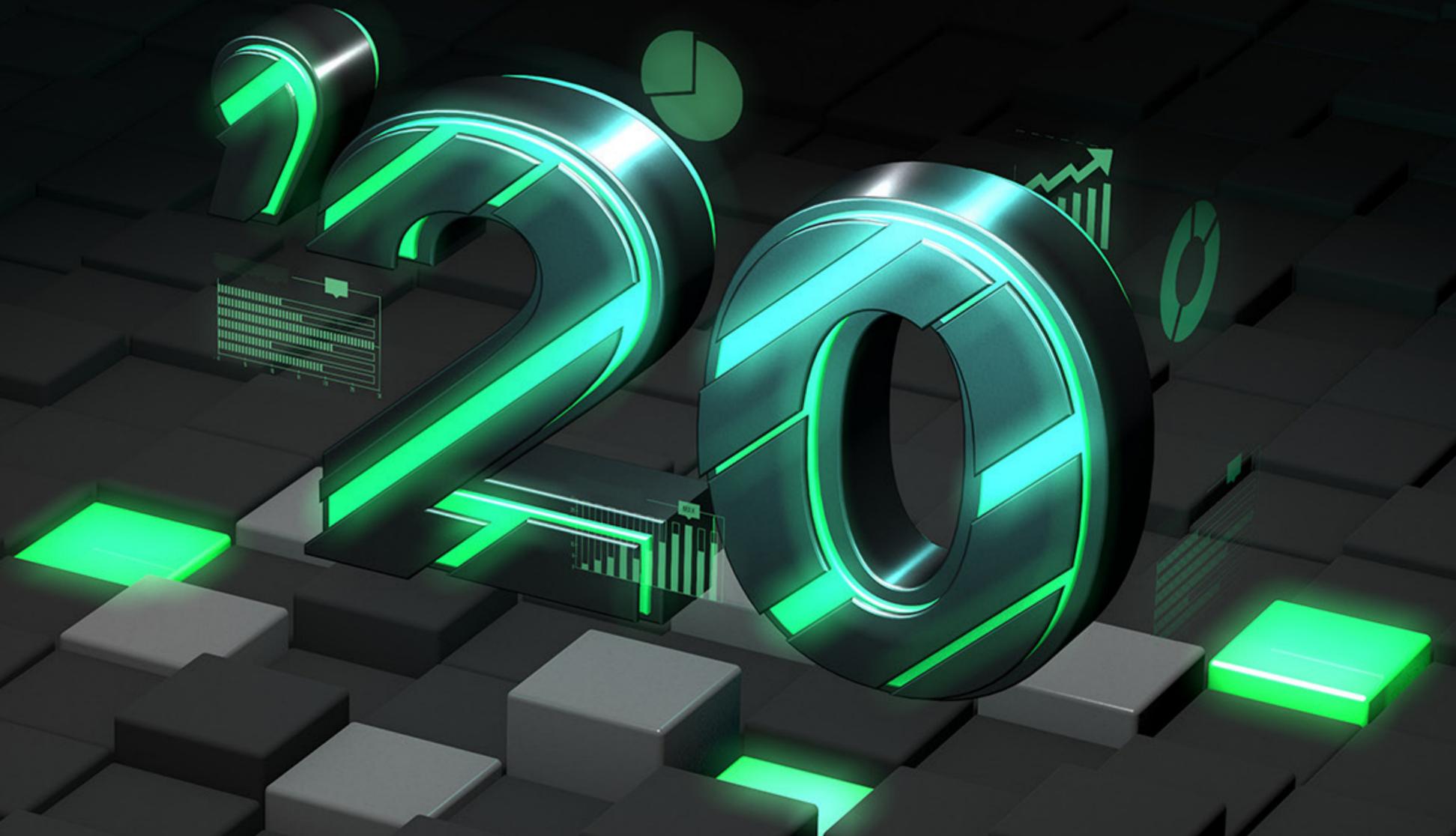


ANNUAL REPORT 2020





Contents

3	CHAIRMAN'S ADDRESS	28	REMOTE BANKING SERVICE AND TRANSACTIONAL BUSINESS	42	IT SECURITY	72	HR DEVELOPMENT
5	BPS-SBERBANK GROUP PROFILE	28	SERVICE PRODUCTS	44	AGILE TRANSFORMATION. PROCESS MANAGEMENT	74	IFRS PERFORMANCE RESULTS OF BPS-SBERBANK GROUP
6	GENERAL INFORMATION	29	CLIENT JOURNEY	46	INTERNAL CONTROL AND COMPLIANCE	76	MAIN PERFORMANCE INDICATORS OF THE BANK GROUP
9	BPS-SBERBANK GROUP STRUCTURE	29	INTERNATIONAL BUSINESS	48	CORPORATE GOVERNANCE	79	CONSOLIDATED PROFIT AND LOSS STATEMENT REVIEW
11	KEY FINANCIALS	30	FINANCIAL MARKETS	50	ORGANISATIONAL STRUCTURE OF BPS-SBERBANK	82	CONSOLIDATED STATEMENT OF FINANCIAL CONDITION REVIEW
12	MACROECONOMIC SITUATION	31	DEVELOPMENT OF RELATIONSHIP WITH INTERNATIONAL FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, AND FOREIGN BANKS	51	GENERAL MEETING OF SHAREHOLDERS	87	ESG AGENDA
13	MACROECONOMIC SITUATION IN BELARUS	31	CORRESPONDENT BANKING	52	SUPERVISORY BOARD	88	IMPLEMENTATION OF ENVIRONMENTAL PRINCIPLES
14	BANKING SECTOR	32	STOCK MARKET	55	SUPERVISORY BOARD COMMITTEES	89	INFLUENCE ON THE SOCIETY
15	RETAIL BUSINESS	32	FOREIGN EXCHANGE MARKET	56	AUDIT COMMITTEE	91	CORPORATE RESPONSIBILITY
16	RETAIL BUSINESS IN 2020	32	PRECIOUS METALS MARKET	59	RISK COMMITTEE		
17	RETAIL CLIENTS	33	RISK MANAGEMENT	61	REMUNERATIONS COMMITTEE		
18	CLIENT SUPPORT CENTER	34	RISK MANAGEMENT STRATEGY	63	STRATEGY AND ECOSYSTEM COMMITTEE		
20	PREMIUM SEGMENT CLIENT SERVICE	34	RISK MANAGEMENT SYSTEM DEVELOPMENT	64	CORPORATE SECRETARY		
21	RETAIL LENDING	36	DATA SCIENCE. AI TRANSFORMATION	65	MANAGEMENT BOARD		
22	RETAIL FUNDING	38	IT TRANSFORMATION. INNOVATIONS	67	LIST OF THE BANK'S COMMITTEES		
23	CARD PRODUCTS AND SERVICES	39	IT DEVELOPMENT	68	AUDIT COMMISSION		
24	DIGITAL SERVICE DEVELOPMENT	40	INNOVATIONS	69	CONFLICT OF INTERESTS MANAGEMENT		
25	CORPORATE BUSINESS	41	PROCESSING CENTRE EVOLUTION	69	SHAREHOLDER RELATIONS		
26	CORPORATE BUSINESS IN 2020	41	PUBLIC TRANSPORT SOLUTIONS	70	INFORMATION DISCLOSURE		
27	LENDING			71	CORPORATE GOVERNANCE DEVELOPMENT		
27	MICRO AND SMALL BUSINESS						

Financial and operational data for BPS-Sberbank are presented in the report on the basis of the management accounting. Performance results of BPS-Sberbank Group are presented on the basis of the IFRS consolidated financial statements.



Chairman's address



Dear Shareholders, Clients, and Partners!

The year 2020 became an unprecedented challenge for the whole banking sector of the country.

Traditionally, the Bank concentrates a large volume of business in the corporate sector. In the reporting year, we provided loans to business entities for more than BYN 6.5 billion. The corporate loan portfolio grew by 7% and reached BYN 2.4 billion. A flexible client service policy and tailored approach to each customer allowed us to increase our active client base to 38.9 thousand legal entities.

The corporate clients are represented by different business entity classes and include the country's largest enterprises and a range of micro and small businesses. Due to the lending process optimisation and use of Smart Technology, our Bank helped restore their business activity. The loan exposure to small and micro companies increased by 20% in 2020.

Being a member of Sberbank Group, we have considerable potential in servicing foreign trade operations between Belarus and Russia. In the reporting year, we continued to benefit from the Sberbank Group opportunities in providing financing to Belarusian companies. The exposure under cross border deals made USD 191 million.

We expanded our presence in the trade finance market. The aggregate amount of transactions increased by 16% compared to 2019 and reached USD 538 million.

The Bank proceeded to develop as a professional participant in the securities market. The securities portfolio exceeded BYN 1.1 billion. The funds raised through the sale of the bonds issued by the Bank made BYN 311 million.

In the reporting year, we accomplished the debut bond-backed financing transaction for USD 33 million, using the mechanism of converting USD nominated bonds into RUB nominated ones.

The business environment in 2020 predetermined our retail strategy. We built up our loan portfolio at a moderate pace, up to BYN 783 million as of year-end, and focused on consumer lending.

We entered a new market of consumer lending — online POS lending. This mechanism integrates the online loan application with partner web resources and transfers data using Open API technologies.

Significant investments into digital technologies and moving as many transactions and services as possible into the digital environment were the most important actions during the pandemic. Digital service penetration among retail clients increased from 62% to 71%.

BPS-Sberbank became the second bank in the country by the number of digital service users. The share of online sales reached 66%, the portion of retail payments in remote channels and unattended terminals made 99%.

We continued to develop mobile banking for retail clients, which underlies our future ecosystem. We gradually fill it with new non-financial services, going beyond the boundaries of a classical banking application. In 2020, our clients could opt for anti-COVID insurance, subscribe to Okko online cinema and SberDaily product line. Our platform allows configuring the services needed in everyday life — from music on the phone to insurance, assistance on the road, and many other features.

In the reporting year, we finalised the creation of BPS-Sberbank's Processing Centre to issue and acquire plastic cards of international payment systems. All data from the International Processing Centre will be transferred automatically. The upgrade allowed us to improve the quality of service and reduce the time-to-market of the Bank's response to market expectations.

We carried on with introducing innovational solutions to provide the Belarusians with additional comfort in the execution of regular operations.

Our bank was the first in the country to provide Visa Alias — the global service of online money transfers that uses the recipient's phone number.

In the transport project development framework, we launched the contactless payment system onboard the municipal transport using the Visa Tap to Phone technology. Passengers can now pay the fare with a usual NFC phone instead of a validator or terminal.



We introduced a promising Apple Express technology requiring no authentication in Minsk Metro. Belarus is among the first CIS countries where it became possible.

In The Bank of the Year 2020 contest, BPS-Sberbank, being a financial institution with a leading-edge technological platform, won the award as the most innovative bank and got appraisal as the bank with the highest corporate social responsibility index.

ESG transformation is another major field of the Bank's activity.

We are implementing the Teacher for Belarus initiative aimed at improvement of school education in rural areas. The project is evolving fast: new participants, educational establishments, and partners are joining. In 2020, about thirty talented teachers worked in rural areas, helping 7 000 students to unleash their potential. Assuming the interest from private sponsors and companies, we are increasing the number of participants.

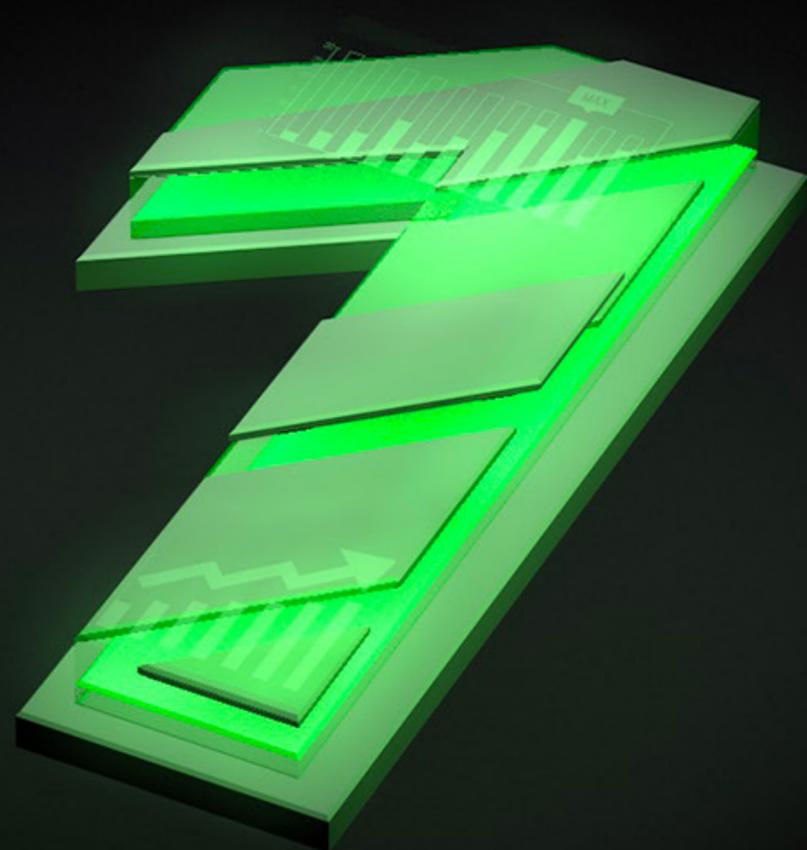
In 2020, we accomplished the investment project to construct the floating light-and-music fountain on the river Svisloch — Sberbank's Gift for Minsk. It utilises the smart fountain concept that enables broadcasting educational shows for adults and children, thus turning into a multi-format educational platform.

In conclusion, I would like to express my sincere gratitude to our clients, employees, and shareholders for their commitment, fruitful work, and personal motivation in such a challenging environment. Special thanks go to the front office staff who endured difficult times but acted responsibly and provided comprehensive assistance and support to the clients.

The year 2020 tested our adaptability and made us feel its importance for our Bank, clients, and staff.

Igor Merkulov

Chairman
of the Management Board



01

BPS-SBERBANK GROUP PROFILE

06	GENERAL INFORMATION
09	BPS-SBERBANK GROUP STRUCTURE
11	KEY FINANCIALS

01

GENERAL INFORMATION

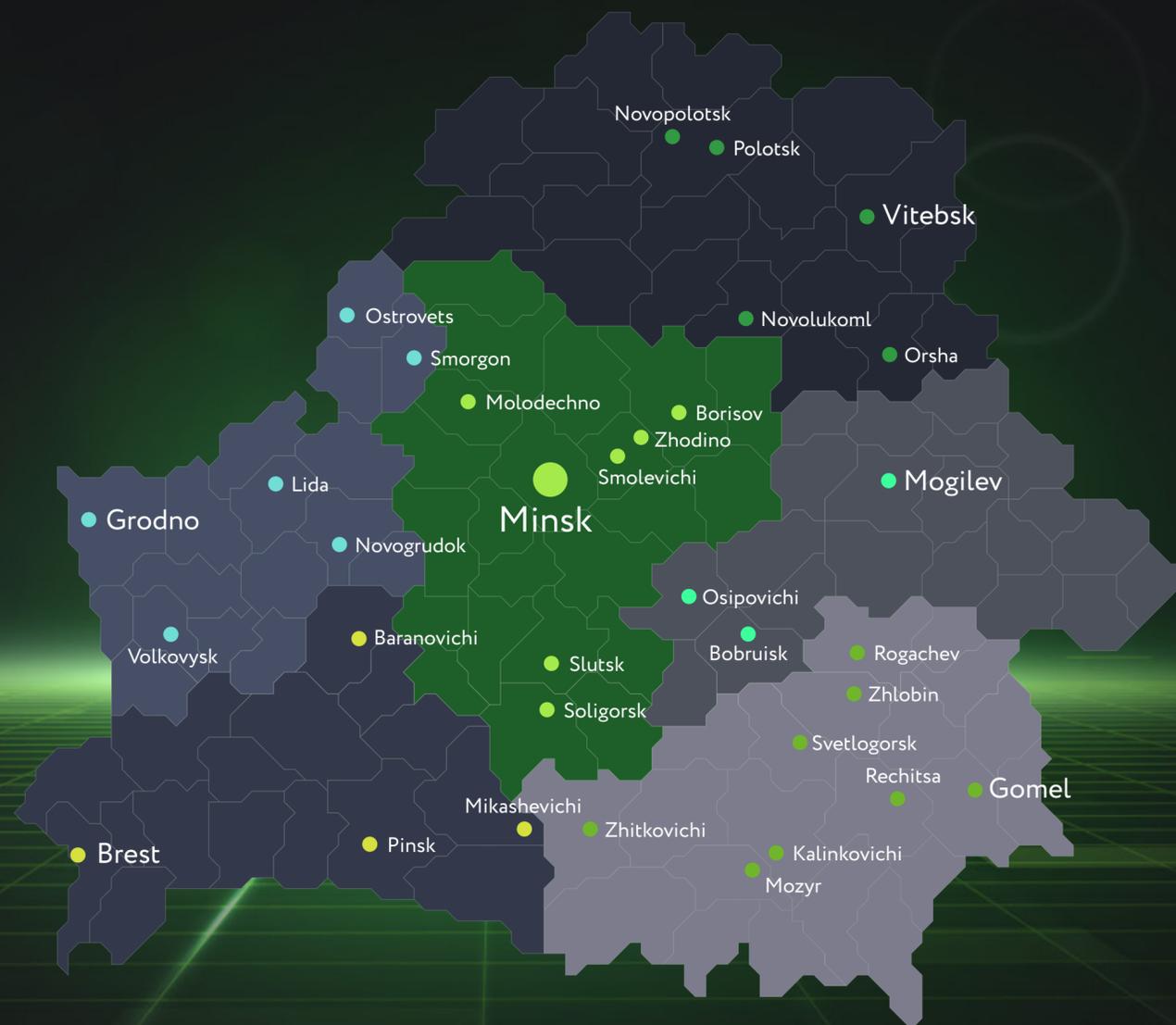
FULL NAME:
BPS-Sberbank

BRIEF NAME:
BPS-Sberbank

PRINCIPAL SHAREHOLDER:
Sberbank of Russia

HEAD OFFICE ADDRESS:
6, Mulyavin Boulevard, Minsk 220005, Belarus

REGIONAL NETWORK:
53 sales locations in 33 cities



NUMBER OF POINTS OF SALE:

- | | | | | | |
|----|----------------|---|----------------|---|---------------|
| 10 | Gomel Region | 7 | Minsk Region | 8 | Grodno Region |
| 6 | Mogilev Region | 6 | Vitebsk Region | 5 | Brest Region |
| 11 | Minsk City | | | | |



Licenses

Banking License No. 4 dated 06.06.2019 issued by the National Bank of the Republic of Belarus.

