARCC, at least quarterly, receives various Risk and Finance documentation summarising the utilisation of various risk limits.
- ExCom and FRC receive a detailed MIS pack for review on a monthly basis containing a Risk Management Summary together with various supporting schedules.
- The GCC reviews a full set of KRIs with appropriate escalation thresholds and also reviews Risk Register items, Risk events, and will make escalations to ARCC or Board level as appropriate.

Further details on the management of specific risk types within CIB UK are contained within section 7 – Risk Exposure Overview.

CIB UK also participates within the overall Risk Framework of the Sberbank Group and receives various services under outsourcing arrangements from Sberbank Group Risk Management. Services received in this way include the provision of risk methodologies and risk monitoring systems including the associated technical support.

4.4 Additional information regarding governance arrangements

Other Directorships - the Shareholder and CIB UK consider, amongst other things, whether a potential director is able to devote the requisite time and attention to the Firm's affairs, prior to the Board's approval of the individual's appointment. In addition to their respective positions on the Firm's Board (as at 19/02/18):

- **Mr Botha holds 4 non-executive directorships**
- **Mr Pearson holds 1 non-executive directorships**
- **Mr Mazo holds 1 non-executive directorship (appointed 23rd March 2017)**

Recruitment Policy - the members of the Board of Directors are appointed by the immediate Shareholder of the Company. Before the appointment of a member of the Board, the Company evaluates and selects the candidates ensuring they have the specialised skills and knowledge to enhance the collective knowledge of the Board as well as able to commit the necessary time and effort to fulfil their responsibilities. The Board shall collectively possess adequate knowledge, skills and experience to be able to understand the Company's activities, including its principal risks.

Factors considered by the Shareholder in its review of candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subjects;
- Integrity, honesty and the ability to generate public confidence;
- Proven sound business judgment;
- Knowledge of financial matters including understanding of financial statements and financial ratios;
- Knowledge of and experience with financial institutions;
- Risk management experience;
- The competencies and skills that the Board considers each existing director to possess.

Diversity Policy - the Company and the Shareholder recognise the benefits of having a diverse Board, which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences is considered when determining the optimum composition of the Board without jeopardising the best interests of the Company.

5. Capital Resources

Capital Resources as at 31st December 2017.

The Firm is a Limited Company and its capital arrangements are established in its Articles. Capital is solely Tier 1 capital and is summarised as follows:

Regulatory Own Funds as at 31.12.17

	Fiscal Year	
	2017	**2016**
Paid up capital instruments	34,262,570	24,762,570
Share premium	17,795,250	17,795,250
Retained earnings	(39,379,779)	(31,175,060)
Total Equity - as per audited financial statements	**12,678,041**	**11,382,760**
(-) Other intangible assets	(188,093)	(31,056)
COMMON EQUITY TIER 1 CAPITAL	**12,489,948**	**12,686,479**
TIER 1 CAPITAL	**12,489,948**	**12,686,479**
TIER 2 CAPITAL	**0**	**0**
OWN FUNDS	**12,489,948**	**12,686,479**

6. Capital Adequacy

Pillar 1

CIB UK calculates Pillar 1 capital requirements in accordance with the regulatory capital requirements of the Directive. Pillar 1 is the calculation of the minimum capital resources that CIB UK must hold.

As at 31st December 2017 the Firm's Pillar 1 capital requirement was as follows:

Pillar 1 Capital Requirements Summary

	Fiscal Year	
	2017	**2016**
Market Risk Equity Positions Risk Requirement	0	3
Market Risk Foreign Exchange Requirement	200,988	92,775
Credit Risk	847,067	695,734
Operational Risk	1,668,984	2,486,213
Pillar 1 Total	**2,717,039**	**3,647,944**

Pillar 2

In order to meet the requirements of CRD IV, CIB UK is obliged to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, in both amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. CIB UK is following the 'Pillar 1 plus' approach. Therefore, the decision as to whether any extra capital is required under Pillar 2 depends firstly on the existence of any non-Pillar 1 risk and also on whether the Pillar 1 capital allocation itself is considered sufficient under the scenario and stress testing analysis as described in the Internal Capital Adequacy Assessment Process.

