

Sberbank Plans To Double Profits and Shed 30,000 Employees

By [Guennadi Moukine](#)

November 12, 2013



Sberbank plans to close 20 percent of its branches and cut 30,000 jobs. **Vladimir Filonov**

Sberbank is determined to double its profit and increase assets by two-fold between 2014 and 2018, by focusing on high profit products and optimizing costs by closing down branches and shedding up to 30,000 employees, the bank's chief executive German Gref said at a strategy presentation Tuesday.

A new development strategy for 2014 to 2018 shows the bank's commitment to maintaining return on equity at between 18 to 20 percent, reducing cost to income ratio to 40 to 43 percent and bringing cost to assets down to 2.5 percent.

By 2018, the bank plans to close up to 20 percent of its branches and bring the total number of staff from 250,000 down to 220,000, Gref said.

Cutting staff and reducing the ratio of operational costs to net operational income to 40

percent were the only targets from the bank's 2014 development strategy that it failed to achieve.

Apart from that, "we are not ashamed to look in the eye of our shareholders," Gref said, adding that Sberbank is determined to reach international standards and become a household name not only in Russia, but in other countries.

"The bank will work towards increasing the share of fee and commission income to 25 to 27 percent and gaining a larger foothold in the investment and funded life insurance market — something that may be difficult to achieve, because the popularity of insurance services as such is not that great," Investcafe analyst Michael Kuzmin said.

Taking advantage of the remote servicing infrastructure, such as Internet and mobile banking, contact centers and ATMs, the bank will continue to encourage customers to use remote channels rather than visiting a local branch. It hopes to increase the number of transactions through remote channels from the current 75 percent to 90 percent by 2018.

At the same time, the bank plans to increase the number of active customers from the current 65 million to 71 million people.

Overseas market share is expected to grow faster than in Russia, Denis Bugrov, the bank's senior vice president said. This despite Russia having "the most promising market in Europe and the world," he added.

The bank is present in 21 countries with overseas assets forming more than 12 percent of the bank's total. Foreign operations account for 7 percent of the bank's total profit, something that the bank wants to increase to 10 percent by 2018.

The new goals for growth are achievable, Kuzmin said, but the current economic slowdown could make it difficult.

Contact the author at g.moukine@imedia.ru

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