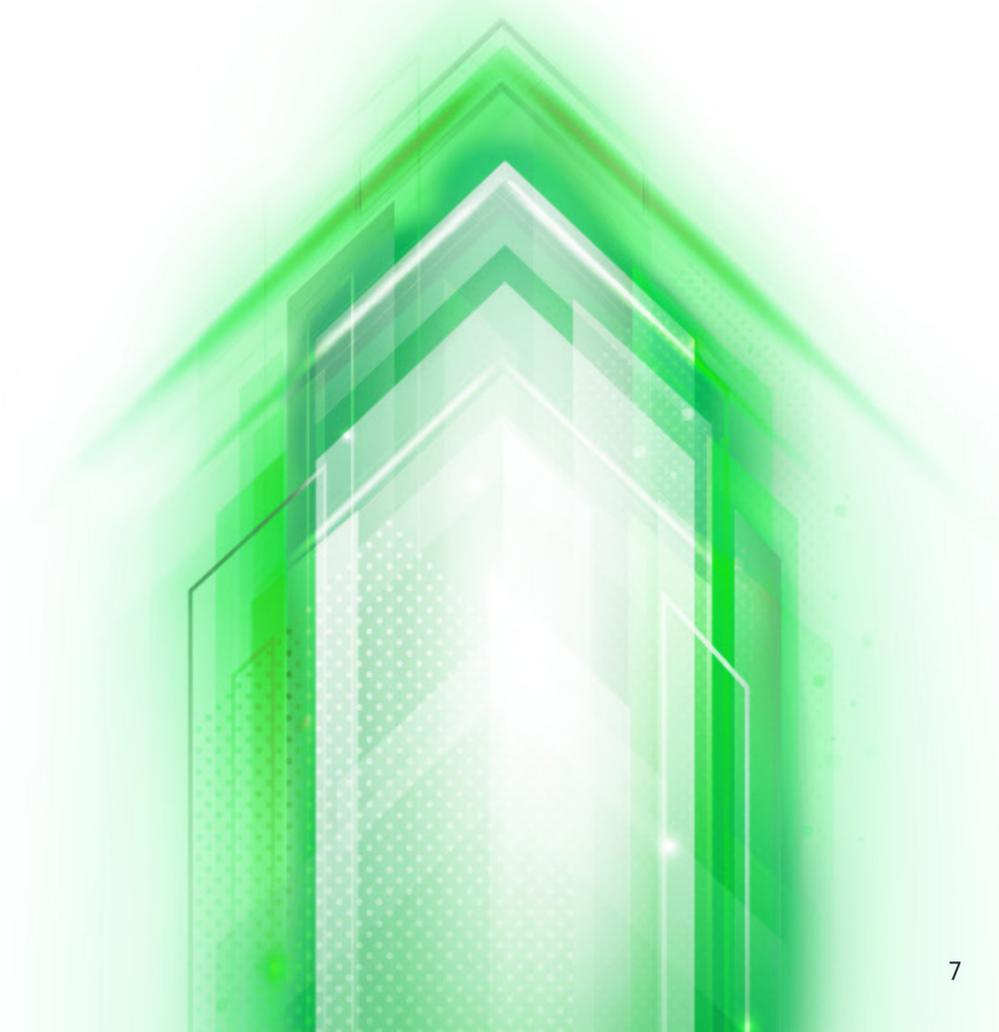
Special Permit (license) for the right to carry out professional and stock exchange activity with securities No. 02200/5200-1246-1086 issued by the Ministry of Finance of the Republic of Belarus, registered in the License Registry of the Ministry of Finance of the Republic of Belarus under No. 5200-1246-1086, valid until 30.01.2022.

International credit ratings

FitchRatings

Credit ratings of BPS-Sberbank assigned by the international rating agency Fitch Ratings Ltd.:

Long-term issuer default rating (IDR)	B
Short-term IDR	B
Sustainability	B
Long-term IDR Outlook	Negative



Share capital

73.58 MILLION BYN

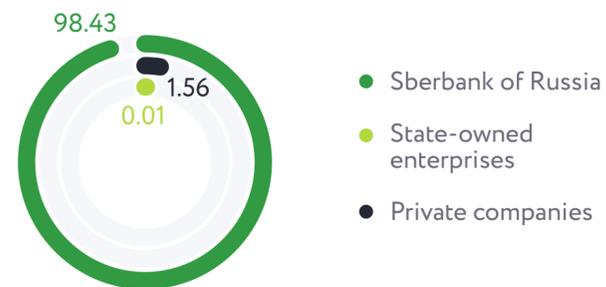
AUTHORISED CAPITAL

Total number of shareholders:

14 003

LEGAL ENTITIES
AND INDIVIDUALS

Share capital structure, %



The authorised capital of the Bank is divided into:

1 470 828 888

ORDINARY SHARES

870 805

PREFERENCE SHARES

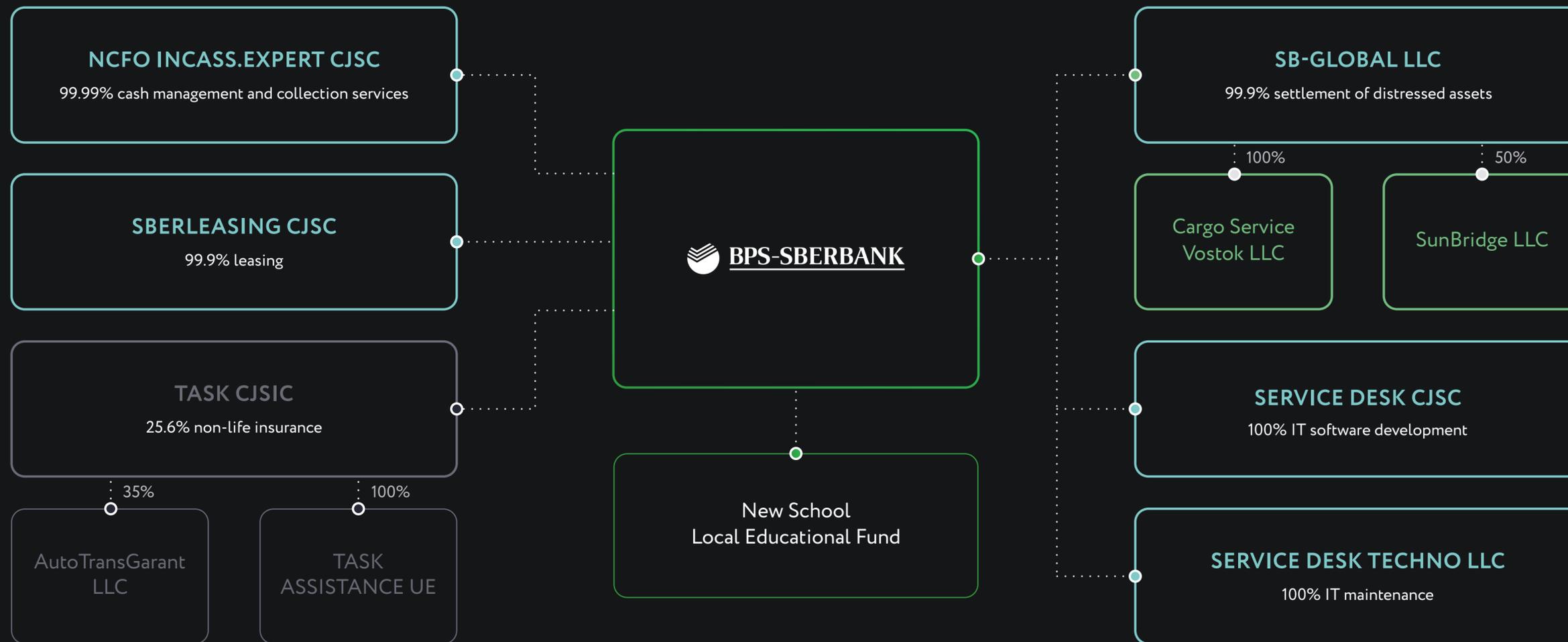
Market standings in the Republic of Belarus

Indicator	Market share	Rank
Assets	5.6%	5
Equity	5.8%	4
Corporate loans (including corporate bonds)	5.6%	4
Retail loans (without beneficial loans)	6.9%	4
Corporate funding	5.9%	7
Retail funding	4.7%	5
Profit	7.1%	4

(as of 01.01.2021)



BPS-Sberbank Group structure as of 01.01.2021



● Subsidiary

● Affiliated company

● Companies which the Bank may influence upon through third parties



BPS-Sberbank Group structure as of 01.01.2021

As of 01.01.2021, the bank group where BPS-Sberbank is the managing company (hereinafter – the Group), comprises the following entities:

- Subsidiaries: Service Desk CJSC (100%), Service Desk Techno LLC (100%), SB-Global LLC (99.9%), SberLeasing CJSC (99.9%), Non-Bank Credit and Finance Organization INCASS.EXPERT CJSC (99.99%).
- Dependent company: TASK CJSIC (25.6%).
- Companies with indirect interest: SunBridge LLC (50%), Cargo Service Vostok JSC (100%), AutoTransGarant LLC (35%), TASK ASSISTANCE UE (100%).
- Non-participating non-profitable entity: New School Local Educational Fund.

As of 01.01.2021, the Bank's investments into authorised capital of the Group members made BYN 8.1 million, or 81.5% of the Bank's long-term investments.

In the reporting year, the Group members operated in the framework of activities stipulated in their articles of associations and business plans.

Non-Bank Credit and Finance Organization INCASS.EXPERT CJSC provides cash collection and transportation services to financial institutions and corporate clients.

SberLeasing CJSC works in financial leasing.

Service Desk CJSC specialises in software development, information systems deployment in the banking and financial sector; the company is a resident of the High-Tech Park.

Service Desk Techno LLC carries out hardware and peripherals repairs and maintenance.

SB-Global LLC consults in business and other management areas and is a shareholder of SunBridge LLC (50%) and Cargo Service Vostok LLC (100%).

SunBridge LLC works in general construction of buildings.

Cargo Service Vostok rents cars, equipment, and other tangible assets.

TASK CJSIC offers more than 30 types of mandatory and voluntary insurance for private and corporate clients, prioritising car and property insurance. TASK CJSC is a founder of AvtoTransGarant LLC (35%) and TASK ASSISTANCE UE (100%).

AutoTransGarant LLC specialises in the evaluation of insurance risks and losses.

TASK ASSISTANCE UE provides medical assistance services.

The main objectives of the non-profitable organisation New School Local Educational Fund are:

- Assistance in development and improvement of secondary education in the Republic of Belarus, especially in the rural areas.
- Provision of access to contemporary technologies for secondary school students in the regions of the Republic of Belarus, especially rural areas.
- Comprehensive support to teachers, assistance in the formation of a highly skilled teachers' community.

In 2020, the Group duly held General Meetings of Shareholders (participants), approved the accounting (financial) statements taking into consideration the external auditor's opinion (if stipulated by the law) and the audit commission, and elected controlling and management bodies in accordance with the law.



Key financials

BPS-Sberbank is among the top 3 banks with foreign and private capital by business volume and profit.

4.8 BILLION BYN

ASSETS

60 MILLION BYN

PROFIT

307 MILLION BYN

NET OPERATING INCOME

8.4 %

ROE

58.7 %

CIR

699 MILLION BYN

EQUITY

17.8 %

CAPITAL ADEQUACY RATIO

660 THOUSAND

ACTIVE CLIENTS, TOTAL

412 THOUSAND

ACTIVE CLIENTS
IN DIGITAL CHANNELS

67 %

SALES VIA DIGITAL CHANNELS



02

MACROECONOMIC SITUATION

13 MACROECONOMIC SITUATION IN BELARUS

14 BANKING SECTOR



Macroeconomic situation in Belarus

In 2020, the Belarusian economy developed in conditions of external and internal stress.

The negative impact of the worldwide epidemics in 1Q 2020 was aggravated by social and economic instability after the presidential elections.

These factors resulted in negative economic dynamics in 2020, intensifying inflation processes and devaluation expectations of business entities, shrinking gold and currency reserves, and the Belarusian rouble weakening.

The real GDP for the year reduced by 0.9%. Industrial production declined by 0.7%, mostly in oil refinery (-10.8%), metallurgy (-9.1%), machinery and equipment engineering (-8.9%).

Against the deterioration of external conditions, the volume

of foreign trade dropped. In 2020, the export and import of goods and services reduced by 11.7% and 17%, respectively.

In conditions of growing devaluation expectations, the BYN exchange rate and gold and FX reserves were under pressure. Net demand for foreign currency in the domestic FX market from the population and companies in 2020 made USD 3 billion, with the peak values in March and August. As a consequence, the reserves decreased by USD 1.9 billion (20.5%).

In 2020, the Belarusian rouble lost value to USD by 22.6%, EUR by 34.7%, and RUB by 2.4%.

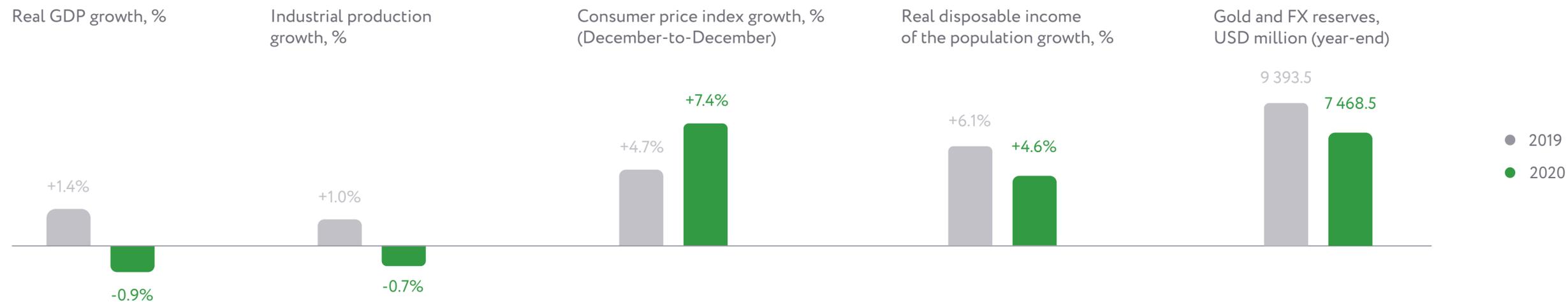
Due to the lessening of economic activity and maintenance of

social focus in governmental spending, the budget in 2020 had a deficit of BYN 2.5 billion (1.7% of GDP).

In 2020, inflation processes accelerated, the prices grew by 7.4% from the year start.

The population's real disposable income had positive dynamics, but the growth rate slowed down to 4.6%.

Deterioration in the economic situation laid a negative impact on the financial condition of companies. The share of loss-making businesses rose from the year-start 13.6% to the year-end 15.1%, and the net loss of such entities grew by 3.3x and reached BYN 6.3 billion. The accounts receivable increased by 21.2%, and the accounts payable grew by 12.8%.





Banking sector

The negative economic trends and unsatisfactory condition of companies determined the banking sector performance results.

The banks' assets increased by 15.6% up to BYN 90.6 billion, and equity as of the beginning of 2021 made BYN 12.2 billion, i.e. grew by 9.3% during the year.

In 2020, the banks earned 14.6% less profit than in 2019. Return on assets of the banking system made 1.1%, and return on equity made 8.9%.

The loans to the economy grew by 21.1% up to BYN 58.6 billion, where 19.4% was in the local currency, up to BYN 30.9 billion. Corporate loans were the primary source of growth, whereupon the banking sector exposure grew by 25.1% and made BYN 43 billion.

It is worth mentioning that the state-owned banks contributed to such exposure growth by more than 80% due to the support of state-owned companies.

The total amount of deposits placed with banks increased by 4.7%. The main growth factor was the restatement of its FX part due to BYN devaluation.

Retail deposits decreased by 6.5%, where 9.6% was in Belarusian roubles and 22.4% in foreign currencies (USD equivalent), attributed to inflation and devaluation expectations.

Corporate deposits had different dynamics: in 2020, they increased by 19.5%, where deposits in foreign currencies (USD equivalent) grew by 15%, while deposits in the local currency decreased by 4.5%.

The non-performing assets share in the portfolio of assets subject to credit risk as of January 1, 2021, made 4.8%, i.e. increased by 0.2 p.p. in 2020.

90.6 BILLION BYN +15.6 %

ASSETS

12.2 BILLION BYN +9.3 %

EQUITY

977.5 MILLION BYN -14.6 %

PROFIT



03

RETAIL BUSINESS

16	RETAIL BUSINESS IN 2020
17	RETAIL CLIENTS
18	CLIENT SUPPORT CENTER
20	PREMIUM SEGMENT CLIENT SERVICE
21	RETAIL LENDING
22	RETAIL FUNDING
23	CARD PRODUCTS AND SERVICES
24	DIGITAL SERVICE DEVELOPMENT



Retail business in 2020

LENDING

4TH

RANK IN THE RETAIL LOAN MARKET

6.9 %

MARKET SHARE BY RETAIL LOANS (without beneficial loans)

3RD

RANK BY REAL ESTATE LOANS

9.1 %

MARKET SHARE

DIGITAL CHANNELS

382.5 THOUSAND

MAU

65.9 %

SHARE OF DIGITAL SALES

QUALITY OF SERVICE

9.6

CSI SCORE

65 %

NPS

CLIENTS

620.6 THOUSAND

ACTIVE CLIENTS

2.04

PRODUCTS PER CLIENT

CARD SERVICES

4TH

RANK IN THE PAYMENT CARD SERVICE MARKET

1.2 MILLION

CARDS IN CIRCULATION

LENDING AND FUNDING

783 MILLION BYN

RETAIL LOAN PORTFOLIO

1 270 MILLION BYN

RETAIL FUNDING



Retail clients

We are developing client relationship continuously: client satisfaction and loyalty are growing, and the number of products used by the clients in all segments is increasing: in 2020, the product penetration score rose from 1.94 to 2.04.

Accumulating information about the client, leading-edge client analytics, and data processing tools boost tailored offerings' relevancy. Machine learning plays a vital role in the analysis. In 2020, we created 4 ML models: three of them predict the client response to the offerings, and one forecasts client outflow.

620.6 THOUSAND

ACTIVE CLIENTS

SERVICE QUALITY

We provide our clients with comfortable service, innovative solutions, and up-to-date products.

Studying the client's voice is one of our priorities. We use marketing research and analyse customer applications as one of the information sources.

We carry out regular comprehensive client service surveys in all points of interaction between the client and the Bank: NPS and CSI measurements. These tools allow us to refine our processes, products, and services and offer the most attractive terms of service.

As of the end of 2020, retail client loyalty (NPS) was 65%, and customer satisfaction with interaction with the Bank through its departments (CSI) scored 9.6.

In 2020, working on the client's voice, we used leading-edge business task solution technologies focused on our clientele: design thinking, client journey maps, client journey redesign, and online surveys. With these tools, we raise the effectiveness of the Bank's products and services based solely on the clients' opinion.

In improving the survey process, we introduced usability testing – a methodology to assess remote service channels (Sberbank Online, unattended terminals, and others) regarding their convenience and suitability.

We pay special attention to processing client requests to make our customer service more responsive. In 2020, we introduced monitoring of customer request processing quality, aiming to enhance customer satisfaction with the results and terms of review.

Our marketing research and customer request analysis result in drawing plans of actions to build on client service quality and enhance the Bank's products and services.

9.6 +0.2

CUSTOMER SATISFACTION INDEX

65% +7 p.p.

RETAIL CLIENT LOYALTY



Client Support Centre

2.7 MILLION

COMMUNICATIONS WITH RETAIL CUSTOMERS

In 2020, the Client Support Centre provided consultations and service aid to retail and corporate clients.

The scope of communications with retail clients via all channels maintained by the Client Support Centre exceeded 2.7 million, i.e. by 7% more than in 2019.

The incoming traffic from retail customers augmented by 15% compared to 2019 and made 2 million communications. More than 369 thousand clients had their problem solved in the automatic mode, aided by the virtual assistant Alesya. The rate of automated assistance made 26% in the voice channels and 17% in the text channels.

The average time of waiting for the operator's response was 56 seconds; VIP clients waited for 7 seconds on average.

Judged by IVR calling results, 92% of the customers who addressed the retail customer help hotline were satisfied with the Client Support Service assistance.

We made more than 689 thousand outbound calls aimed at sales of banking products and services.