The firm undertakes the Internal Capital Adequacy Assessment Process at least annually and more frequently if required and it is approved by the Board. The ICAAP demonstrates and documents compliance with the rules stated above.

The ICAAP involves separate consideration of risks to the Firm's capital as well as stress testing and scenario analysis and has identified that market, credit, operational and business risks that could lead to the orderly wind down of the firm are the main areas of risk to which the Firm is exposed. Annually the Board, through its delegated committees, formally review the Firm's risks, controls and other risk mitigation arrangements and assess their effectiveness. Where material risks are identified, the financial impact of these risks is considered as part of the business planning and capital management process and a conclusion will be drawn as to whether the amount of regulatory capital remains adequate.

7. Risk Exposure Overview

The various risk exposures against which CIB UK must hold capital are broken down into the following types in accordance with regulatory rules:

7.1 Credit Risk

Credit risk is the risk that a counterpart to a financial obligation will default on repayments linked to that obligation. Counterparty risk is the risk that the counterparty to a trade or trades could default before the final settlement of the transaction's cash flows. An economic loss would occur if the contract (or portfolio of contracts) with the counterparty has a positive economic value at the time of default.

Main sources of credit risk for CIB UK:

- **(i)** **Pre-settlement risk** - defined as the risk of counterparty default prior to commencement of the settlement cycle. Typically the cost of replacing the contract at today's prices. Over 99% of the Firm's trading volumes are subject to pre-settlement risk.
- **(ii)** **Settlement Risk** - arises from the non-simultaneous movement of cash and/or assets such as equities or fixed income securities. It is the risk that the counterparty does not deliver an asset or its contractual value in cash to CIB UK after CIB UK has already delivered the cash value or the asset to the counterparty according to the specific trade agreement.
- **(iii)** **Placement risk** – credit risk exposure generated from counterparties with whom CIB UK places funds or collateral.
- **(iv)** **Fees and Payments** – some credit risk arises from the possibility that commissions, fees or other payments due are not received when expected or the counterparty fails to pay at all. Given the nature of the CIB UK client base, which is non-retail, this is considered a low level risk.

CIB UK conducts its business with a simple operational infrastructure and has adopted the standardised approach as per IFPRU 4.2 & Chapter 2 of Part Three, Title II of the CRR.

The Pillar 1 Requirements under credit risk, according to the classifications defined in article 112 of the CRR, at 31st December 2017 were as follows:

Credit Risk - Pillar 1 Capital Requirements Summary

	Fiscal Year 2017		Fiscal Year 2016	
	Risk Weighted Asset	Risk Requirement	Risk Weighted Asset	Risk Requirement
Institutions	3,495,296	279,624	2,404,568	192,365
Corporates	5,049,437	403,955	3,876,078	310,086
Other items	2,043,605	163,488	2,416,033	193,283
Pillar 1 Total	**10,588,338**	**847,067**	**8,696,679**	**695,734**

Credit Risk Exposure Classes

		Fiscal Year 2017		Fiscal Year 2016	
Exposure Class	Risk Weight	Original Exposure	Risk Weighted Exposure Amount	Original Exposure	Risk Weighted Exposure Amount
Central Gvmts/Banks	0%	307,674	0	612,989	0
Institutions	20%	13,701,032	2,740,206	9,804,146	1,960,829
Institutions	50%	0	0	0	0
Institutions	100%	755,089	755,089	443,739	443,739
Corporates	100%	5,049,437	5,049,437	3,876,078	3,876,078
Other	100%	2,043,605	2,043,605	2,416,033	2,416,033

Geographical Distribution of Risk Weighted Exposure Amounts

		Fiscal Year 2017 – Risk Weighted Exposure Amount			Fiscal Year 2016 – Risk Weighted Exposure Amount		
Exposure Class	Risk Weight	EMEA	APAC	North America	EMEA	APAC	North America
Central Gvmts/Banks	0%	0	0	0	0	0	0
Institutions	20%	2,740,206	0	0	1,960,805	24	0
Institutions	50%	0	0	0	0	0	0
Institutions	100%	755,089	0	0	443,739	0	0
Corporates	100%	5,049,437	0	0	3,876,078	0	0
Other	100%	2,043,605	0	0	2,416,033	0	0

Credit Risk Exposure Classes by Residual Maturity							
		Fiscal Year 2017			Fiscal Year 2016		
		Risk Weighted Exposure Amount			Risk Weighted Exposure Amount		
Exposure Class	Risk Weight	Less than 3 months	3 months to 1 year	Over 1 year	Less than 3 months	3 months to 1 year	Over 1 year
Central Gvmts/Banks	0%						
Institutions	20%	2,740,206			1,960,829		
Institutions	50%						
Institutions	100%	755,089			443,739		
Corporates	100%	2,991,181	866,115	1,192,141	2,295,965	414,056	1,166,057
Other	100%			2,043,605			2,416,033

In terms of Counterparty Credit Risk, CIB UK was required under Pillar 1 to hold £876 capital against failed Delivery Versus Payment ("DVP") trades.

Counterparty Credit exposures are calculated using a Mark-to-Market method which comprises the current replacement cost and potential future credit exposure. Limits are first approved at the Sberbank Global Markets level before being considered for local legal entity approval as presrcribed by the CIB UK Credit Risk Policy. The CIB UK Board has delegated the authority (subject to specific limitations) to allocate counterparty credit limits to the UK FRC.

CIB UK did not utilise credit mitigation techniques in 2017 and therefore article 453 of the CRR is not applicable. CIB UK has no material exposure to wrong way risk. The firm does not engage in any trading of derivatives instruments as defined in Annex II of the CRR.

Exposures to third party counterparty groups and intercompany exposures are monitored against regulatory large exposures limits. A concentration risk capital charge is applied to exposures which exceed the regulatory limits. It was not necessary to apply a concentration risk capital charge at any point during 2017.

7.1.1. Use of External Credit Assessment Institutions ("ECAIs")

To calculate risk-weighted exposure amounts, risk weights shall be applied to all exposures, unless deducted from own funds, in accordance with the provisions of Sections 1 and 2, Chapter 2, Title II, Part Three of the CRR.

The application of risk weights shall be based on the exposure class to which the exposure is assigned and its credit quality. Credit quality may be determined by reference to the credit assessments of External Credit Assessment Institutions ("ECAIs") or the credit assessments of Export Credit Agencies in accordance with Section 3 of the CRR.

For the purposes of applying a risk weight, the exposure value shall be multiplied by the risk weight specified or determined in accordance with Section 2.

The Company has adopted the Standardised Approach for the calculation of the capital requirements against Credit Risk and Counterparty Credit Risk. The Company uses credit assessments of the following ECAIs:

- Fitch Ratings
- Standard & Poor's Rating Services
- Moody's Investors Service

The Company follows the standard mapping of each credit assessment of the eligible ECAIs into the credit quality steps as prescribed by the CRR. Where a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure belongs, this credit assessment is used to determine the risk weight to be assigned to that item.

Where no directly applicable credit assessment exists for a certain item, but a credit assessment exists for a specific issuing programme or a general credit assessment exists for the issuer, then that credit assessment is used. In all other cases, the exposure is treated as unrated.

7.1.2. Impairment and past due

Impairment losses are recognised as profit or loss in the statement of comprehensive income when incurred as a result of one or more events ("loss events") that occurred after the financial asset's initial recognition and which have an impact on the amount or timing of the financial asset's estimated future cash flows that can be reliably estimated.