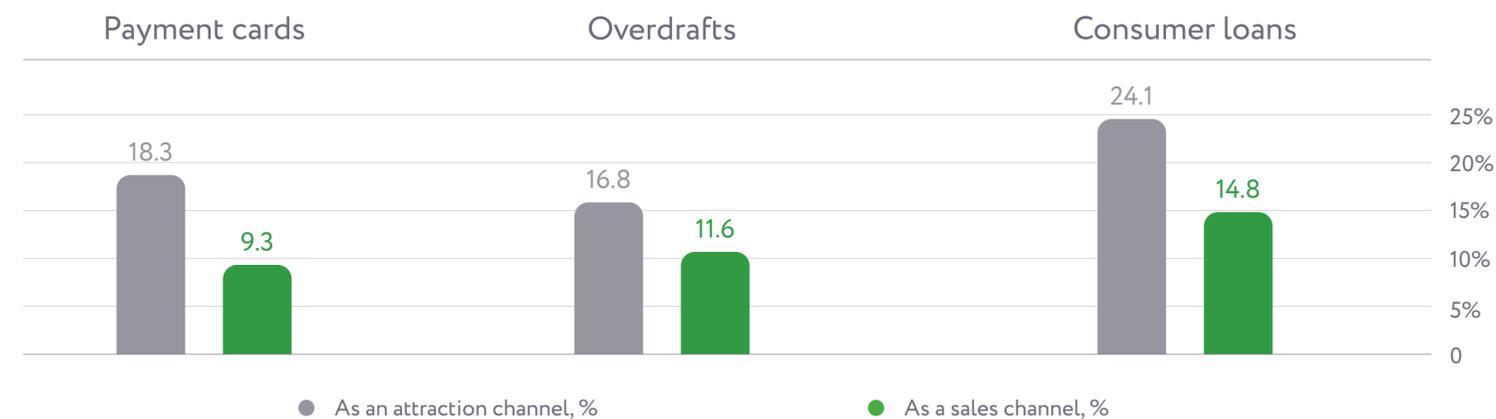
Communication of the Centre with the clients resulted in the execution of 73 thousand deals, which is 37% more than the previous year.

For better sales efficiency, in 2020, we implemented the opportunity to re-issue a card to the current account via the Client Support Centre, introduced a widget in the CRM informing about the availability of a tailored offer for the client upon his/her calling the Centre.

We arranged for a customer helpline prompting on unblocking a Sberbank Online account, with automation of a large part of the process using speech and RPA technologies.

We introduced fees for some services of the Client Support Centre and the charging mechanism.

CLIENT SUPPORT CENTRE SHARE IN THE TOTAL SALES OF MAINSTREAM PRODUCTS TO RETAIL CLIENTS IN 2020





Client Support Centre

363 THOUSAND

COMMUNICATIONS
WITH CORPORATE CLIENTS

We implemented a range of technological solutions to make our virtual assistant Alesya more competent and helpful:

- A new neural network-based solution in the voice and chat channels with the migration of all services.
- Identification using voice biometrics in interaction with Alesya.
- New complex abilities: registration of complaints regarding unattended terminals, Sberbank Online operation, SMS notifications, deferred requests about seized cards of the Bank's clients.

The scope of inbound traffic received by the Centre via the corporate service channels exceeded 363 thousand communications. We also made more than 13 thousand outbound calls to onboard new corporate clients.

The average waiting time for the operator's response was 69 seconds. Customer satisfaction with the Centre's assistance was 95%.

The share of the Client Support Centre as a channel for attraction of corporate clients made 10% of the total scope of attracted clients in the micro and small business segment.

We made the following progress in the corporate client service in 2020:

- Automating corporate client request processing based on CRM system of the Bank.
- Establishing the priority service line for the corporate clients.
- Establishing the technical support line for assistance in working through remote channels.
- Introducing text channels for communication with corporate clients (the chat on the Bank's website and the web version of the remote banking service system, and the contact form on the website of the remote banking service system help centre).

In 2020, we introduced voice analytics that helps us monitor requests received by the Centre and find ways to optimise both retail and corporate client service.

The principal areas of improvement are:

- Consolidating the Client Support Centre as a corporate and retail sales channel, including technological development.
- Upgrading the virtual assistant Alesya (new scenarios, voice synthesis).
- Expanding text channel functionality (new chat options and services for all clients; a new text bot, a chat in messengers for corporate clients).
- Applying voice analytics and automated quality control.



Premium segment client service

2.99

ACTIVE PRODUCTS
PER AFFLUENT CLIENT

Personal premium banking service is available to retail clients of BPS-Sberbank in the specially formatted office Sberbank Premier (Minsk) and Sberbank Premier zones (24 zones in 16 Belarusian cities).

In 2020, we steadily progressed in the premium service area. The active client base of affluent clients grew by 11% due to, among other things, a synergy of retail and corporate business (the number of owners and managers of companies using premium service rose by 13%).

We promoted segment-focused products and services, resulting in increased product penetration in both segments by 5.5%. As of 01.01.2021, the product penetration made 2.99 types of active products per active affluent client and 3.62 active products per VIP client.

We introduced a new 'Premium' package product for VIP clients in the regional network. Besides, following the tailored approach, throughout 2020, we regularly held events for affluent and VIP clients in segment-focused products of the Bank, covering cards and funding products.

A high level of assistance and focus on client needs are fundamental criteria of our premium service. We introduced a new feature of informing affluent clients of the Bank about their manager in Sberbank Online, launched new sections of the Bank's website dedicated to Sberbank First for VIP clients and Sberbank Premier for affluent clients, focused on helping our active clients and attracting new clients for tailored banking service.

High satisfaction and loyalty indices reflect the success of premium retail service: CSI 8.7 out of 10 and NPS 55% for affluent clients, and CSI 9.3 and NPS 70.5% for VIP clients.



Retail lending

4TH

RANK IN THE LENDING MARKET
(WITHOUT BENEFICIAL LOANS)

6.9 %

SHARE IN THE
BANKING SYSTEM

783 MILLION BYN

LOAN PORTFOLIO

Retail loan portfolio structure, %



Considering the challenging economic environment and difficulties faced by the banking business in 2020, we restrained the growth of our loan portfolio.

To alleviate retail loan pressure due to the deterioration of borrowers' financial condition, we adopted the temporary regulation on the grace period, which provides for a deferred debt repayment period, an extension of the loan repayment period, and other measures.

We also undertook the following measures to update the loan product line. In particular, we:

- Modified the terms of retail car loans 'Car loan GEELY with Sberbank!'.
- Introduced the consumer loan 'No limits online!', and the overdraft loan 'Express'.
- Deployed the online service 'CarClick', enabling the client to obtain a loan without visiting the Bank's office. The largest car dealers in the country (GEELY, Renault, LADA, Volkswagen, KIA, NISSAN, TOYOTA, Skoda, and others) were connected to the service.

One of the crucial development stages is introducing the retail lending technology using Open API 'Credit application' under the loan product 'I'll buy Online!'.

The main advantages of this service are the following:

- A loan can be executed and received in the 24/7 mode without visiting the Bank's office (no participation of the Bank's employee in the lending process).
- The credit decision does not exceed 5 minutes, and the loan proceeds are automatically credited to the seller's account.



Retail funding

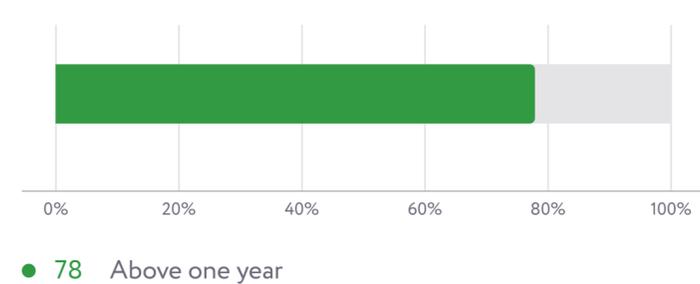
1 270 MILLION BYN

RETAIL FUNDING

Retail funding structure, %



Time deposits breakdown by tenor, %



In the reporting year, we continued to expand the share of online products and operations executed via Sberbank Online and supplemented our online product line with current and unallocated metal accounts.

Apart from the Bank's bonds, we offered alternative investment instruments in precious metal deposit accounts that can be replenished from unallocated metal accounts via electronic channels. As of 01.01.2021, the precious metal account portfolio grew by 49.5%, and the share of unallocated accounts was 47% as of the year-end. The aggregate metal account portfolio equalled BYN 80.8 million.

Development of the deposit products in the reporting year included flexible modification of their terms and conditions, considering market trends.



Card products and services

1.2 MILLION

CARDS IN CIRCULATION

13.5 THOUSAND

MERCHANT POS DEVICES

489

ATMs

4TH

RANK IN THE BANK CARDS MARKET

4TH

RANK IN THE ACQUIRING MARKET BY THE NUMBER AND AMOUNT OF OPERATIONS

154

UNATTENDED TERMINALS

We advanced quickly in our card business. In 2020, we refreshed our card product line:

- We upgraded the FC BATE fan card by tying a season ticket and stadium pass to the card product and updated the loyalty mile program for Compass cards.
- We launched new products: Premium package, DanaCard (co-branded with Dana Mall), Big bonus card, the first SberDaily ecosystem card, and the new card product 'Balance+' for the retired people.

In 2020, we held an event dedicated to the anniversary of the Compass card: 50% discount sales.

We also introduced a new service of free-of-charge cash withdrawal with the Bank's payment cards from ATMs of other banks in Belarus.

In 2020, we held regular events aimed at tweaking the efficiency of retail and e-commerce acquiring.

The Bank is ranked 4th in the market by the number of ATMs and unattended terminals. Its market share is 11.1% for ATMs, 5.4% for unattended terminals, and 8% for merchant POS devices.





Digital service development

In 2020, we introduced the following features in Sberbank Online:

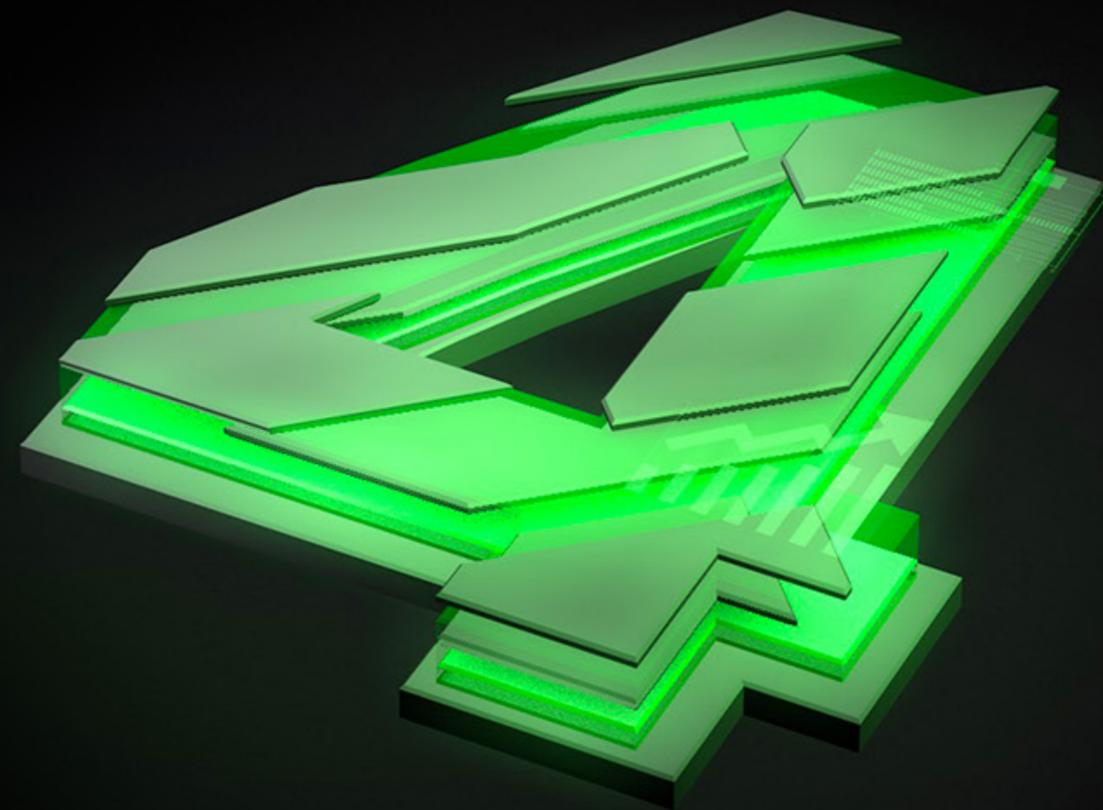
- P2P transfers to Sberbank of Russia using the phone number — a new exclusive transactional service of money transfers within Sberbank Group, with a competitive fee.
- Visa Alias — the global service of online transfers from/to Visa cards using the phone number.
- We continued to foster contactless payments and added two new options — Garmin Pay and Fitbit Pay — to the existing range of payment services (Apple Pay, Samsung Pay, Sber Pay). We also made SamsungPay available for Visa cardholders.
- We implemented the possibility of paying for Okko online cinema subscription.
- Also, we expanded the options of remote registration in Sberbank Online using MSI biometric authentication.

383 THOUSAND +7 % (2020 TO 2019)

DIGITAL CLIENTS (ACTIVE)

66 % +23 P.P. (2020 TO 2019)

SHARE OF SALES IN DIGITAL CHANNELS



04

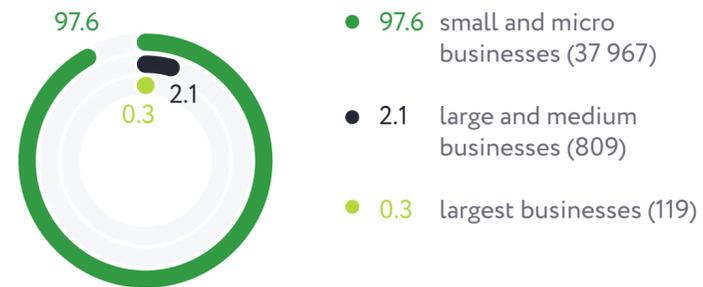
CORPORATE BUSINESS

26	CORPORATE BUSINESS IN 2020
27	LENDING
27	MICRO AND SMALL BUSINESS
28	REMOTE BANKING SERVICE AND TRANSACTIONAL BUSINESS
28	SERVICE PRODUCTS
29	CLIENT JOURNEY
29	INTERNATIONAL BUSINESS



Corporate business in 2020

Client base structure, %



38.9 THOUSAND +4 %

ACTIVE CLIENTS

56 %

NPS

8.9

CSI

69.3 %

MAU

1.6 BILLION BYN

CORPORATE FUNDING

4TH

RANK IN CORPORATE LENDING

2.4 BILLION BYN

LOAN PORTFOLIO VALUE

6.5 BILLION BYN

INVESTMENT INTO THE COUNTRY'S ECONOMY

538 MILLION USD

TRADE FINANCE TRANSACTIONS



Lending

2.4 BILLION BYN +7.3 %

LOAN PORTFOLIO

The corporate loan portfolio, including corporate bonds, increased in 2020 by BYN 162.7 million and made BYN 2.4 billion as of 01.01.2021, while its structure remained almost unchanged.

Loan portfolio structure, %



- 71.4 Loans for operational purposes
- 20.2 Investment finance
- 8.4 Corporate bonds

In the corporate loan portfolio breakdown by industry, the top three branches (non-specialised trade, real estate and construction, and chemicals) occupy 44.3%.

In 2020, we continued to make progress in our lending process. In particular, we:

- Expanded the functionality of Smart Technology – the unique microlending technology in Belarus.
- Developed and launched the option for the client to submit a uniform loan product application via SBOL.
- Introduced the module for automated accounting of factoring operations.
- Improved the terms of financing to leasing companies.
- Updated the conditions of express guarantees for the Medium+ client segment by expanding the instrument range and currencies, increasing the maximum guarantee amounts, and allowing execution of non-collateralised transactions.

To attract and retain clients, we established the partner program 'Mutual Benefit'. It is a product where the Bank aids the client to sell its goods and services through issuing loans to their potential buyers.

In 2020, we started to promote the factoring product line to support the international trade operations of our corporate clients. The Bank joined Factors Chain International as an associate member. We also concluded the interfactor agreement that allows the Bank to act as the import or the export factor in the international two-factor deals between the Republic of Belarus and the Russian Federation.

Micro and small business

38 THOUSAND +4.6 %

ACTIVE CLIENTS

Financing the country's micro and small businesses is one of the top priority directions of the Bank's development.

The client base growth in micro and small businesses allows us to diversify the Bank's risks. In 2020, we attracted 4.6% more clients in that segment.

In the reporting year, we continued expanding the unique lending tool Smart Technology functionality for micro clients. This technology allows making loan decisions in 2 hours/days, depending on the risk degree of the loan application. The exposure under the loans issued through that technology equalled more than BYN 131 million, which is 31% of the loan indebtedness of this client segment.

Due to lending process optimisation, introduction and Smart Technology, and active customer attraction, the loan indebtedness of micro and small clients in 2020 increased by 19.8%. The share of this segment in the total corporate loan portfolio grew up to 23%.

440 MILLION BYN +19.8 %

LOAN PORTFOLIO



Remote banking service and transactional business

To create a comfortable environment for the clients, we expanded our transactional business, introduced new products and services.

In 2020, we:

- Transferred our clients to the new version of Sberbank Online, where we have added new services.
- Launched the new product Business Card, featuring the opportunity to tie the card to the main current account; started issuing and re-issuing active corporate cards using our own processing centre;
- Added new packages 'Active Importer' (for clients with active foreign trade activity), 'Active Growth' and 'Corporate – 1000', reviewed the whole package line due to termination of the pilot project in 'Counterparty Validation' service;
- Designed and launched the new cardless technology for the clients to top up their accounts in cash via unattended terminals, transferred all active clients who perform such operations to that technology.

Implementation of the system for processing applications of corporate clients relating to products coming from various channels was among the measures we took to improve the existing services. The CRM system registers the applications in the client files and draws reports usable for product update and design.

Service products

In creating and evolving the corporate client ecosystem, we designed and launched the new online service for counterparty validation, which allows obtaining crucial information about the credibility of the existing or potential partners. Sberbank Online hosts the mechanism: to input the tax ID and the counterparty name is enough. The system allows verification of the reliability of our partners not only from Belarus but also Russia, Kazakhstan, Moldova, and Kyrgyzstan.

In 2020, we launched the pilot project of selling the following corporate bank insurance products – voluntary insurance of medical costs, voluntary insurance of vehicles, voluntary comprehensive insurance of property – thus expanding the range of services available to the clients.



Client journey

56 %

NPS

8.9

CSI

We provide our clients with comfortable service, innovative solutions, and leading-edge products.

One of the main improvement areas is studying the customer's voice. Marketing research and analysis of customer applications is our source of information about client experience.

We carry out regular surveys on service quality at all stages of interaction between the client and the Bank (BPS and CSI measurement). Utilising these tools, we improve our processes, products and services, and offer the most competitive terms and conditions.

At the end of 2020, corporate client loyalty to the Bank was 56%, and the general satisfaction of corporate clients with the Bank's service scored 8.9.

We use the following relevant tools to solve our client-focused business tasks:

- Design thinking methodology.
- Client journey creation.
- Client journey redesign.
- Online surveys.

These tools help us timely improve the Bank's operations with products and services based solely on the clients' opinion.

Pursuing more sophisticated research goals, we introduced usability testing to assess whether our remote service channels (Sberbank Online and others) are user-friendly and practical.

We pay special attention to processing applications submitted by corporate clients in the course of service usage. Marketing research and application analysis result in drawing plans of action to improve our products and client service quality.

International business

538 MILLION USD

ANNUAL TRADE FINANCE TRANSACTION AMOUNT

343

EXECUTED DEALS

We utilise all advantages of Sberbank Group geographic coverage and offer our clients broad opportunities of supporting their international business. Our partner network includes more than 100 banks all over the world.

The aggregate amount of trade finance transactions executed by the Bank (letters of credit, guarantees, reimbursements, bilateral trade finance loans) increased by 16% compared to 2019 and equalled USD 538 million. In total, we finalised 343 deals.

As of 01.01.2021, the amount of exposure under letters of credit, guarantees, and reimbursements was USD 157 million, the Bank's balance sheet obligations under trade finance transactions utilising resources of foreign banks made USD 125 million.

We paid much attention to the enrichment of our product line. We elaborated and put a new product for financial institutions to the market: bilateral loans to banks for trade finance purposes, and we made the first deals for USD 18 million. In 2020, we executed the first reimbursement obligation under the letter of credit issued by another Belarusian bank.

To increase corporate client satisfaction with trade finance products, we enhanced documentation forms used to execute operations with bank guarantees and letters of credit: we made wordings more flexible, added templates of a multi-currency facility agreement, facilitated the issuance procedure, improved and supplemented bank guarantee wordings. We also amended specifications of express guarantees for Medium, Large and Largest client segments: we loosened requirements to clients and collateral, included customs guarantees, and increased the term of several guarantee types.



05

FINANCIAL MARKETS

31	DEVELOPMENT OF RELATIONSHIP WITH INTERNATIONAL FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, AND FOREIGN BANKS
31	CORRESPONDENT BANKING
32	STOCK MARKET
32	FOREIGN EXCHANGE MARKET
32	PRECIOUS METALS MARKET



Development of relationship with international financial institutions, insurance companies, and foreign banks

462 MILLION USD

THE AGGREGATE RISK LIMITS
FOR THE BANK

In 2020, we continued to promote our business with bank counterparties by providing trade finance services to foreign and Belarusian banks. By order of financial institutions, we issued guarantees, reimbursement obligations, and bilateral loans and confirmed letters of credit for the aggregate amount of USD 33 million.

We actively collaborated with foreign banks in the traditional business area – supporting foreign trade of corporate clients.

In 2020, we added more financial institutions to our list of partner banks. As of the year-end, international banks' total amount of risk limits for BPS-Sberbank for trade finance purposes made USD 462 million.

In the reporting year, BPS-Sberbank was appointed as the agent bank under the agreement between Transport Leasing Company LLC (Russia) and the Government of the Republic of Belarus under the Decree of President of the Republic of Belarus No. 466. As of 01.01.2021, BPS-Sberbank performed the agent functions under 29% of its agreements.

Correspondent banking

We have a widespread correspondent network comprising 67 Nostro and 149 Loro accounts.

In 2020, we opened a Loro account in JPY and executed master agreements with AK BARS BANK (Russia) and NCFO ERIP (Belarus).

We also raised the number of payments executed via the remote banking service system Sberbank FinLine by a large margin – 27.8%.



Stock market

1 140 MILLION BYN

BOND PORTFOLIO

In the reporting year, we progressed as professional stock market participant.

To build our resource base, we offer our own bond issues. The value of bonds sold to legal entities and individuals equalled BYN 311 million as of 01.01.2021.

In 2020, we placed five bond issues among corporates and individuals, including two issues with the variable yield depending on the Bank's decision based on the prevailing market conditions. This instrument allows us to strengthen our resource base to finance the economy's productive sector in the volatile funding rate environment.

The portfolio of bonds acquired by the Bank as of 01.01.2021 equalled BYN 1,140 million, including BYN 512 million of corporate bonds and BYN 628 million of public bonds.

We accomplished the debit bond-backed finance transaction for EMIRATES BLUE SKY LLC (equal to USD 33 million) using the mechanism of converting USD nominated bonds into RUB nominated bonds.

33 MILLION USD

THE DEBUT BOND-BACKED FINANCING DEAL

Bond portfolio, BYN million



In 2020, we offered our clients a broad spectrum of operations in the stock and OTC markets and trust management service investing client funds into foreign securities.

Traditionally, we paid much attention to providing depository services. As of 01.01.2021, the Bank's depository assisted 308 bond issuers and 114.6 depositors.

The Bank's depository is among the four largest depositories in the Republic of Belarus.

Foreign exchange market

In 2020, the Bank consolidated its position as a market maker and key player in the domestic FX market.

The status of a direct participant of the currency trading section of Moscow Stock Exchange (MICEX Trade Currency), access to trade platforms of the largest banks in the Russian Federation such as Sberbank Markets (by Sberbank of Russia) and NT-Pro (by Alfa-Bank Moscow), use of trade platforms FX Trading (Refinitiv) and Bloomberg Professional enable us to offer our clients currency exchange operations for an extensive array of currency pairs on the terms very close to the prevailing market rates.

Today, we offer quotations for more than 40 currency pairs.

Precious metals market

We conduct operations with legal entities, individuals, and entrepreneurs to purchase and sell precious metals in the form of ingots and bullions, investment coins from precious metals issued by foreign mints. In this market segment, we are the unrivalled leader.

We maintain the largest in the country portfolio of precious metals on clients' unallocated and deposit metal accounts and provide metal account maintenance services to other Belarusian banks.



06

RISK MANAGEMENT



34 RISK MANAGEMENT STRATEGY

34 RISK MANAGEMENT SYSTEM DEVELOPMENT



Risk management strategy

Risk management fundamentals are set in the Risk and Equity Management Strategy of BPS-Sberbank and the bank holding. The recent version of the strategy was adopted by the Supervisory Board in November 2019.

RISK MANAGEMENT PRINCIPLES

- | | |
|---|--|
| 01 RISK AWARENESS | 07 CENTRALISED AND DECENTRALISED APPROACHES |
| 02 ACTIVITY MANAGEMENT WITH REGARD TO THE ASSUMED RISKS | 08 INFORMATION TECHNOLOGIES AND DATA QUALITY |
| 03 TOP MANAGEMENT INVOLVEMENT | 09 METHODOLOGY IMPROVEMENT |
| 04 PROPORTIONALITY PRINCIPLE | 10 RISK CULTURE |
| 05 RISK LIMITATION | 11 MOTIVATION SYSTEM WITH REGARD TO RISKS |
| 06 FUNCTION DISTRIBUTION | 12 INFORMATION DISCLOSURE |

Risk management system development

In 2020, we continued to improve our risk management system with support of the Bank's business departments.

2020

Key achievements

- New limit methodology was developed and adopted (limit levels were reduced from 5 to 3)
- Comprehensive IT risk management system implementation was accomplished
- Methodology of development and monitoring of key operating risk indicators was designed, key operating risk indicator system was updated
- Decision-making process was optimized: from 7 hours to 30 minutes for car loans, from 12 hours to 5.5 hours for property loans.

2021

Plans

- ESG risk management system development
- Model risk management system improvement
- Decision-making process optimization for retail car loans

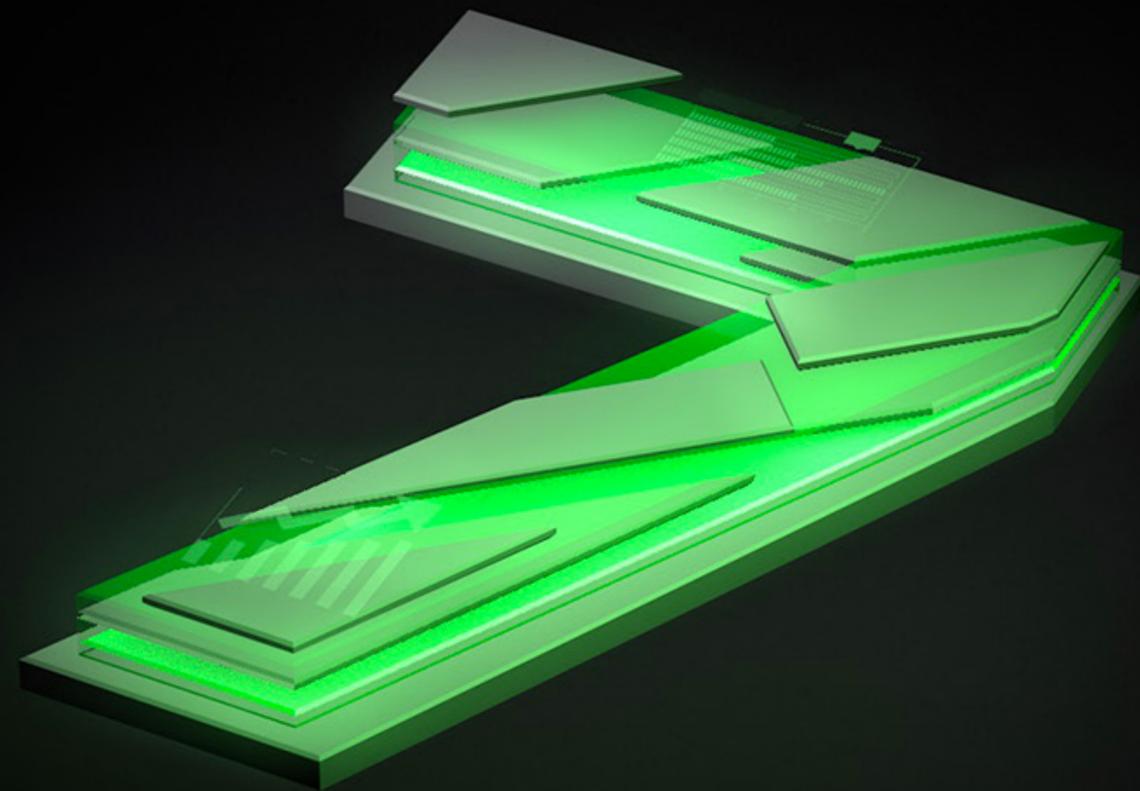


CONTROL AND REPORTING

The Bank applies a risk management model of three lines of defense

Three lines of defense





07

DATA SCIENCE. AI TRANSFORMATION

37 DATA SCIENCE. AI TRANSFORMATION



Data science. AI transformation

46 %

AI MATURITY INDEX

Data management, particularly Big Data analytics, establishing the corporate data model, and Data Science progress became a strategic direction and main development focus of BPS-Sberbank in 2020.

Intensive advancement in this domain, along with the existing technology base and concentration of data processing competency in the Bank and the IT subsidiary (Service Desk CJSC), and minimal participation of external vendors, would help us achieve the leading positions in the local market.

To clarify the required steps and track achievements in data processing and Data Science in 2020, we elaborated and implemented the AI Maturity Index together with Sberbank of Russia.

According to AI Maturity Index, we are planning to improve data processing in the following directions:

- Processes
- Strategy and management
- Research and development
- People and culture
- Data Science modelling
- Data (accessibility, introduction of the critical data element concept, and data management process)
- Creation of data management infrastructure

According to 2020 results, the AI Maturity Index made 46.04%.

Data Science modelling has a strategic priority in the data management evolution. As the legal framework for 2020, we adopted orders and regulations stipulating the processes of Data Science model preparation and validation and developed the methodology for assessing the financial and economic feasibility of AI/ML initiatives.

Our modelling priorities at this stage are:

- Automation of the decision-making process (the model to support loan decisions).
- Process optimization for cost reduction (the models automatic and replacing manual operations of the staff).
- Determination of customer interest in products (the models to forecast customer response to a product offering).
- Personification of customer contacts (the systems of recommendations allowing increase profitability and enhance customer experience from interaction with our systems).
- Forecasting transactional activity (forecasting of the most probable spending groups to increase transactional activity).

Commissioning of the corporate data model and documentation of the role-based data management model helped us structure metadata into a single glossary and ensure understanding of the data model by our business departments. The application of BI and data visualization systems allowed us to substantially improve reporting and report accessibility processes.



08

IT TRANSFORMATION. INNOVATIONS

39	IT DEVELOPMENT
40	INNOVATIONS
41	PROCESSING CENTRE EVOLUTION
41	PUBLIC TRANSPORT SOLUTIONS



IT development

IT technologies of the Bank effectively reacted to the main challenge of the year – the COVID-19 pandemics that demanded the changeover of the Bank's and its subsidiaries' staff to working remotely. During the pandemic's peak, more than 1 200 employees of the Bank and 600 employees of the subsidiaries worked at home.

That situation called for shorter time-to-market for innovative banking products, accelerated their adaptation, and increased the pressure on all IT systems. We paid special attention to the rapid advancement of our competence centres based on international standards and methodologies such as ISO 20000, Agile, DevOps, and the improvement of accessibility of the Bank's IT infrastructure.

In 2020, we continued to focus on:

- IT systems cost of ownership optimisation.
- Analysis and elimination of single points of failure in the existing IT infrastructure.
- 24/7 operation mode.

We started the project to virtualise user desks at all the Bank branches for Agile and DevOps teams. This strategy will enable us to:

- Abandon the use of local servers in the Bank's branches.
- Materially decrease the risk of confidential data leaks from the Bank's branches.
- Ensure mobility of users and an uninterrupted remote working regime.

In the reporting year, we actively pursued the implementation of the OpenShift container platform. This solution will reduce the cost of hardware ownership due to the open-source software and better CPU Ready values in the data processing centre. Implementation of this platform is a prerequisite for the introduction of cloud-ready solutions from Sberbank of Russia.

We went on upgrading the Bank's data processing centre using the 2N redundancy technology to ensure continuity of service provision, namely:

- Refusal from proprietary solutions: migration from HP-UX to RedHat Linux.
- Use of standard x86 servers instead of HP SuperDome.

To increase the accessibility of essential services, we are transforming our data processing centre using commercial data centres located in the Republic of Belarus and passed Tier III and PCI DSS accessibility and security certification.

Based on Sberbank experience, we are actively introducing the Lemon monitoring tool: the local processing centre, the Sberbank Online system, and the Unified Front End Platform have already been covered.

We are planning to use clustering technology to maintain the operability of the local data processing centre.



Innovations

Our innovative projects included Open API for interaction with the Bank's partners and RPA (process robotisation). Together with Sberbank of Russia, we introduced containerisation and cloud technologies.

We implemented five information services, two payment services, and one technical service in the Open API framework and connected two of the Bank's partners to the Open API. We are pursuing the task of transforming IT services in the scope of the Open API project into business services.

Following the business process robotisation incentive, we migrated our platform into the Sberbank environment – SberCloud.

In 2020, we robotised ten business processes for the Client Support Centre, Corporate Business, and Operating Office of the Bank, which increased operational efficiency equal to four staff members.

Using containerisation and Open Source solutions, we launched the pilot project Synapse to replace the commercial solution for the corporate data hub.

IT landscape and core system optimisation by forming a uniform accounting system will enable us to avoid dependency on the monopolistic vendor, reduce the cost of non-tangible assets, decrease the time and cost of further elaborations and bringing up new product solutions to the market.





Processing centre evolution

In 2020, BPS-Sberbank migrated from the International Processing Centre of Sberbank to the in-house processing centre.

Throughout the year since the launch of this incentive, we built our in-house processing centre located in the Republic of Belarus, upgraded and integrated 12 firmware complexes, established a data processing centre, created five development and testing environments, introduced stress testing and automated testing, ensured issuance and acquiring of VISA and Mastercard international bank payment cards in the 7/24/365 operating mode.

Also, we accomplished the scheme for redundancy channels with VISA and Mastercard – four-channel redundancy via the site point of BPS-Sberbank and the main processing centre of Sberbank of Russia. According to the scheme concept, the equipment and main channels connecting to the international payment systems are located in the Republic of Belarus, and the redundant channels are situated on Sberbank of Russia premises. Our processing centre has been successfully certified for PIN Security and PCI DSS, and we obtained certificates of compliance from VISA, Mastercard, and OpenWay.

We partnered with OpenWay, an international developer of high-tech solutions intended to manage all types of payment services and tools. The processing centre operates on the WAY4 platform. Because of the coronavirus, the Bank and the IT service vendor accomplished the preparation stage remotely. The transition to the new processing centre was seamless – all the data transferred automatically.

Our new processing centre has almost unlimited scalability, demonstrates fault tolerance and accessibility of 99.99%, ensures flexibility and variety of provided services, and supports the scope and speed of payment card and token service.

Public transport solutions

In 2020, we connected all fare gates of the 3rd Metro line to the contactless payment system. Thus, payment by cards is now functioning at all active stations of the Minsk Metro.

Belarus was one of the first countries in the CIS to introduce the promising Apple Express technology of fare payment in the Metro.

The technology is available for owners of iPhone SE, iPhone 6s and younger smartphones, and Apple Watch. To make a payment, the passenger needs to tap the iPhone or Apple Watch with an associated VISA or Mastercard against the fare gate sensor, and the card will act as an Apple Express fare card.

In the reporting year, BPS-Sberbank, VISA, IBA Group, and Borisov City Executive Committee put forward the first in the world contactless public transport fare payment system using the Visa Tap to Phone technology. The new solution uses a usual NFC phone to accept fare payment instead of validators or terminals.

The technology is unique in that it does not require any special equipment except smartphones issued to the ticket inspectors. The tapXphone mobile application designed by IBA Group based on Visa Tap to Phone technology turns the mobile phone into a payment terminal. The application allows quick and safe fare payment with a contactless card, a phone, a smartwatch, a fitness tracker, or any other NFC-module supporting device.

Borisov was the first city to accommodate this revolutionary technology. All its municipal buses are now using this contactless payment solution. Data pieces are stacked into a pre-processing batch in real-time mode.

VISA international payment system certificates confirm the security of operations.



09

IT SECURITY

43 IT SECURITY



IT Security

BPS-Sberbank pays much attention to IT security risk. To guarantee the digital safety of the bank infrastructure, we use various tools: firewalls, anti-virus software, the systems of integrity and configuration control, protection analysis, information leak prevention, data anonymization, collection and correlation of security events, and processing IT security incidents.

The applied systems are frequently updated and configured to assure the necessary degree of protection, considering the ever-growing risk of cyber threats.

We undertake regular measures to maintain the safety of operations via remote service channels. In particular, we:

- Amend our business processes.
- Upgrade software complexes, procure and implement specialized software.
- Inform the clients about security threats.

In 2020, we put into operation the fraud monitoring system in remote banking applications for individuals and legal entities in the issuance and acquiring channels, which would increase the degree of protection of our clients.

Regular third party audit revisions confirm the high level of IT security of the Bank. The Bank annually obtains confirmation of compliance with the international payment systems standard PCI-DSS.





10

AGILE TRANSFORMATION. PROCESS MANAGEMENT

45

AGILE TRANSFORMATION. PROCESS MANAGEMENT



Agile transformation. Process management

7

TRIBES

In 2020, we pursued applying flexible Agile practices in product and service development, which shortened the time-to-market for business incentives and thus improved the quality of client services and products.

Our Agile practices comprise seven tribes, 17 teams, and more than 200 business and IT experts.

In 2020, we introduced more than 100 new products and services: SberDaily ecosystem product, P2P money transfers by phone number, card products Big Bonus Card and DanaCard, online retail loans, GEELY car loan with Sberbank, COVID-19 insurance products, self-service cash collection for corporate clients, and new products in the Smart Technology line for small businesses.

We applied a flexible methodology in operational transformation. We launched a global transition project aiming to restructure all the Bank's processes to define the development priorities based on clients' interests and demands.

We decomposed the processes to see the big picture and their interconnections to determine the Bank's process development focus. As of 01.01.2021, the Bank's process register contained 200 entries. We modelled 80% of end-to-end processes and described all business processes in full detail.

Aiming to create value, ensure a close relationship with the clients, and understand their needs, we are undertaking a transformation of activities and transition to client journey management.

To improve the efficiency and quality of the processes used by internal customers, we run comprehensive surveys of internal customer satisfaction (Internal Client Voice) and take measures to enhance the services based on the survey results.