Impairment losses are recognised as the difference between the book value of the asset(s) and the asset's carrying amount, being equal to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from default, less any costs incurred in obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting through profit or loss.

Uncollectable assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

No provision for impairment of financial assets was required in 2017 (2016: Nil).

7.2 Market Risk

Market risk appetite is set by the CIB UK Board. Market risk exposures are monitored and checked for adherence to limits at least daily. Any breaches are escalated promptly to senior management according to criteria outlined in the Firm's risk appetite. CIB UK principally acts as agent and in general will seek to avoid market risk.

Principal sources of Market Risk relate to foreign exchange rate risk and position risk on equity positions. CIB UK utilises the standardised approaches to calculate capital requirements for each of these risks as defined in the CRR. CIB UK has no market risk exposure in commodities or traded debt instruments.

Market Risk - Pillar 1 Capital Requirements Summary

	Fiscal Year 2017		Fiscal Year 2016	
	Risk Weighted Asset	Risk Requirement	Risk Weighted Asset	Risk Requirement
Equity	0	0	41	3
Foreign Exchange	2,512,350	200,988	1,159,686	92,775
Pillar 1 Total	**2,512,350**	**200,988**	**1,159,727**	**92,778**

Market Risk - Capital Requirements for Position Risk in Equities

	Fiscal Year 2017		Fiscal Year 2016	
	Risk Weighted Asset	Risk Requirement	Risk Weighted Asset	Risk Requirement
General Risk	0	0	20	2
Specific Risk	0	0	20	2
Total	**0**	**0**	**40**	**3**

7.2.1. Equity Position Risk

CIB UK may take risk positions in cash equities, although there were no holdings at 31st December 2017. The sum of the absolute values of all the Firm's net long positions and all its net short positions is its overall gross position. The Firm calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position. In accordance with Section 3, Chapter 2, Title IV, Part Three of the CRR, the Company multiplies its overall gross position by 8% in order to calculate its own funds requirement against specific risk. The own funds requirement against general risk is the Company's overall net position multiplied by 8%.

7.2.2. Foreign Exchange Risk

CIB UK is exposed to some foreign exchange rate risk in non-reporting currencies, which is monitored daily according to internal limits. The position risk requirement relating to foreign exchange is shown in the table in 7.2 above.

7.2.3. Interest Rate Risk

CIB UK is not materially exposed to interest rate risk in the trading book and holds no debt instruments on its balance sheet.

In the non-trading book the only exposure CIB UK has to direct interest rate risk is through short-term bank deposits with a maturity of 1 month or less. Interest receivable forms a very small part of CIB UK's overall revenue and is not considered to be material. Since the Company has no interest-bearing external borrowing, the overall effect of a 200 basis-point interest rate change would be negligible.

7.3 Operational Risk

The main operational risks faced by CIB UK are in its people, systems and geographic location.

Within Sberbank, it is the responsibility of business functions to identify the most material risks faced by the business area under their oversight. Methods adopted in order to identify these risks include analysis of:

- internal or external past incidents;
- the ICAAP preparation, review and challenge process
- the internal and external audit processes;
- the Risk and Controls Self Assessments

All identified risks are included and categorised in the Firm's Risk Register and mitigations are assessed for effectiveness and to consider if further mitigating controls are necessary. Where residual risks are outside of defined tolerance levels they are escalated through the GCC and ARCC to determine if the risk should be accepted or further mitigating controls developed.

Key Risk Indicators are utilised to monitor risks and provide warning of emerging risks. Operational risk events are subject to root cause analysis and appropriate remediation steps to reduce the probability of similar future events. Consideration of external events is also part of the Group Risk & Control Self-Assessment process. New products are assessed to determine if they change the Firm's risk profile. Operational risk reporting is provided on a regular basis to the GCC, ARCC and Board.