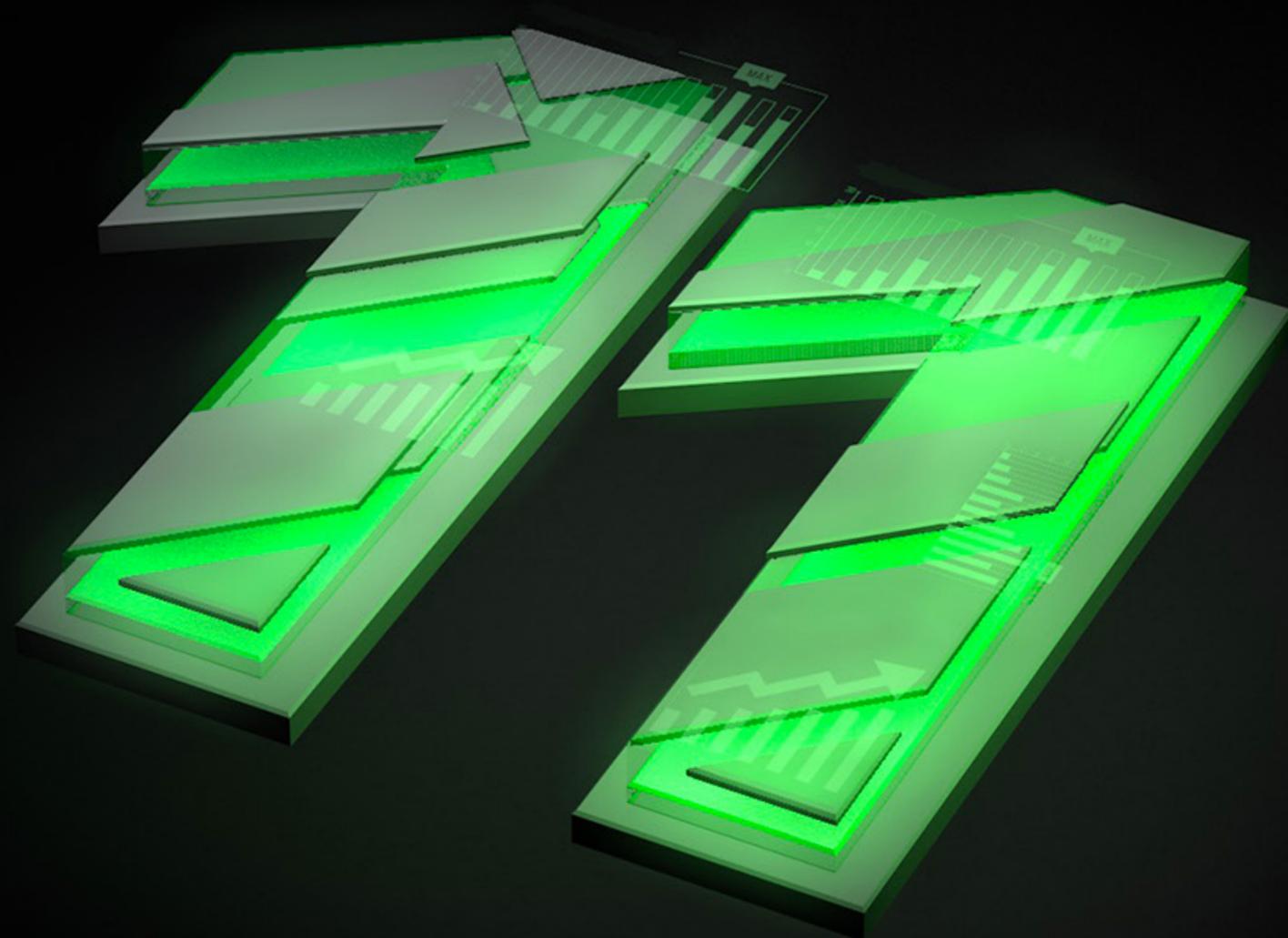
The client-focused development model followed by the Bank entails a redesign of the collaboration structure inside the Bank and a transition to a new mindset aimed at providing services to both external and internal customer.

17

TEAMS

200

BUSINESS
AND IT EXPERTS



11

INTERNAL CONTROL AND COMPLIANCE

47 INTERNAL CONTROL AND COMPLIANCE



Internal control and compliance

COMPLIANCE

BPS-Sberbank establishes the principles of organisation and functioning of the compliance system, participants of compliance risk management, and other members of BPS-Sberbank holding and stipulates their tasks, functions, authority, and responsibility.

The corporate governance system of the holding sets the compliance criteria for the process stakeholders. All the Bank and the holding employees and the responsible departments follow the compliance procedures stipulated in accordance with the distribution of duties among them.

In 2020, we took measures to manage and reduce compliance risk and ensured that compliance requirements for the Group are met.

Our results for the year showed that the compliance system is well-developed, the applied compliance procedures are reasonable and adequate to the nature and scope of the Bank activities.

No penalties or other sanctions were imposed on the Bank in 2020.

100% of our teammates have undergone internal control and compliance training

KEY COMPLIANCE DEVELOPMENT PLANS FOR 2021

In 2021, we shall continue to implement the measures aimed at:

- The compliance of the Bank and the Holding activities with the laws of the Republic of Belarus, internal and Group regulations and standards.
- Creation and support of the efficient managerial information and reporting system.
- Avoidance of involvement of the Bank, the Holding, and their staff in illicit (including corrupt) acts, illegal use of insider information, and market manipulation.
- And maintaining the high reputation of the Bank and the Holding.

INTERNAL CONTROL AND COMPLIANCE TRAINING

In 2020, we arranged for the staff training, followed by mandatory testing on the following issues:

- Prevention of money laundering and terrorist financing
- Anti-corruption
- Use of the guidance on the treatment of gifts
- Disclosure of information about a potential conflict of interest by the staff

INTERNAL CONTROL SYSTEM

The internal control system follows the principles of independence, continuity of action, unbiased and professional attitude.

Being a management company of the Holding, BPS-Sberbank sets general approaches and requirements for the rules of internal control organisation in the Bank and the Holding, taking into account the Bank's strategy, targets and tasks of its participation in other legal entities, as well as the scope and complexity of operations performed by the Holding members.

The development of the internal control system in 2020 aimed at ensuring financial reliability and information security corresponding to the nature and scope of bank operations (transactions) and other activities.

The training was arranged as a remote course and delivered to all the Bank's employees.

INTERNAL CONTROL SYSTEM DEVELOPMENT PLANS FOR 2021

Assuming the current status and the Bank's business model, the priorities for 2021 will be:

- Realisation of the internal control system development strategy relevant to the scale of business development
- Timely distribution of duties and authorities entailed by changes in the business model and the organisation structure
- Control of information systems operation and information security
- Standardisation of approaches and requirements set for the internal control system in the areas of business
- Improvement of communication and information support in the Bank and the Holding



12

CORPORATE GOVERNANCE



49	CORPORATE GOVERNANCE	64	CORPORATE SECRETARY
50	ORGANISATIONAL STRUCTURE OF BPS-SBERBANK	65	MANAGEMENT BOARD
51	GENERAL MEETING OF SHAREHOLDERS	67	LIST OF THE BANK'S COMMITTEES
52	SUPERVISORY BOARD	68	AUDIT COMMISSION
55	SUPERVISORY BOARD COMMITTEES	69	CONFLICT OF INTERESTS MANAGEMENT
56	AUDIT COMMITTEE	69	SHAREHOLDER RELATIONS
59	RISK COMMITTEE	70	INFORMATION DISCLOSURE
61	REMUNERATIONS COMMITTEE	71	CORPORATE GOVERNANCE DEVELOPMENT
63	STRATEGY AND ECOSYSTEM COMMITTEE		



Corporate Governance

The Bank's corporate governance is a system of interaction between the shareholders, management bodies, audit authorities, officers and other stakeholders, aimed at general management of the Bank's activity, achievement of goals and implementation of the development strategy, including ensuring financial reliability and continuity of business as a profit-making company.

The management bodies of the Bank provide for effective corporate governance corresponding to the nature and scope of executed banking operations and other activities and securing its financial stability.

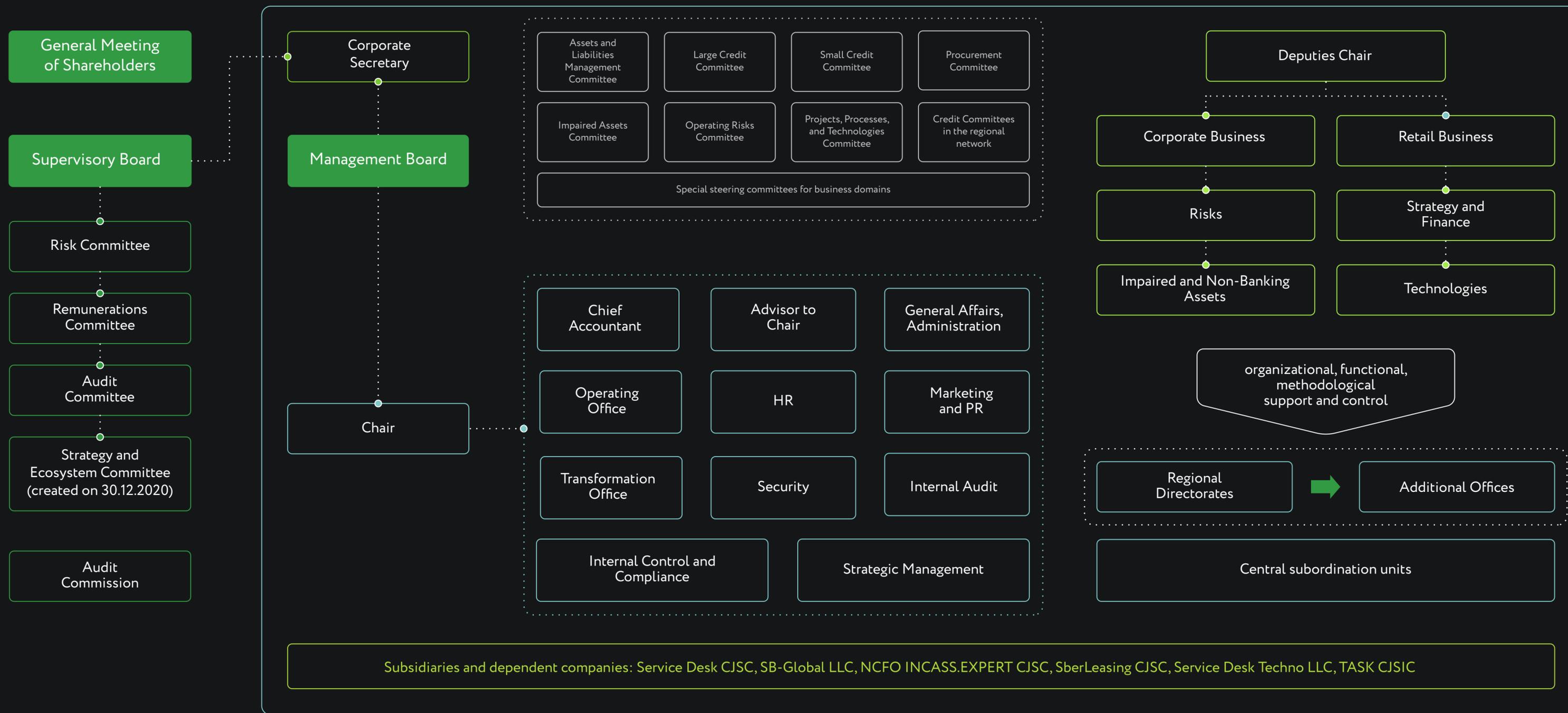
The corporate governance structure of the Bank includes the management bodies, other authorities, departments and officers of the Bank who cooperate in the framework of the internal control system, the risk management system, the system of remunerations and compensations, management of the conflict of interest, maintenance of the Bank's relations with shareholders, and information disclosure.

The management bodies of the Bank are:

- General Meeting of Shareholders
- Supervisory Board
- Management Board



Organisational structure of BPS-Sberbank as of 01.01.2021





General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Bank, which is not acting permanently and is convened as stipulated by the legislation and the Articles of Association of the Bank, which must be complied with to ensure the legality of adopted resolutions.

The scope of authority, the procedure of convening and holding the General Meeting of Shareholders, adopting resolutions, and interaction of the Bank with the shareholders are stipulated by the legislation, the Articles of Association, and local regulations of the Bank.

The issues attributed to the exclusive scope of authority of the General Meeting of Shareholders may not be delegated to other management bodies of the Bank for resolution.

5

MEETINGS WERE HELD

25

ISSUES WERE RESOLVED



Supervisory Board

The Supervisory Board is the collegiate management body that carries out general management of the Bank’s activities and determines the priority directions of its development.

The scope of authority, the procedure of holding meetings of the Supervisory Board, adopting resolutions, and other issues relating to the activity of the Supervisory Board and its members are stipulated by the legislation, the Articles of Association and local regulations of the Bank.

The Supervisory Board members are elected by the General Meeting of Shareholders according to the procedure stipulated by the legislation and the Articles of Association of the Bank.

The members of the Supervisory Board meet qualification criteria and business reputation requirements as stipulated by the legislation.

To perform the functions of the Supervisory Board aimed at ensuring effective functioning of the risk management system, the internal control system, the system of remunerations and compensations, the Supervisory Board elects the Audit Committee, the Risk Committee and the Remunerations Committee from among its members, headed by independent directors, and the Strategy and Ecosystem Committee headed by a member of the Supervisory Board.

49

+40% as compared to 2019

MEETINGS WERE HELD

198

+21.5% as compared to 2019

ISSUES WERE RESOLVED



MEMBERS OF THE SUPERVISORY BOARD OF THE BANK AS OF JANUARY 1, 2021

**Piotr
P. PROKOPOVICH**

CHAIR OF THE SUPERVISORY BOARD

Member of the Permanent Taskforce of Administration of President of the Republic of Belarus

**Timur
O. KOZINTSEV**

DEPUTY CHAIR OF THE SUPERVISORY BOARD

Senior Vice President, Head of Sberbank International, Sberbank of Russia

**Natalia
N. AVDEYENKO**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director, Sberbank International, Sberbank of Russia

**Grigoriy
M. ANASHKIN**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director for Foreign Banks, Finances, Sberbank of Russia

**Liliya
M. ASTAPOVICH**

MEMBER OF THE SUPERVISORY BOARD

Chair of the Board of Trustees of New School Local Education Fund

**Aleksey
A. ASHURKOV**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director, Risks, Sberbank of Russia

**Pavel
S. BARCHUGOV**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director, Director of International Business Efficiency and Coordination, Sberbank International, Sberbank of Russia

**Galina
P. KOUKHORENKO**

MEMBER OF THE SUPERVISORY BOARD

Independent Director

**Svetlana
I. MALYKHINA**

MEMBER OF THE SUPERVISORY BOARD

Independent Director

**Mikhail
M. MOSHIASHVILI**

MEMBER OF THE SUPERVISORY BOARD

Professor of the School of Finance, Economic Department, National Research University 'Higher School of Economy' Federal State Autonomous Higher Education Establishment

**Liudmila
P. POPOVA**

MEMBER OF THE SUPERVISORY BOARD

Independent director



NEW COMPOSITION OF THE SUPERVISORY BOARD OF THE BANK

On March 26, 2021, the General Meeting of Shareholders elected the following composition of the Supervisory Board:

**Timur
O. KOZINTSEV**

CHAIR OF THE SUPERVISORY BOARD

Senior Vice President, Head of Sberbank International, Sberbank of Russia

**Natalia
N. AVDEYENKO**

DEPUTY CHAIR OF THE SUPERVISORY BOARD

Senior Managing Director, Sberbank International, Sberbank of Russia

**Grigoriy
M. ANASHKIN**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director for Foreign Banks, Finances, Sberbank of Russia

**Liliya
M. ASTAPOVICH**

MEMBER OF THE SUPERVISORY BOARD

Chair of the Board of Trustees of New School Local Education Fund

**Aleksey
A. ASHURKOV**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director, Risks, Sberbank of Russia

**Pavel
S. BARCHUGOV**

MEMBER OF THE SUPERVISORY BOARD

Senior Managing Director, Director of International Business Efficiency and Coordination, Sberbank International, Sberbank of Russia

**Nikolay
P. BOBER**

MEMBER OF THE SUPERVISORY BOARD

Deputy Head of State Committee for Property of the Republic of Belarus (representative of the state in the management bodies of the Bank)

**Galina
P. KOUKHORENKO**

MEMBER OF THE SUPERVISORY BOARD

Independent Director

**Svetlana
I. MALYKHINA**

MEMBER OF THE SUPERVISORY BOARD

Independent Director

**Mikhail
M. MOSHIASHVILI**

MEMBER OF THE SUPERVISORY BOARD

Professor of the School of Finance, Economic Department, National Research University 'Higher School of Economy' Federal State Autonomous Higher Education Establishment

**Liudmila
P. POPOVA**

MEMBER OF THE SUPERVISORY BOARD

Independent director



Supervisory Board committees

The following committees were created for a preliminary review of the most important issues falling within the scope of authority of the Supervisory Board and preparation of recommendations for adoption of resolutions on such matters:

01

AUDIT COMMITTEE

02

RISK COMMITTEE

03

REMUNERATIONS COMMITTEE

04

STRATEGY AND ECOSYSTEM COMMITTEE

Main tasks of the committees

Audit Committee:

- General management and organisation of internal control and internal audit of the Bank.
- Selection and communication with external auditors.
- Detailed review of local regulations of the Bank, reports, and other issues to be reviewed by the Supervisory Board within the scope of the Audit Committee activity.

Risk Committee:

- Ensuring high-quality preparation of resolutions of the Supervisory Board of the Bank on risk management issues.
- Detailed review of risk management issues and elaboration of necessary recommendations and suggestions.

Remunerations Committee:

- Preliminary comprehensive study of issues relating to compensations and remunerations, falling within the scope of authority of the Supervisory Board.
- Preparation of recommendations for the Supervisory Board to pass the relevant resolutions.

Strategy and Ecosystem Committee:

- Preliminary comprehensive study of issues relating to the strategic development of the Bank and the bank holding, falling within the scope of authority of the Supervisory Board, including ecosystem creation and development.
- Preparation of recommendations for the Supervisory Board to pass the relevant resolutions.



Audit Committee

The Audit Committee was established to assist the Supervisory Board in exerting control over the effectiveness of internal control, corporate governance, and internal audit performance control systems.

19 +2
MEETINGS WERE HELD

43 +11
ISSUES WERE RESOLVED

In 2020, the Audit Committee regularly seated in accordance with the law – not less than once a month.

The Audit Committee performed the following activities on a regular basis:

- Monitoring and control over the internal audit procedure, organisation of work of the Chief Internal Control Officer of the Bank, organisation of control in the area of legal compliance, and anti-money laundering, combatting terrorist financing, and prevention of proliferation of mass destruction weapons.
- Review of reports drawn based on audit revisions and activities undertaken by the Internal Audit Department, reports by the Chief Internal Control Officer of the Bank on the status of control in the area of anti-money laundering, combatting terrorist financing, and prevention of proliferation of mass destruction weapons, and other issues relating to the organisation of the internal control system, quarterly in accordance with the plan of action.

The Audit Committee regularly reported to the Supervisory Board on the status of the internal control system, results of audit revisions, measures taken by the Management Board of the Bank to eliminate drawbacks, and sufficiency of measures adopted to improve the internal control system, to raise the effectiveness of the Bank’s activity and to eliminate shortcomings revealed in the course of external revisions.

The Audit Committee reviewed the results of the external audit revision for confirmation of the authenticity of the accounting/financial reports of the Bank, controlled implementation of recommendations suggested by the external auditor, and regularly informed the Supervisory Board.

The Audit Committee controlled development and approval by the Management Board of the Bank of the annual Activity Plan for the development of the internal control system of the Bank.

To accomplish the primary tasks for internal control and compliance development, the Audit Committee monitored the measures aimed at improving the internal control system relevant to the scope of business and the Bank’s strategy.



Audit Committee

The Audit Committee was in charge of:

- Profound study of the issues of the internal control system development, adequacy of controlling procedures in the processes and maturity of the controlling environment, based on the reports of the Chief Internal Control Officer of the Bank.
- Control over fulfilment of the Activity Plan of the Internal Audit Department for 2020 approved by the Supervisory Board.
- Results of audit revisions, revealing the most urgent issues in the organisation of the internal control.
- Results of activity of audit commissions in the subsidiary and dependent companies of the Bank, assessment of authenticity and completeness of information submitted to the Bank about the activity of the subsidiary and dependent companies of the Bank.
- Monitoring of fulfilment of the activity plans upon results of

revisions carried out by the National Bank of the Republic of Belarus, Sberbank of Russia, external audit, and internal audit recommendations.