The firm is subject to the Operational Risk Requirements as set out in the CRR and has adopted the Basic Indicator Approach as defined in article 315 of the CRR in order to calculate Pillar 1 operational risk requirements. The Operational Risk requirement as at 31st December 2017 was £1,668,984 (2016: 2,486,213) based on a Total Risk Exposure Amount of £20,862,296 (2015: £31,077,661).

7.4 Business Risk

The firm is concentrated in the sector of Russian and CIS securities and geographically in Russia, so is exposed to any potential downturn in the Russian markets, or changes in the Russian regulatory system. Geopolitical events and the ongoing impact of US and EU sanctions have had a significant impact on the Company's trading volumes, particularly over the 2014 to 2016 period. This risk is a key determinant in the calculation of the Firm's Pillar 2 requirement assessed within the ICAAP.

7.5 Liquidity Risk

The management of CIB UK's non-trading liquid assets entails holding the majority of its liquid assets in highly marketable short term (usually 1 month or less) deposits with highly-rated banks. As such, there are always a large proportion of its non-trading assets available to service any liabilities as they fall due. CIB UK is an ILAS BIPRU firm.

CIB UK actively manages liquidity risk through a robust systems and controls framework and is subject to the Individual Liquidity Adequacy Assessment process.

8. Capital Buffers

CIB UK meets the definition of a "micro, small and medium sized enterprise", as defined in accordance with the European Commission Recommendation 2003/361/EC and is therefore currently exempt from the IFPRU 10 rules relating to Capital Buffers.

9. Leverage

In accordance with Part Seven of the CRR, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposure measure and is expressed as a percentage.

The capital measure is Tier 1 capital. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted when determining the capital measure.

The CRD IV framework requires leverage ratio reporting and CIB UK ensures the leverage ratio is maintained above 3%.

The FCA requires investment firms to report information on their leverage ratio on a quarterly basis as an end-of-quarter leverage ratio.

As at 31st December 2017, the leverage ratio of CIB UK was equal to 66% using a fully phased-in definition of Tier 1 capital, which is comfortably above the prospective 3% limit. The Company reports the leverage ratio in quarterly COREP returns and assesses the risk of excessive leverage while maintaining sufficient return on regulatory capital. If necessary, appropriate action would be taken to manage the balance sheet such that the ratio would be within limits as required.

Leverage Ratio Calculation

	2017	**2016**
Exposure Values	**Leverage Ratio Exposure: Month 3 Value**	**Leverage Ratio Exposure: Month 3 Value**
Other assets	21,856,837	17,152,985
Capital & Regulatory Adjustments		
Tier 1 capital - fully phased-in definition	12,087,147	11,351,704
Regulatory adjustments - Tier 1 - fully phased-in definition; of which	(188,093)	(31,056)
Leverage Ratio		
Leverage Ratio - using a fully phased-in definition of Tier 1	54%	66%

10. Remuneration

10.1 Regulatory Framework

The company's remuneration strategy incorporates the provisions of:

- Regulation 575/2013 of the European Parliament and of the Council
- MiFID II (2014/56/EU; supplementary regulation of 25.4.2016)
- FCA Remuneration Code (SYSC 19A.2.1.R)

Whilst Sberbank CIB (UK) Limited applies many of the PRA Remuneration Code's principles on a company-wide basis, this disclosure specifically relates to remuneration policy and approach as applied to the five individuals identified as "Remuneration Code" staff as defined by the Code. These are the Chief Executive Officer, the Chief Compliance Officer, the Chief Finance Officer and the Senior Analyst, Illiquid Assets.

10.2 Remuneration Policy

The Company has developed a remuneration policy and strategy, which is consistent with and promotes the business strategy, objectives and corporate values of Sberbank of Russia Group (the 'Group'). It is designed also to promote prudent risk management and avoid excessive risk taking, in the long-term interest of the Company, by attracting, retaining and motivating the key talent needed to achieve such an outcome. Additionally, the Company looks to ensure that its remuneration practices never conflict with its duty to act in the best interests of its clients.