- Monitoring of preparation of financial and prudential reporting.
- Monitoring of the process of mandatory audit of the consolidated accounting/financial statements.
- Monitoring and analysis of the controlling environment for sufficiency of control procedures based on the results of audit revisions and activities of the Internal Control and Compliance Department.
- Results of compliance with the conflict of interest management policy of the Bank and the rules for disclosure of information about a potential conflict of interest in the Bank and the bank holding.
- Local regulations of the Bank relating to internal audit and internal control, and amendments to the accounting policy.

Based on the review of external and internal audit revisions in 2020, monitoring of the implementation of the measures to eliminate the detected drawbacks by the Management Board and responsible officers, with regard to the measures undertaken by the Bank to follow the plan of action based on the results of reviews held by the National Bank, the external auditor, the internal audit of Sberbank of Russia, and taking into account the results of the external independent audit of information technologies, the consolidated internal control system of the Bank and the bank holding is assessed as sufficiently effective.

The Audit Committee approved the selection of the audit company to carry out the independent audit revision of the financial reports, subject to approval by the Supervisory Board, and arranged for cooperation with the external auditor.

The Audit Committee performed a self-assessment of its activity in 2020, resulting in the determination of development areas to improve the Audit Committee's effectiveness.

According to the performing results for 2020, the activity of the Audit Committee and its Chair was declared efficient by the Supervisory Board.

Throughout the year, the independent director – Chair of the Audit Committee regularly communicated with the Internal Audit Department and the Internal Control and Compliance Department to fulfil the tasks set for the internal audit and internal control arrangement in the Bank. The Chair of the Audit Committee participated in meetings of the Management Board of the Bank with the consent of the Chair of the Management Board.

The Audit Committee determined top priority tasks for 2021 and directions for improvement of the effectiveness of internal control and compliance, and activity of the Internal Audit Department, following the development strategy of the Bank.



MEMBERS OF THE AUDIT COMMITTEE AS OF JANUARY 1, 2021

**Liudmila
P. POPOVA**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Independent Director
(Chair of the Committee)

**Grigoriy
M. ANASHKIN**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Senior Managing Director for Foreign
Banks, Finances, Sberbank of Russia

**Liliya
M. ASTAPOVICH**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Chair of the Board of Trustees of New
School Local Education Fund

**Pavel
S. BARCHUGOV**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Senior Managing Director, Director of
International Business Efficiency and
Coordination, Sberbank International, Sberbank
of Russia

**Sergey
S. KOVALIOV**

DIRECTOR OF INTERNAL AUDIT
DEPARTMENT OF THE BANK

**Elena
E. GOLUKHOVA**

DIRECTOR OF INTERNAL CONTROL
AND COMPLIANCE DEPARTMENT OF THE BANK

On March 26, 2021, the Supervisory Board re-elected the Audit
Committee with the same members.



Risk Committee

The Risk Committee was established to assist the Supervisory Board in the implementation of the risk management strategy of the Bank and assessment of efficiency of the risk management system on the consolidated basis in the Bank and the bank holding where the Bank is the managing company.

17 +1

MEETINGS WERE HELD

31 +10

ISSUES WERE RESOLVED

In 2020, the committee seated at least once a month, not less than one meeting per quarter in the form of joint presence.

The Risk Committee performed the following functions:

- Monitoring of fulfilment of the strategy and resolutions of the Supervisory Board adopted in the area of risk management, risk profile, risk tolerance and appetite, and other risk metrics of the Bank and the bank holding.
- Regular review of reports of the Bank's CRO on assessment of the Bank's risks (monthly), on the status of the risk management systems and the Bank's risks, including the information about subsidiary companies (quarterly), condition and performance results of the Bank's risk management system on the consolidated basis (annually).
- Assessment of efficiency of the risk management system on the consolidated basis in the Bank and the bank holding.
- Preliminary review of risk management issues to be resolved upon by the Supervisory Board.
- Provision of recommendations to the Supervisory Board concerning risk management issues, suggestions for improvement of the risk management system.
- Ensuring the timely provision of information for the Supervisory Board to make managerial decisions.
- Recognition of materiality of operational incidents for making further decisions on remunerations and compensations.
- Preparation of the annual report on the activity of the Risk Committee.
- Review of drafts of specific local regulations of the Bank within the scope of authority, to be submitted to the Supervisory Board of the Bank for adoption.

When necessary, information from functional departments of the Bank was reviewed concerning certain assumed risks, their level and forecast.

The Risk Committee assessed the efficiency of the risk management system. Taking into account the system condition and development dynamics, as well as the degree of risks, compliance with prudential and risk metrics of the Bank and the bank holding, effectiveness of the risk management system of the Bank and the bank holding on the consolidated basis, the risk management system was assessed as satisfactory.

Quarterly reports of the Bank's CRO, the annual report on the condition and performance results of the risk management system (including assessment of its effectiveness), and the annual report on the activity of the Risk Committee (including self-assessment) were provided to the Supervisory Board which pays much attention to the risk management system functioning and management of the capital of the Bank and the bank holding.

The Chair of the Risk Committee continuously communicated with the Risk Management unit and other Bank officers to fulfil the committee's main objectives and participated in meetings of the Management Board with the consent of the Bank's CEO. Besides, it communicated with the National Bank

Along with general control of the risk management system status and the level of risks inherent to the Bank and the bank holding as of the reporting dates, special attention was paid to:

- Control of quality of the Bank's corporate loan portfolio and its currency concentration, compliance with criteria of concentration by the top 20 clients and groups of related clients, and the provisioning procedure.
- Control of liquidity and liquidity risk.
- Control of operating risk.
- Implementation of measures aimed at corporate governance and risk management development in the Bank and the bank holding.

of the Republic of Belarus, the Belarusian Banking Association, and the Club of Independent Directors acting under its aegis.

The Risk Committee carried out a self-assessment of its activity, and the results were taken into account to determine future areas of improvement following the Bank's development strategy. The Supervisory Board considered the activity of the committee and its Chair in 2020 as effective.



MEMBERS OF THE RISK COMMITTEE AS OF JANUARY 1, 2021

**Svetlana
I. MALYKHINA**

MEMBER OF THE SUPERVISORY BOARD

Independent Director
(Chair of the Risk Committee)

**Aleksey
A. ASHURKOV**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Senior Managing Director, Risks,
Sberbank of Russia

**Pavel
S. BARCHUGOV**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Senior Managing Director, Director of
International Business Efficiency and
Coordination, Sberbank International, Sberbank
of Russia

**Timur
O. KOZINTSEV**

DEPUTY CHAIR OF THE SUPERVISORY BOARD OF THE BANK
(ON 26.03.2021 – ELECTED AS CHAIR OF THE SUPERVISORY
BOARD)

Senior Vice President, Head of Sberbank
International, Sberbank of Russia

**Andrey
A. SAVCHENKO**

DEPUTY CHAIR OF THE MANAGEMENT BOARD OF THE BANK (CRO)

CRO

On March 26, 2021, the Supervisory Board of the Bank re-elected the Risk Committee with the same members.



Remunerations Committee

The Remunerations Committee of the Bank was established for the Supervisory Board to take the necessary resolutions to arrange an effective system of remunerations and compensations in the Bank.

13 -2

MEETINGS WERE HELD

30 0

ISSUES WERE RESOLVED

The Remunerations Committee carried out:

- Methodological support of the system of remunerations and compensations, including monitoring of fulfilment of decisions taken concerning the remunerations and compensations system.
- Control over fulfilment of decisions on payment of remunerations to the Bank's employees taking risks.
- Assessment of the system of remunerations and compensations in the Bank and the bank holding.
- Approval of the terms of payment, contract termination and payment of quarterly bonuses to the members of the Management Board of the Bank.

The Chair of the Remunerations Committee regularly checked the compliance of the remunerations and compensations system with its functional requirements, communicated with the National Bank of the Republic of Belarus, the Belarusian Banking Association, and the Club of Independent Directors.

To monitor the effectiveness of the Remunerations Committee, a self-assessment was carried out, and its results were taken into account in determining areas for improvement. The Supervisory Board considered the activity of the committee and its Chair in 2020 as satisfactory.

The management report on the remunerations and compensations system, the annual report on the status and results of functioning of the remunerations and compensations system (including assessment of its effectiveness), and the annual report on the activity of the Remunerations Committee (including the results of self-assessment of its effectiveness) were submitted to the Supervisory Board.



MEMBERS OF THE REMUNERATIONS COMMITTEE AS OF JANUARY 1, 2021

**Galina
P. KOUKHORENKO**

MEMBER OF THE SUPERVISORY BOARD

Independent Director
(Chair of the Remunerations Committee)

**Natalia
N. AVDEYENKO**

MEMBER OF THE SUPERVISORY BOARD (ON 26.03.2021
ELECTED AS DEPUTY CHAIR OF THE SUPERVISORY BOARD)

Managing Director, Sberbank International,
Sberbank of Russia

**Grigoriy
M. ANASHKIN**

MEMBER OF THE SUPERVISORY BOARD OF THE BANK

Senior Managing Director for Foreign
Banks, Finances, Sberbank of Russia

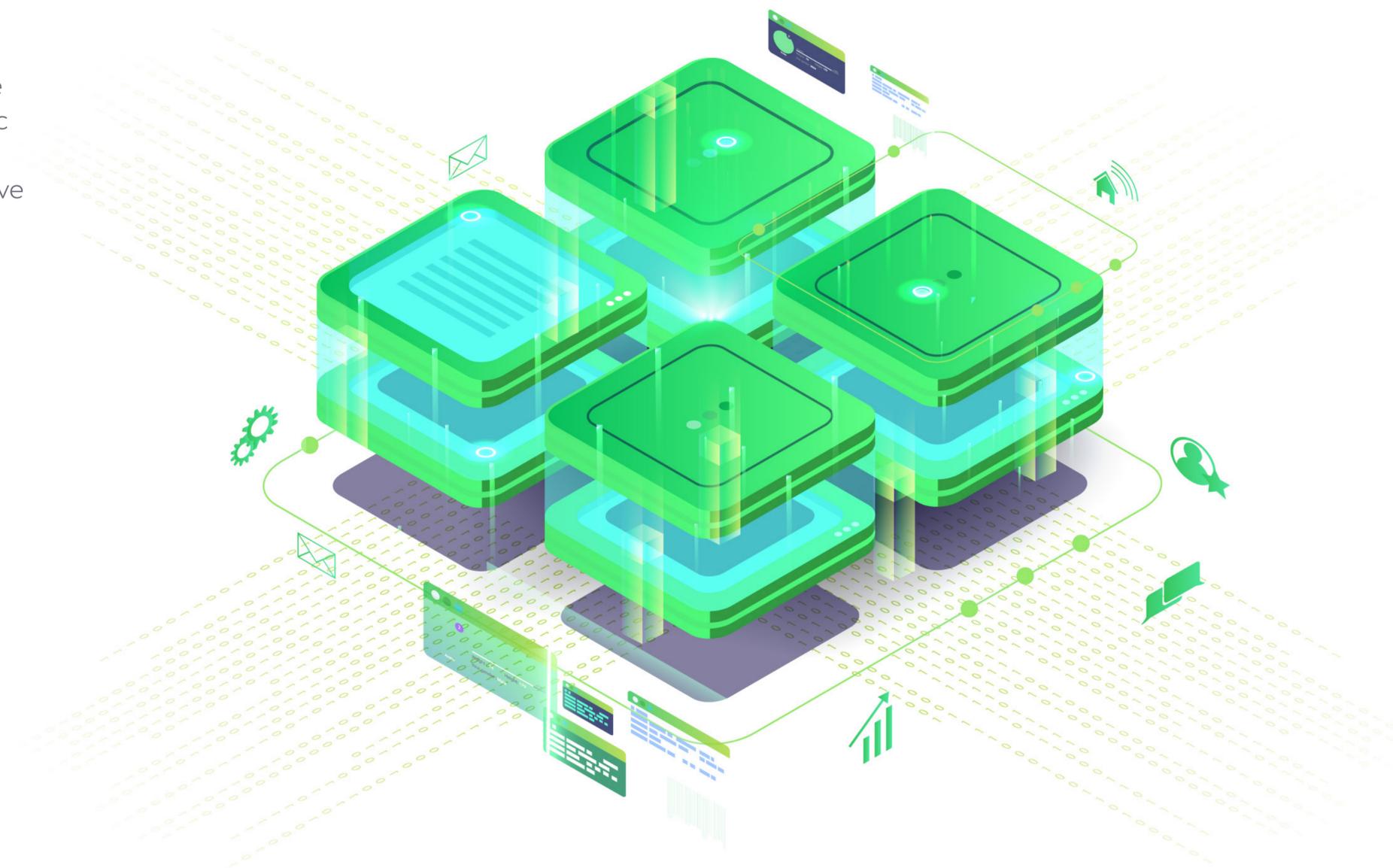
On March 26, 2021, the Supervisory Board re-elected the Remunerations Committee with the same members.



Strategy and Ecosystem Committee

The Strategy and Ecosystem Committee was established on 30.12.2020 to ensure that the Supervisory Board adopts the necessary decisions in the area of strategic planning of the Bank's activity and the members of the bank holding where the Bank is the managing company (hereinafter – the bank holding), including effective ecosystem creation and development as a top priority direction of activity of the Bank and the bank holding.

The ecosystem means the aggregate scope of partnership relations of the Bank and the bank holding, as well as products, services, and technologies provided by the partners to support personal and professional demands of clients of the Bank and the bank holding, aimed at improvement of the attractiveness of banking products and services.





MEMBERS OF THE STRATEGY AND ECOSYSTEM COMMITTEE AS OF JANUARY 1, 2021

**Mikhail
M. MOSHIASHVILI**

MEMBER OF THE SUPERVISORY BOARD

Chair of the Strategy and Ecosystem
Committee

**Timur
O. KOZINTSEV**

DEPUTY CHAIR OF THE SUPERVISORY BOARD OF THE
BANK (ON 26.03.2021 – ELECTED AS CHAIR OF THE
SUPERVISORY BOARD)

Senior Vice President, Head of Sberbank
International, Sberbank of Russia

**Igor
A. MERKULOV**

CHAIR OF THE MANAGEMENT BOARD
OF THE BANK

**Oleg
V. BORODKO**

DEPUTY CHAIR OF THE MANAGEMENT BOARD
OF THE BANK FOR RETAIL BUSINESS

**Andrey
S. ALEKSAKHIN**

ADVISOR TO CHAIR OF THE MANAGEMENT BOARD
OF THE BANK

Corporate Secretary

The corporate governance structure includes the Corporate Secretary, the officer of the Bank aiding management of the Bank to the benefit of its shareholders, compliance of the officers and the management bodies with procedural requirements securing legal rights and interests of the shareholders.

Within the scope of their authority, the Corporate Secretary interacts with the Supervisory Board, the Management Board, and the Bank's shareholders.

On March 26, 2021, the Supervisory Board re-elected the Strategy and Ecosystem Commission with the same members.



Management Board

The Management Board is the collegiate executive body of the Bank, carrying out daily management of the Bank's activity. Its scope of authority includes all issues not attributed to the exclusive scope of authority of the General Meeting of Shareholders and the Supervisory Board.

61 +4

MEETINGS WERE HELD

814 +166

ISSUES WERE RESOLVED

In accordance with the delegated authority, the Management Board:

- Organises the risk management system in the Bank and the bank holding of which the Bank is the managing company, and the internal control system; provides for the achievement of the tasks and objectives set by the Supervisory Board in this area.
- Organizes introduction of progressive banking technologies, provides for the creation of up-to-date banking infrastructure.
- Approves the organisational structure of the Head Office and structural divisions, regional network offices and the representative office of the Bank.
- Resolves on opening and closing of structural divisions of the Bank.
- Organises the activity of the Internal Audit Department of the Bank.

- For the arrangement of the proper internal control system:
 - Provides for the fulfilment of resolutions of the Supervisory Board, implementation of the Bank's strategy and policy including concerning internal control arrangement and execution.
 - Provides for effective functioning of the internal control system.
 - Provides for internal monitoring of the efficiency of the internal control system and control over elimination of detected violations and drawbacks in the arrangement of the internal control system of the Bank.
 - Reviews the management reports containing results and materials from regular assessment of efficiency of the internal control system, its directions and types.
 - Performs other functions as stipulated by the Articles of Association.
- Provides for effective functioning of the internal control system.
- Provides for implementation of HR policy of the Bank resolving, among other things, issues on labour remuneration to the Bank's employees, their incentives and social benefits.
- Resolves on other daily matters stipulated by the law, the Articles of Association, and local regulations of the Bank.

Authority is distributed among Chair of the Management Board, Deputies Chair of the Management Board, and other Management Board members based on orders of Chair of the Management Board.

The Chair of the Management Board presides it and is the Bank's CEO.

To improve and implement the Bank's policy, raise operational efficiency and optimise the decision-making process, collegiate bodies (committees) were established, and their authority, including the decision-making powers, are set by the Management Board. Specific powers were delegated to the committees, which does not contradict the law.

The Bank has appointed the officers responsible for risk management and internal control who are subordinate directly to the Chair of the Management Board and report to the Supervisory Board. Also, the departments were created to manage certain risk types according to the nature and scope of banking operations and other activities and the specialised structural division for prevention of money laundering, terrorist financing, and financing of proliferation of mass destruction weapons.



MEMBERS OF THE MANAGEMENT BOARD AS OF JANUARY 1, 2021

Igor
A. MERKULOV

CHAIR OF THE MANAGEMENT BOARD

Oleg
V. BORODKO

DEPUTY CHAIR OF THE MANAGEMENT BOARD
FOR RETAIL BUSINESS

Dmitriy
N. VOYTUSHKO

DEPUTY CHAIR OF THE MANAGEMENT BOARD
FOR CORPORATE BUSINESS

Andrey
A. VUSHEV

DEPUTY CHAIR OF THE MANAGEMENT BOARD

Elena
V. DEMIDENKO

EXECUTIVE DIRECTOR

Andrey
A. SAVCHENKO

DEPUTY CHAIR OF THE MANAGEMENT BOARD (CRO)

CRO

CHANGES IN THE MANAGEMENT BOARD

Due to termination of authority, Liliya M. Astapovich was dismissed from the Management Board (on 27.03.2020).

According to the Resolution of the Management Board dated 01.10.2020, Andrey V. Vushev was elected Deputy Chair of the Management Board.



List of the Bank's committees as of January 1, 2021

ASSETS AND LIABILITIES MANAGEMENT COMMITTEE

Provides for implementation of the Strategy of Development of the Bank in the area of assets and liabilities, liquidity and market risks, and capital adequacy management.

LARGE CREDIT COMMITTEE

Provides for implementation of the Strategy of Development of the Bank in the area of lending to largest, large, and medium corporate customers, and supports improvement and implementation of the lending policy of the Bank.

SMALL CREDIT COMMITTEE

Provides for implementation of the Strategy of Development of the Bank in lending to micro and small corporate customers and individuals.

IMPAIRED ASSETS COMMITTEE

Provides for effective overdue debt recovery.

PROCUREMENT COMMITTEE

Provides for organisation and following procurement procedures, coordinating the purchase goods (work, services) by the Bank.

PROJECTS, PROCESSES, AND TECHNOLOGIES COMMITTEE

Provides for resolution of the issues relating to information system automation, information security, IT risk management, project activity organisation and implementation, process management in the Bank.

OPERATING RISK COMMITTEE

Provides for implementation of the policy of efficient operating risk management in the Bank, and control over timeliness and correctness of investigations held in the Bank.

CREDIT COMMITTEES OF THE REGIONAL NETWORK

Provides for implementation of the lending policy maintained by the Bank.