Paragraph 20 (2) and 21 of the Directive 144-2014-14 "Prudential supervision of investments", ("the Directive"), Article 450 paragraph 2 of Regulation 575/2013 ("the Regulation") and Circulars 31, 138 and 145 set out rules and associated guidance which deal not only with the structure of remuneration, but also with its governance and the methods of performance measurement used to determine performance-related variable remuneration.

Both the Directive and the Regulation (which are legally binding on the Company) have at their core a general requirement that "Institutions shall comply with the requirements set out in Article 450 in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities".

The Company has considered its size, internal organisation and the nature, scope and complexity of its activities in establishing and applying the Policy. In more detail:

a) The Company considers its size and internal organization to be small (less than 50 employees for the last five years).

b) The Company is an FCA-authorised UK riskless principal broker-dealer specialising in the sale and trading of Russian and CIS securities to UK and EMEA institutional investors. The vast majority of business undertaken by the Company is Cash Equity and Fixed Income Sales and Trading. All business heads have local reporting lines to the UK CEO and functional reporting lines to Global product heads.

Taking into account the above and following the guidance issued by other EU competent authorities, such as the FCA (paragraphs 22, 28 and 29 at http://www.fca.org.uk/your-fca/documents/finalised-guidance/remuneration-code), the Company considers that it does not need to apply the following paragraphs of the Directive:

a) Paragraph 21 (g) – setting appropriate ratios between the fixed and variable component of total remuneration;
b) Paragraph 21 (j) – setting a performance adjustment to calculate variable remuneration components;
c) Paragraph 21 (l) (applicable only to IFPRU Significant firms) – a substantial portion consisting of shares or equivalent ownership interests, or share linked instruments, or equivalent non-cash instruments; and

d) Paragraph 21 (m) – a substantial portion of the variable remuneration deferred over a period not less than three years.

The Company does comply, however, with the general requirements for the ratio between fixed and variable remuneration set out in Paragraph 21 (g) of the Directive, namely that the fixed and variable elements are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total to allow a flexible variable remuneration policy.

Senior Management's approach to variable remuneration is governed by:

- market rates;
- payment of performance-related variable payments to incentivise qualifying employees to contribute to the sustainable financial performance of the Company; and
- The remuneration arrangements of the broader Group.

The Company aims for a remuneration policy that is aligned with the risk management practices of the Company and avoids conflicts of interest as well as seeks to avoid any remuneration structure that might encourage inappropriate risk taking.

Although the Company does not currently have a non-cash component for its variable remuneration arrangements, the Company is open to reviewing various options regarding the introduction of claw-back and deferral mechanisms to take account of contingent or future risks. The Company would introduce such components should Group policy or regulation require.

The Company may in individual cases retain the right in its sole discretion to make any Variable Remuneration Payment subject to such, if any, claw-back and/or deferral conditions as the Company considers appropriate in the circumstances.

10.3 Remuneration Governance

The remuneration process within the Company is overseen by the Company's Remuneration Committee. The Committee consists of at least two non-executive directors, one of whom is appointed Committee Chairman by the UK Board of Directors. The Chief Executive Officer and the HR Business Partner attend meetings of the Committee by invitation. Only members of the Committee have the right to attend committee meetings. However, other individuals such as Head of Global Markets and Head of Human Resources for Sberbank CIB or other external advisors may be invited to attend for all or part of any meetings, as and when appropriate or necessary.

Assessment of the Overall Variable Pool

The Company does not have an Overall Variable Payment Pool. Instead variable remuneration is determined on an individual basis in consultation with the relevant Functional Heads at Group or at Sberbank CIB level and in consultation with the Head of Global Markets for Sberbank CIB Group.