Audit Commission

In accordance with the Articles of Association of BPS-Sberbank, for the purpose of internal control over the financial and economic activity of the Bank, the annual General Meeting of Shareholders elects the Audit Commission consisting of three members. The Audit Commission remains in office until the next Annual General Meeting of Shareholders.

The Audit Commission carries out control procedures concerning the economic and financial activity of the Bank, reviews activity results disclosed in the annual accounting (financial) statements of the Bank.

Taking into account the control procedures, the Audit Commission provides to the General Meeting of Shareholders an opinion in relation to the possibility of acceptance of results of the financial and economic activity of the Bank in the reporting year for review and adoption.

MEMBERS OF THE AUDIT COMMISSION AS OF JANUARY 1, 2021

**Olga
E. SHIRYAEVA**

LEADING AUDITOR, INTERNAL
AUDIT DIVISION, SBERBANK OF RUSSIA

**Ilya
I. GUSEV**

EXECUTIVE DIRECTOR, INTERNATIONAL
BUSINESS EFFICIENCY AND
COORDINATION, SBERBANK
INTERNATIONAL, SBERBANK OF RUSSIA

**Irina
V. DOVNAR**

DEPUTY DIRECTOR OF FINANCE,
BPS-SBERBANK

NEW COMPOSITION OF THE AUDIT COMMISSION

On March 26, 2021, the annual General Meeting of Shareholders elected the Audit Commission with the following members:

**Olga
E. SHIRYAEVA**

LEADING AUDITOR, INTERNAL
AUDIT DIVISION, SBERBANK OF RUSSIA

**Ilya
I. GUSEV**

EXECUTIVE DIRECTOR, INTERNATIONAL
BUSINESS EFFICIENCY AND
COORDINATION, SBERBANK
INTERNATIONAL, SBERBANK OF RUSSIA

**Inna
A. DANILOVA**

HEAD OF CONTROLLING AND BI
PROJECTS, FINANCE, BPS-SBERBANK



Conflict of interests management

The Bank's management bodies put their best efforts into avoidance and management of the conflict of interest arising in the course of the Bank's activity between the management bodies of the Bank, their members, and the Bank's shareholders.

Conflict of interests management is aimed at prevention of:

- Discrepancies between financial and other interests of the Bank, its shareholders (other beneficial owners), management bodies and their members, structural divisions, employees, and clients, which may lead to adverse consequences for the Bank and its clients.
- Situations in which personal bias of employees may influence bona fide and effective performance of their duties.

Conflict of interests is managed by application of specific prevention procedures and mechanisms, timely detection, control and regulation (avoidance) of such conflict, implementation of measures aimed at mitigation of its consequences, determination of the rules of conduct in case of (potential) conflict of interest, as stipulated in the local regulations of the Bank.

Shareholder relations

The Bank's corporate governance aims at equal treatment of all shareholders of the Bank.

The Bank's shareholders are entitled to receive information about the Bank's activity disclosed in mass media, published on the official website of the Bank, and other information to be provided in accordance with the Articles of Association, local regulations of the Bank, and the law.

The Bank regularly communicates with its shareholders by publishing news, press releases, annual reports, and other information.

The shareholders participate in the Bank's management by resolving the issues of the Bank's activity at the General Meeting of Shareholders. The Bank regards the General Meeting of Shareholders as an opportunity to inform the shareholders about its activity, performance results and plans, involve them in discussion and making decisions on the critical issues of the Bank's business.

The Bank publishes the date of the General Meeting of Shareholders as stipulated in the Articles of Association, thus

providing the shareholders with sufficient time for preparation on the agenda issues.

Apart from the publication about the date of the General Meeting of Shareholders, each shareholder (its representative) who participates in the meeting in person is issued a set of documents necessary for making decisions.

The Bank's shareholders may delegate their authority to participate in the management of the Bank's activity to other persons as stipulated by the law.

The Bank provides its shareholders with a fair opportunity to get a share in profits in the form of dividends, as stipulated in the relevant local regulations.

The shareholders do not assume liability under the Bank's obligations and bear the risk of losses relating to the Bank's activity limited to the value of the shares in their possession.



Information disclosure

The Bank provides access to its shareholders and other related parties to the information about all material facts of the Bank’s activity, which allows them to make well-weighted decisions.

Bank secret, trade secret, or other information of the Bank and its clients and counterparties protected by the law are not subject to disclosure unless required by the law.

Approaches to the content and scope of disclosable information, objectives, procedure and frequency of disclosure, means of informing the stakeholders are stipulated in local regulations of the Bank with regard to the law.

In disclosing information, the Bank follows the principles set below:

COMPLETENESS

- The Bank discloses the information in accordance with local regulations and the law.

AUTHENTICITY

- The Bank discloses the information avoiding uncertainties of interpretation. Provision of incorrect information is not tolerated. The persons who disclose information are liable for its authenticity.

ACCESSIBILITY

- The Bank uses the means of disclosure that are accessible and convenient for the recipients. The information published on the Bank’s website is available free of charge and requires no special acknowledgement.

RELEVANCE AND TIMELINESS

- To ensure continuous disclosure, the Bank developed internal regulations coordinating activities of structural divisions relating to the preparation, timely presentation, and disclosure of information.



Corporate governance development

In 2020, to improve corporate governance aimed at implementation of the Bank's objectives and development strategy, including its financial reliability and continuity of business as a profit-making entity, we undertook the following measures:

01

We accomplished the Plan of Action to improve the Bank's corporate governance adopted by the Supervisory Board after the independent external audit of corporate governance efficiency carried out by the auditing company FBK-Bel LLC, including assessing the Supervisory Board efficiency. According to the plan, we:

- Adopted the new version of the Regulation on the Supervisory Board, where we stipulated the procedures of selection of candidate members of the Supervisory Board, their entering the office, skill improvement, declaration of incompliance with requirements or inefficient, control over related party transactions, and other issues.
- Updated the Code of Corporate Governance (the new version was adopted).
- Stipulated the process of control exerted by the Supervisory

Board over bank operations with related parties and their associates on an arm's length principle.

- Referred adoption of local regulations stipulated organisation and conduct of internal audit (standards), detailed study of annual plans of actions to develop the internal control system of the Bank, and analysis of the Bank's accounting policy and its amendment, to the scope of authority of the Audit Committee.
- Updated local regulations stipulating the systems of internal control, risk management, remunerations and compensations, the activity of the Supervisory Board committees.
- Undertook other measures.

02

We carried out an internal assessment of the corporate governance in the Bank and its subsidiaries (Sber Leasing CJSC, SB-Global LLC, Service Desk CJSC), and it was deemed efficient.

03

We carried out a self-assessment of the activity of the Supervisory Board and its committees and the Management Board for 2020. Such self-assessment is executed annually in accordance with the law.

Based on the assessment results, the activity of the Supervisory Board, its members and committees, and the Management Board was deemed generally efficient.

In 2021, the activity of the Management Board will aim at, among other things, further improvement of efficiency in the following areas:

- Consolidated activity of the bank holding.
- Functioning of the remunerations and compensations system.
- Relations with interested parties (National Bank of the Republic of Belarus, clients).
- Correspondence of the Bank's structure to the nature and scope of business.
- Adequacy of functional duties of the members of the Management Board to the Bank's development strategy, scale and level of development.
- Effectiveness of activity of the Management Board members in reduction of risks inherent to the Bank's activity, decrease of costs, and growth of the Bank's income.



13

HR DEVELOPMENT

73 HR DEVELOPMENT





HR development

10 YEARS

AVERAGE TIME WITH THE BANK

95 %

STAFFING

37 YEARS

AVERAGE AGE

TEAM CORE STABILITY, %



- 41 Average time with the Bank above 11 years
- 23 Average working time in the Bank is from 6 to 11 years
- 27 Average working time in the Bank from 1 to 5 years
- 9 Average working time at the Bank is less than 1 year

Men to women ratio, %



- 79 Women
- 21 Men

We also implemented a set of measures to provide social support to our teammates. In particular, we:

- Elaborated the system of staff health care and improvement due to the challenging epidemiological situation.
- Continuously monitor the health status of the sick employees.
- Adjusted the voluntary medical insurance system based on the staff demands.
- Stipulated in the collective bargain agreement the opportunity to take one paid leave day to arrange for a medical examination.
- Established the commission for collective negotiations with the Bank's trade union.
- Regularly expand the range of corporate benefits and discounts for the Bank's employees from our partners.
- Hold team-building and skill enhancement events.

In the reporting year, we improved the Bank's organisation structure, developed the business effectiveness management system and staff incentives aimed at productivity growth.

In 2020, staff number optimisation continued due to process optimisation and centralisation, remote client service channels development, and other factors. The staff number reduced by 8% in the reporting year, as compared to 2019.

The staff composition is stable and complete: nearly 41% of the employees have been working with the Bank for over eleven years, the staffing ratio is 95%, and the average age of the employees is 37 years.

In the reporting year, we paid much attention to staff education and training. We pursued cooperation with the Corporate University of Sberbank, studying under various MBA programmes and training based on Sberbank Virtual School and electronic libraries. Digital learning was the main focus and had the largest share in the corporate education structure. More than 60% of the staff have access to electronic libraries and Sberbank Virtual School resources.

To refine the unbiased assessment in selecting candidates for the vital managerial positions of the Bank, we hold the cross-functional interview (Green Room), which allows taking a collective and objective decision on the appointment of a key officer.

We continued to develop the social benefits package, including the system of voluntary insurance of employees. The number of employees and members of their families insured with the application of the corporate rates grows every year.



14

IFRS PERFORMANCE RESULTS OF BPS-SBERBANK GROUP

75	IFRS PERFORMANCE RESULTS OF BPS-SBERBANK GROUP
76	MAIN PERFORMANCE INDICATORS OF THE BANK GROUP
79	CONSOLIDATED PROFIT AND LOSS STATEMENT REVIEW
82	CONSOLIDATED STATEMENT OF FINANCIAL CONDITION REVIEW



IFRS performance results of BPS-Sberbank Group

BPS-Sberbank Group (hereinafter – the Bank Group) achieved the following financial results in 2020:

372.2 MILLION BYN +32.1 MILLION BYN

OPERATING INCOME BEFORE LOAN LOSS PROVISIONS

258.4 MILLION BYN +7.9 MILLION BYN

OPERATING EXPENSE

48.2 MILLION BYN

NET PROFIT

3.8 %

NET INTEREST MARGIN

135.9 MILLION BYN +7.7 MILLION BYN

NET FEE AND COMMISSION INCOME

740.2 MILLION BYN +6.4 %

EQUITY OF THE BANK GROUP

4.4 %

AGGREGATE ASSETS

19.2 %

TOTAL CAPITAL ADEQUACY RATIO

Loan loss provisioning in the reporting year made BYN 55.9 million, and the provisioning rate was 16.6%.

In terms of capital adequacy calculations, equity increased by 4.4% up to BYN 820.4 million, taking into account the subordinated loan amortisation (CAR – 19.2%).



Main performance indicators of the Bank Group

	2020	2019	Change in 2020 to 2019, %	2018	2017	2016
FINANCIAL INDICATORS, BYN MILLION						
Operating income before provisioning	372.2	340.1	9.4	413.6	386.9	435.3
(Creation)/Restoration of loan loss reserves (2020-2018)/ loan portfolio depreciation reserves	(55.9)	11.8	—	(41.4)	(103.1)	(196.9)
Operating income	314.2	357.5	-12.1	369.9	282.6	239.4
Operating expense	258.4	250.5	+3.2	222.8	209.4	216.5
Profit before tax	55.8	107.1	-47.9	147.1	73.2	26.2
Net profit	48.2	91.5	-47.3	122.5	65.0	19.9

	2020	2019	Change in 2020 to 2019, %	2018	2017	2016
BALANCE SHEET INDICATORS, BYN MILLION						
Corporate loans (net)	2 317.4	2 217.1	+4.5	2 066.1	1 556.8	1 785.5
Retail loans (net)	775.3	787.1	-1.5	643.4	445.1	180.1
Loan loss provisions (2020-2018)/ loan portfolio depreciation reserve	614.2	459.3	33.7	463.0	398.7	430.8
Customer loans (gross)	3 706.9	3 463.5	+7.0	3 172.5	2 400.5	2 396.4
Total assets	4 944.5	4 735.6	+4.4	4 313.0	3 828.3	3 641.8



Main performance indicators of the Bank Group

	2020	2019	Change in 2020 to 2019, %	2018	2017	2016
FINANCIAL INDICATORS, MILLION BYN						
Corporate funding	1 663.6	1 619.4	+2.7	1 429.4	1 252.0	960.7
Retail funding	1 141.0	1 331.1	-14.3	1 279.1	1 253.2	1 488.5
Total liabilities	4 204.3	4 040.0	+4.1	3 645.4	3 224.5	3 103.8
Total equity	740.2	695.6	+6.4	667.6	603.7	537.9
Capital for CAR calculation as per Basel Accord	820.4	785.8	+4.4	794.6	756.9	670.9

	2020	2019	Change in 2020 to 2019, %	2018	2017	2016
EFFICIENCY INDICATORS, %						
Return on equity (ROE)	6.7	13.4	-6.7 p.p.	19.3	11.4	4.0
Return on average annual assets (ROA)	1.0	2.0	-1.0 p.p.	3.0	1.7	0.5
Spread (profitability of assets less cost of borrowings)	3.7	3.5	+0.2 p.p.	4.2	5.9	6.8
Net interest margin (net interest income to average annual interest income-generating assets)	3.8	3.9	-0.1 p.p.	4.6	6.2	7.0
Operating cost-to-income ratio before provisioning (CIR)	69.4	73.6	-4.2 p.p.	53.9	54.1	49.7
Net customer loans to deposits (LDR)	110.3	101.8	+8.5 p.p.	100.0	79.9	80.3



Main performance indicators of the Bank Group

	2020	2019	Change in 2020 to 2019, %	2018	2017	2016
CAPITAL ADEQUACY RATIOS, %						
Core capital adequacy ratio (Tier 1)	16.7	15.7	+1.0 p.p.	15.7	17.2	15.0
Total capital adequacy ratio (Tier 1 and Tier 2)	19.2	18.7	+0.5 p.p.	20.0	22.9	20.0
Equity to assets ratio	15.0	14.7	+0.3 p.p.	15.5	15.8	14.8

	2020	2019	Change in 2020 to 2019, %	2018	2017	2016
ASSETS QUALITY INDICATORS						
NPL share in the loan portfolio, %	11.6	10.3	+1.3 p.p.	14.3	15.6	18.0
Loan loss provisions (2019-2018)/ loan depreciation reserves to NPL, x	1.4	1.3	+0.1	1.0	1.1	1.0
Loan loss provisions (2019-2018)/ loan depreciation reserves to gross loan portfolio, %	16.6	13.3	+3.3 p.p.	14.6	16.6	18.0



Consolidated profit and loss statement review

NET INTEREST INCOME

Net interest income before loan loss provisioning made BYN 155.8 million in the reporting year (2019: BYN 159.9 million).

Throughout 2020, the terms characterizing the Group's main activities in funding and lending changed in various directions depending on the financial instrument.

Factor analysis of income and expense

Assets	Volume factor	Interest rate factor
Loans to legal entities	(5 254)	16 278
Loans to individuals	7 321	(3 403)
Loans to other banks	(139)	1 429
Securities	1 463	(15 849)
Change of interest income	3 391	(1 545)

Factor analysis of income / expenses

Assets thousand BYN	Volume factor	Interest rate factor
Due to legal entities	4 698	(7 613)
Due to individuals	(2 093)	1 806
Due to other banks	9 022	(709)
Debt securities issued	(1 470)	2 305
Change of interest expense	10 157	(4 211)
Change of net interest income	(6 766)	2 666

Interest income in 2020 increased by 0.6% and made BYN 303.6 million, of which 57% were earned from corporate loans, 31% from retail loans, and 11% from securities. The average annual assets decreased by 0.3%, while profitability grew by 0.1 p.p.

Net interest spread increased by 0.2 p.p., and net interest margin decreased by 0.1 p.p.

Interest expense in 2020 increased by 4.2% and made BYN 147.7 million. The largest share in the interest expense structure is occupied by retail funding (66%) which is the main funding source. The average annual liabilities grew by 6.9%, and the average cost of funding decreased by 0.1 p.p. down to 3.7%.



The table below shows average annual values of assets and liabilities of the Group, as well as income/expense generated by each item of the statement of financial condition and average annual profitability/cost.

Assets, thousand BYN	2020			2019		
	Average annual value	Interest income/expense, %	Average profitability/cost, %	Average annual value	Interest income/expense, %	Average profitability/cost, %
Loans to legal entities	2 490 958	171 879	6.9	2 575 061	160 855	6.2
Loans to individuals	787 137	93 170	11.8	727 464	89 252	12.3
Loans to other banks	203 891	5 484	2.7	210 885	4 194	2.0
Securities	630 507	33 040	5.2	611 637	47 426	7.8
Total interest income-generating assets	4 112 493	303 573	7.4	4 125 047	301 727	7.3
Expected loan loss provisions	(536 755)			(461 169)		
Assets not generating interest income	1 264 303			436 046		
Total assets	4 840 041			4 099 924		
Liabilities						
Due to legal entities	1 641 468	58 249	3.5	1 524 391	61 164	4.0
Due to individuals	1 236 062	39 277	3.2	1 305 096	39 564	3.0
Due to other banks	801 250	29 179	3.6	559 376	20 866	3.7
Debt securities issued	354 763	21 027	5.9	382 617	20 192	5.3
Total interest expense-generating liabilities	4 033 543	147 732	3.7	3 771 480	141 786	3.8
Liabilities not generating interest expense	88 607			71 199		
Total liabilities	4 122 150			3 842 679		
Net interest spread			3.7			3.5
Net interest margin			3.8			3.9

Interest expense on retail deposits slightly decreased by 0.7% due to funding reduction by 5.3% against increase of the funding costs by 0.2 p.p. for the year.

Interest expense on corporate deposits decreased by 4.8% due to reduction of the funding costs by 0.5 p.p. regardless of the funding volume increase by 7.7%.

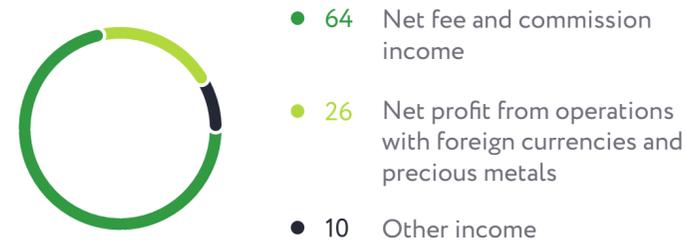


NET NON-INTEREST INCOME

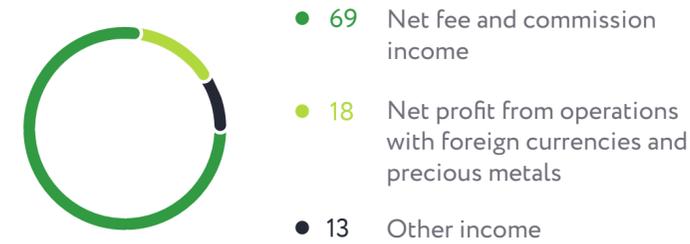
Net non-interest income grew by 15% up to BYN 213.3 million, net fee and commission increased by 5.9% and made BYN 135.9 million.

Net profit from operations with foreign currency and precious metals in 2020 increased by 64.4% up to BYN 55.8 million.

2020



2019



OPERATING COSTS

Operating costs in comparison with 2019 increased by 3.2% up to BYN 258.4 million.

Operating cost to income ratio before provisioning (CIR) made 69.4% (2019: 73.6%). Decrease was attributed to the growth of operating income by 9.4% in 2020.