Assessment of Individual Variable Payments

Save for any variable payment awarded to the CEO, individual awards under this Policy will be proposed by the CEO in consultation with the Head of Global Markets for Sberbank CIB, other business heads at Sberbank CIB or Sberbank of Russia Group level as appropriate, and assessed by the Company's Remuneration Committee on the basis of Group financial and non-financial metrics and the Variable Payment Pools available within each department at Group level.

The Company shall apply both quantitative (financial) and qualitative (non-financial) criteria in assessing the individual and unit performance.

Financial Metrics

- Specific contingent and/or future risks with reference to applicable individual and/or desk revenues and;
- Overall financial performance of the Sberbank CIB Group and the Sberbank of Russia

Group;

- The impact of the employees' activities on the ability of the Company to strengthen its capital base.

Non-financial Metrics

- Individual contribution to the Company and Sberbank CIB Group performance;
- Individual performance in relation to risk and compliance;
- Individual performance relative to Key Performance Indicators set for the year;
- Individual performance regarding the fair treatment of clients and overall quality of service provided
- 360 degree feedback process;
- Any disciplinary (regulatory and non-regulatory) matters;
- Skills/qualifications/training;
- Attendance and timekeeping;
- Team work, creativity and motivation; and;
- General performance, including any performance which exceeds the contractual duties required under the employee's terms of employment.

Any criteria used in determining the salary (fixed remuneration) of any employee is entirely irrelevant when calculating the amount of any variable remuneration payment to them.

It is specifically noted that the variable remuneration and/ or Key Performance Indicators are not directly linked to the sale of a specific financial instrument or of a specific category of financial instruments.

Before any provisional individual variable payment is submitted to the Remuneration Committee for final approval, the CEO shall consider whether and to what extent any revenue attributable to an individual may be adversely affected by any future and/or contingent risks and, if so, whether it is appropriate in those circumstances to reduce the provisional individual variable payment and/or to make that individual's variable payment subject to any specific claw-back and/or deferral conditions.

The overall remuneration governance framework is that of the Sberbank Group Board.

10.4 Variable Remuneration Delivery

At present, variable remuneration delivery is wholly in cash. As a Tier 3 firm, the Company is not required to:

- deliver at least 50% of variable remuneration in an appropriate non-cash form, subject to retention periods;
- defer a proportion of code staff variable remuneration; or
- adjust deferred variable remuneration to reflect performance.

However the Company complies with the general requirements for the ratio between fixed and variable remuneration (set out in SYSC 19A.3.44(1) and SYSC 19A.3.44(2), namely that the fixed and variable elements are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total to allow a flexible variable remuneration policy.

Although the Company does not currently have any plans to introduce a non-cash component for its bonus arrangements for all employees, the Company is open to reviewing various options regarding the introduction of claw-back and deferral mechanisms to take account of contingent or future risks with a view to consideration of the introductions of such arrangements for future years in line with Group policy or a change to the nature of the business conducted through the Company.

10.5 Quantitative Disclosure

Amounts of Remuneration 2017	All employees
Fixed Remuneration (GBP)	2,850,416
Variable Remuneration (GBP)	1,874,855
Number of staff (as at 31 December 2017)	19

Amounts of Remuneration 2017	Front Office	Infrastructure
Fixed Remuneration (GBP)	2,017,332	833,084
Variable Remuneration (GBP)	1,578,836	296,019
Number of staff (as at 31 December 2017)	8	11

Amounts of Remuneration 2017	Code Staff
Fixed Remuneration (GBP)	901,040
Variable Remuneration (GBP)	740,000
Number of staff (as at 31 December 2017)	4

Given the relatively small size and the low level of complexity of CIB UK, and in particular the small number of employees, the firm has opted not to make disclosures regarding severance payments (CRR article 450, (1), (h), (vi)) and remuneration bands (CRR article 450, (1), (i)) on the basis of data confidentiality.