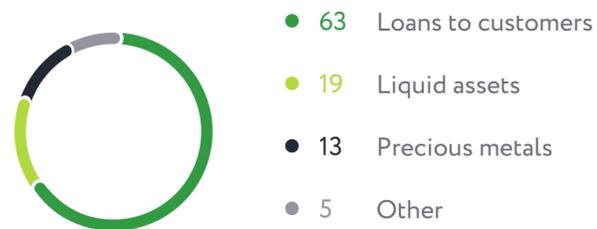
Consolidated statement of financial condition review

GENERAL TRENDS

In 2020, assets increased by 4.4% and made BYN 4 944.5 million. Customer loans occupy the largest share in the asset structure – 62.5%.

The share of liquid assets including cash and correspondent account balances in foreign currencies and precious metals with other banks made 19.2%.

2020



2019

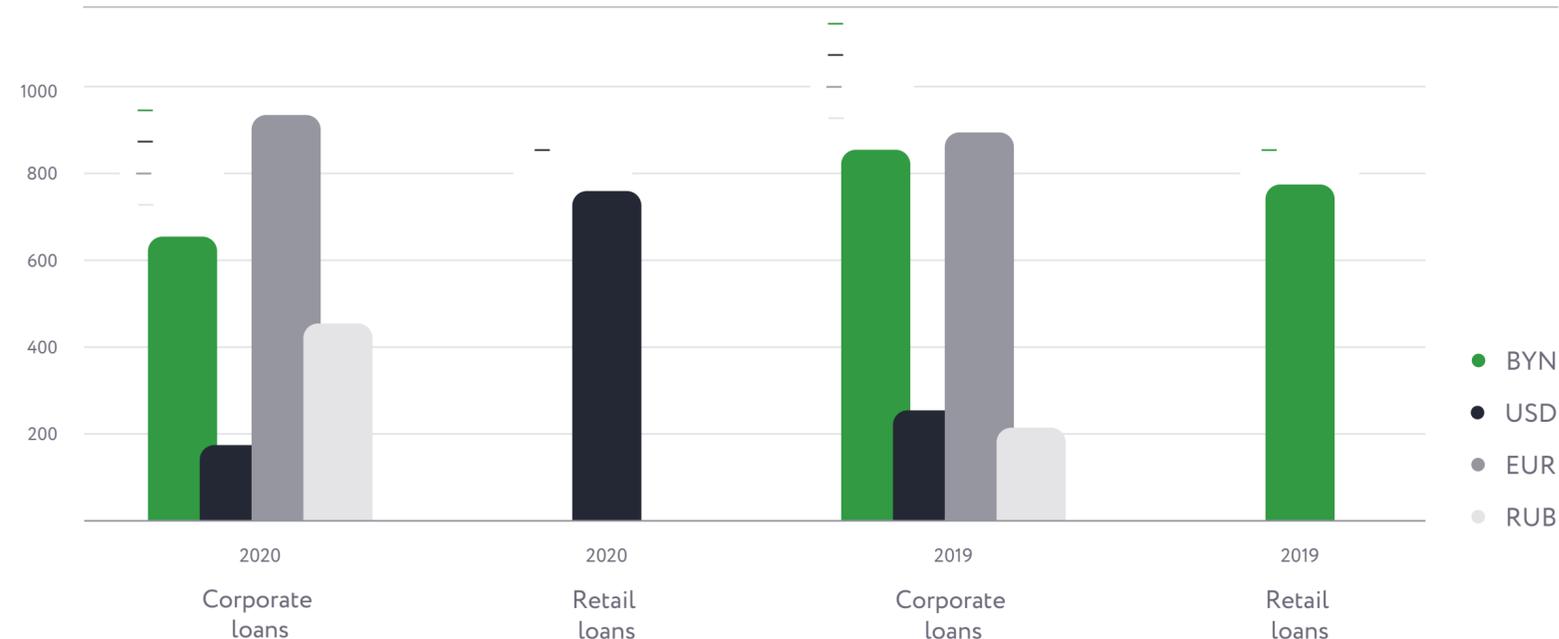


LOANS TO CUSTOMERS

The aggregate loan portfolio of the Bank Group before loan loss provisioning made BYN 3 706.9 million. The corporate loan portfolio grew by 9.4% up to BYN 2 916.2 million, attributed to revaluation of FX assets.

The retail loan portfolio before loan loss provisioning decreased by 1% down to BYN 790.7 million. Decrease of consumer loans in the bank's loan portfolio in 2020 was the most influential – by 11.0% down to BYN 120.6 million. Car loans increased by 18.8%. Decrease in consumer lending was attributed to limited access to untied consumer loans in 2H 2020.

Loans to customers breakdown by currency, BYN million



The share of loans in the local currency increased in 2020 up to 51.4% (2019: 45.4%).

Loans to customers, thousand BYN	2020		2019		Change, %
	Amount	% of amount	Amount	% of amount	
Corporate commercial loans	2 618 580	70.7	2 493 932	72.0	5.0
Corporate special purpose loans	297 610	8.0	170 588	4.9	74.5
Corporate loans	2 916 190	78.7	2 664 520	76.9	9.4
Retail consumer and other loans	120 566	3.3	136 883	4.0	(11.9)
Credit cards and overdrafts	85 475	2.3	85 779	2.5	(0.4)
Retail housing loans	519 878	14.0	521 808	15.0	(0.4)
Retail car loans	64 751	1.7	54 526	1.6	18.8
Retail loans	790 670	21.3	798 996	23.1	(1.0)
Total loans to customers	3 706 860	100.0	3 463 516	100.0	7.0

SECURITIES PORTFOLIO

The securities portfolio is represented by public bonds by 98.9%.

	2020		2019	
	BYN thousand	Share, %	BYN thousand	Share, %
Public bonds	656 786	99.1	591 592	98.9
Municipal bonds	—	—	2 112	0.4
Total debt securities	656 786	99.1	593 704	99.3
Shares	6 203	0.9	4 321	0.7
Total securities	662 989	100.0	598 025	100.0

99.1% of securities were evaluated by fair value booked as other aggregate income. The fair value in the majority of cases was determined on the basis of market quotations valid as of the reporting date. Unless market quotations were present, standard evaluation models were applied used the data observed in the open market. The interest instruments (shares) were booked at fair value in the profit and loss statement.

LIABILITIES STRUCTURE REVIEW

Liabilities of the Bank Group increased by 4.1% up to BYN 4 204.3 million in 2020.

The liabilities structure was dominated by retail and corporate funding (66.7%) which decreased by 4.9% and made BYN 2 804.6 million.

Funds due to other banks in the reporting year increased by 63.2% and made BYN 771.2, and their share in the liabilities structure grew by 6.6 p.p. up to 18.3%.

2020



- 40 Due to corporate clients
- 18 Due to other banks
- 27 Due to individuals
- 15 Other

2019



- 40 Due to corporate clients
- 12 Due to other banks
- 33 Due to individuals
- 15 Other

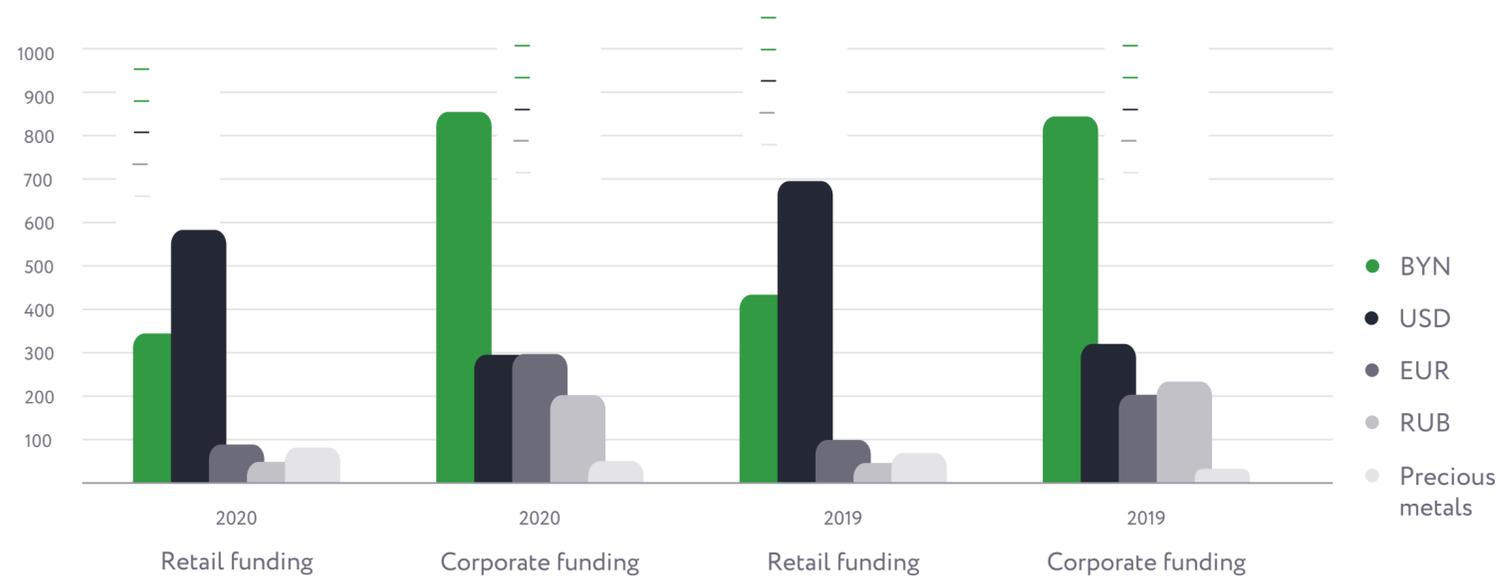
CUSTOMER FUNDING

In 2020 the volume of customer funding decreased due to reduction in retail accounts.

	2020		2019	
	BYN thousand	Share, %	BYN thousand	Share, %
Retail accounts				
Current/call accounts	461 465	16	498 578	17
Time deposits	679 568	25	832 512	28
Total retail accounts	1 141 033	41	1 331 090	45
Corporate accounts				
Current/call accounts	811 270	29	832 438	28
Time deposits	852 281	30	786 947	27
Total corporate accounts	1 663 551	59	1 619 385	55
Total	2 804 584	100.0	2 950 475	100.0



Customer funding breakdown by currencies, BYN million



The share of foreign currencies in retail deposits increased by 3.1 p.p. up to 70.6% in comparison with 2019, which was attributed to high evaluation expectations of the population.

The share of foreign currencies in corporate deposits slightly reduced by 0.1 p.p. from 48.7% to 48,6%.

Equity

The Bank Group's equity increased by 6.4% up to BYN 740.2 million.

The authorized capital of the Bank remained unchanged in the reporting year. The share of Sberbank of Russia was stable as in 2019 – 98.43%.

Equity, BYN thousand	2020	2019	Change
Share capital	321 756	321 756	—
Share premium	576	576	—
Revaluation reserve for fixed assets	17 743	27 233	(9 490)
Revaluation reserve for investments	10 312	8 960	1 352
Retained earnings	389 799	337 071	52 728
Total equity attributed to shareholders of the Bank	740 186	695 596	44 590
Total equity	740 186	695 596	44 590



CAPITAL ADEQUACY

The Bank Group manages its capital to ensure compliance with the law and continuity of business, aiming to maximize profit for the shareholders by means of balancing liabilities and equity of the Group.

The table below shows capital adequacy ratio of the Group calculated pursuant to Basel Accord as at the end of 2020 and 2019.

	2020	2019
Tier 1 capital BYN thousand		
Share capital	321 756	321 756
Share premium	576	576
Retained earnings	389 799	337 071
Total Tier 1 (core) capital	712 131	659 403

Tier 2 capital

	2020	2019
Revaluation reserve for office premises	17 743	27 233
Revaluation reserve for investments available for sale	10 312	8 960
Eligible subordinated loan	80 256	90 175
Total Tier 2 capital	108 311	126 368
Total capital	820 442	785 771
Risk-weighted assets	4 265 035	4 201 312
Tier 1 (core) capital adequacy ratio (Tier 1 capital / Risk-weighted assets), %	16.7	15.7
Total capital adequacy ratio (Total capital / Risk-weighted assets), %	19.2	18.7

Core and total capital adequacy ratios for 2020 are well above the minimum requirements set by the Basel Committee.



15

ESG AGENDA

88	IMPLEMENTATION OF ENVIRONMENTAL PRINCIPLES
89	INFLUENCE ON THE SOCIETY
91	CORPORATE RESPONSIBILITY



Implementation of environmental principles

SEPARATE WASTE COLLECTION AND RECYCLING

IN 2020, WE TURNED IN FOR RECYCLING:

120_T

PAPER WASTE

4.3_T

METAL SCRAP

1.2_T

WORN TIRES

580_{KG}

EQUIPMENT WITH PRECIOUS METAL COMPONENTS

426_{KG}

GLASS

272_{KG}

FOOD WASTE

91_{KG}

PLASTIC WASTE

Adopting and updating documentation for environment protection:

- Seven guidelines on waste treatment for Regional Directorates and Additional Offices in each region were developed and adopted by the Ministry of Natural Resources and Environment Protection of the Republic of Belarus.
- Inventory taking of waste and execution of the inventory certificate, and development of standards for their occurrence.
- Update of the Bank’s environmental passport.
- Submission of the required reports to the Ministry of Natural Resources and Environment Protection of the Republic of Belarus for 2020.
- Accounting of waste and compliance with waste treatment requirements.

Reduction of CO2 emission:

- Use of 2 vehicles with hybrid engines.
- Installation of bicycle parking racks at the offices.

Replacement of lighting lamps for LEDs:

- Reduction of the quantity of utilized luminescent lamps.
- Reduction of energy consumption.

We developed the standards of fuel and energy consumption and obtained their approval from the Department for Energy Efficiency of the State Committee for Standardization of the Republic of Belarus.

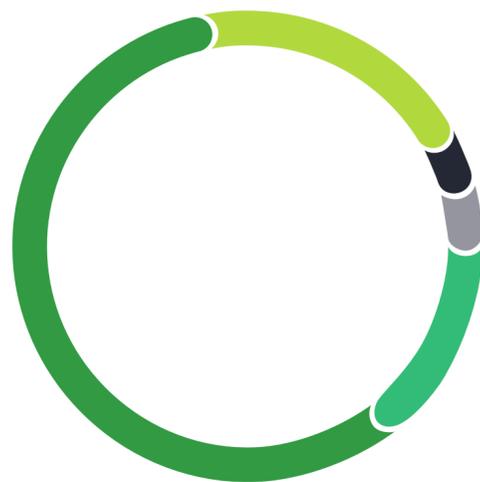
Support of ‘green’ financing

BPS-Sberbank was the agent bank under the project to construct Polotsk and Vitebsk hydropower plants on the Daugava river.

Influence on the society

Charity and sponsorship are essential ways of our participation in the life of society.

Allocation of funds, %



- 62.7 Culture
- 12.5 Health care
- 6.9 Education and children establishments
- 4.2 Sport
- 13.7 Other

Our priority areas of charitable activity in 2020 included improving the educational establishments' infrastructure, aiding health care establishments in conditions of COVID-19 pandemics, and supporting culture and sport.

In conditions of the pandemic outbreak, to prevent dissemination of infection and aid health care and diagnostics processes, our subsidiary Service Desk LLC provided charity aid to health care establishments of Minsk and regional cities of Belarus, including, among other things, supply of artificial ventilators and other medical devices.

In 2020, we accomplished the investment project of construction of the floating hydrodynamic light and music fountain on the river Svisloch – A Gift for Minsk dwellers from Sberbank. It is based on the 'smart fountain' concept and operates as a multi-format educational platform. The sophisticated software suite allows creating water, light, and music shows.

We continued to finance the education support project 'Teacher for Belarus' launched in cooperation with the Ministry of Education in 2019. This project's objective is to improve the quality of education in regional and district cities and active development of modern pedagogical trends.

The charity fund New School founded by the Bank in the framework of this project provides, apart from the establishment of a highly skilled teachers' community, additional aid to partner schools for infrastructure development.

We regularly provide targeted assistance to specialized establishments for psychological and pedagogical help to children with special needs. In 2020, in particular, we granted charity aid to a boarding school in Minsk where children with psychophysical developmental needs.

We pay special attention to the future generation by supporting children and youth in physical culture and sports.

For the sake of healthy lifestyle promotion, we continued to participate in the project to support junior ice hockey in partnership with the Ice Hockey Federation of the Republic of Belarus. The funds were allocated to develop the infrastructure, hold lifestyle and mass sports events, train athletes, and maintain sports grounds.

BPS-Sberbank supports the charity project run by Sberbank of Russia and arranges the 'Green Marathon' event in many cities of Belarus to promote running with meaning.

The festival of health annually unites Belarusians of different age and physical condition. Throughout its history, more than 750 thousand people ran the distance. Alongside the marathon, we hold other activities such as planting trees in major cities of the country.

The project earned an appraisal under the UN environmental programme for contribution to the planet ecological condition and was twice announced as the winner of the Towards the Future We Want prize.

The Green Marathon purpose is to draw attention to environmental issues and attract Belarusians to participate in environment protection incentives. Every day we live and ignore the scale of our consumption: food, car usage, waste, and CO emission.

Ecological footprint, the environmental impact of human activity, currently exceeds the planet's capacity 1.6-fold.



Influence on the society

FINANCIAL AWARENESS

In 2020, about 6000 people took part in the financial awareness events held by BPS-Sberbank.

BPS-Sberbank pays much attention to raising financial awareness of the population, focusing on children, young and retired people. We annually support educational initiatives of the National Bank, the Ministry of Education, and the leading high schools in the country.

In 2020, due to the pandemics, we changed the approach to event organization: we replaced seminars in schools, universities, and our offices with interactive webinars and online educational videos placed on the official YouTube channel and the Bank's website. We also introduced the knowledge self-assessment tools: online tests of various difficulties on the financial awareness issues.

The main focus of financial awareness events is on digital security, assuming the trend of an increased number of financial frauds. We regularly update the Financial Awareness section of the Bank's website, where we public information about the most popular fraudulent schemes, answers to frequent questions on security issues, and a memory note on digital security.



Corporate responsibility

BPS-Sberbank employs an effective corporate governance system that covers all areas of the Bank's activity.

The Bank's corporate governance is a system of communications between the shareholders, managing and controlling bodies, officers and other stakeholders aimed at general management of the Bank's activities, achievement of its goals and implementation of its development strategy, including ensuring financial reliability and the possibility of long-term existence as a profit-making financial company.

The Bank is compliant with the requirements concerning information disclosure, honouring the shareholder rights, risk management, internal control and compliance.

The Bank's shareholders and other stakeholders have access to information about all substantial facts about the Bank's activity, allowing them to make well-informed decisions. Banking secret, commercial secret, and other information about the Bank, its clients and counterparties protected by the law are subject to no disclosure.

The internal control system is based on independence, continuity of activity, unbiased attitude, independent judgment, and professional competency and aims at ensuring financial reliability and information security.

We pay much attention to corruption prevention and conflict of interest management.

Compliance procedures are implemented by all employees of the Bank and the holding member companies. All the staff members have undergone compliance and internal control training.

We manage the conflict of interests by applying specific mechanisms and procedures of early prevention, timely detection, control and mitigation (avoidance) of the conflict of interests, establishment of measures aimed at prevention of its consequences, determination of the rules of conduct in case of actual or potential conflict of interests, stipulated in the local regulations of the Bank.

To improve the quality of corporate governance, we have established:

- The trust hotline, providing all the Bank's staff with the opportunity to inform the management bodies and executive officers of the Bank about any violations of the laws of the Republic of Belarus, local regulations of the Bank, abuse of authority, and non-compliance with professional ethic standards.
- The hotline for informing the chief internal control officer, providing the Bank's employees and third parties with the opportunity to report about threats or facts of corrupt actions concerning the Bank and its employees, clients, counterparties, including violations of the Code of Corporate Ethics.

Read more about the corporate governance system in the Corporate Governance and Internal Control and Compliance sections.