



ANNUAL REPORT / 2023



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Financial and operating data are presented in the Annual Report based on the management accounting data. Performance results of Sber Bank Group are presented in accordance with IFRS consolidate financial statements.



Chairman's Address



Dear Shareholders, Clients, and Partners!

In 2023, the economic development of the Republic of Belarus can be described as the process of adaptation to the new external economic environment expressed in relatively quick redirection of export flow and stimulating domestic economic policy.

In spite of considerable challenges and continuing sanction limitations, the banking system remained stable and profitable.

The timely measures taken by Sber Bank ensured effective business, provision of services, and cooperation with partners in the new realities.

The profit earned by the Bank during the year exceeded BYN 217 million, the return on equity made 24.7%.

In the new market environment, the Bank remains a reliable partner and offers comprehensive support to the clients' business.

In the reporting year, we invested ca. BYN 12 billion in the productive sector of the economy. The corporate loan portfolio made BYN 1.9 billion.

Assuming the economic trends and prospects, we focused on serving foreign trade flows of clients in the currencies of friendly countries, which contributed to establishing and strengthening of trade routes of the country.

The volume of foreign trade flow from goods and services in the friendly currencies grew by 50% to 2022. Such growth was supported, inter alia, by the Bank's product line, in particular, the New Market package with limitless payments in BYN, CNY, and RUB, as well as the Mutual Benefit partnership program for cooperation with counterparties from the Russian Federation.

Development of the two-factor factoring was one of the key directions in 2023. We concluded new agreements with non-resident factors that expanded our opportunities to provide import and export factoring services under trade agreements of our clients with the Russian Federation. The amount of disbursements made under the two-factor factoring instruments exceeded RUB 2.4 billion.

In the reporting year, the Bank continued to act as a professional participant of the securities market. The bond portfolio acquired by the Bank made BYN 818 million.

The Bank strengthens and develops partner programs that allow corporate clients to improve business efficiency and raise law awareness.



Chairman's Address

Our clients could benefit from professional partner support in creating their own webstores, integration with large marketplaces, providing legal services related to corporate, civil, economic, banking, land, financial, administrative, IT laws and other areas. Individual entrepreneurs could undergo an online course and acquire special knowledge in carrying out business activity, drawing tax returns and personalized reports, accounting and other documentation.

Retail business remains an important business segment for the Bank. In 2023, we managed to overcome the trend of client outflow associated with sanction limitations, and build up the active client base. The amount of the retail loan portfolio made BYN 926 million, its growth exceeded 30%. Our main focus was on consumer lending. We expanded the offers of retail loans using digital technologies.

In the reporting year, we continued to modify our card product line, improve qualitative and quantitative parameters of the card portfolio efficiency based on Belkart national payment system. We launched the Loyalty Program service. The AI analyses the history of each client's transactions and draws up a tailored display of purchases.

In the regional network, we went on developing the SMART office concept, improved the mobile workplaces of sales managers, optimized the client journey. Sber Bank offers its clients a convenient and user-friendly service, values long-term relations, and does its best to exceed client expectations.

The Bank aims to provide its clients not only with services but with the necessary knowledge and skills for effective management of finances and savings. With regard to the non-decreasing number of financial scam cases in the reporting year, the main focus of financial awareness events shifted to digital security.

Assuming the increasing risks of cyber threats, data protection and cyber security are top-priority activities of the Bank. We continuously improve the systems of client data protection, takes measures to ensure safety of transactions and protection of the Bank's information resources.

The Bank's awards prove the high level of digital competencies and technology content. In 2023, we were declared the company of the year in process digitalization and transformation. Our solutions of anti-fraud system integration were named the project of the year at the Leaders of the Digital Economy contest.

In the reporting year, we continued the ESG transformation. Answering demand and expectation of our shareholders, clients, and employees, our Bank contributes into the sustainable development of the society in general by implementing and supporting educational, cultural, environmental, and other initiatives. The Bank's ESG rating is AA assigned in 2023, which proves that our activity strongly adheres to the sustainable development principles in making key managerial decisions in the environmental, social, and corporate spheres. Sber Bank is the only holder of such a high rating in the Republic of Belarus.

In conclusion, I would like to thank our clients, shareholders, and partners for their trust in Sber Bank, its products and services. Trust is an important factor of success in achievement of our objectives. We value the attained results and set ambitious goals, to convert your trust into the immaculate quality of service. My sincerest gratitude for your support and fruitful cooperation!

Yours respectfully,

Igor Merkulov
Chairman of the Management Board



SBER BANK GROUP PROFILE

- 06 GENERAL INFORMATION
- 09 KEY FINANCIALS



General Information

Full name:
Sber Bank

Abbreviated name:
Sber Bank

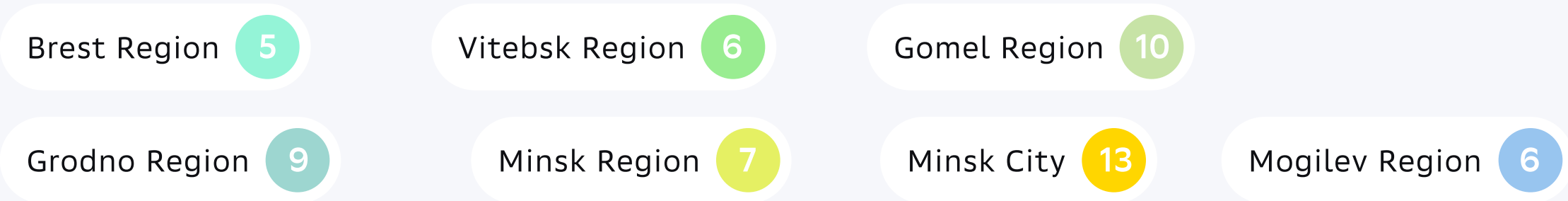
Majority shareholder:
Sberbank of Russia

Head Office address:
32A-1, Nezavisimosti Avenue, 220030, Minsk,
Republic of Belarus

Regional network:
56 sales locations in 35 towns and cities



Regional network



Licenses

Banking licence No. 4 dated 08.02.2024 issued by the National Bank of the Republic of Belarus.

Special permit (licence) 02200/5200-1246-1086 for professional and stock market activities with securities issued by the Ministry of Finance of the Republic of Belarus, registered in the Unified Register of Licences under No. 39220000071147.

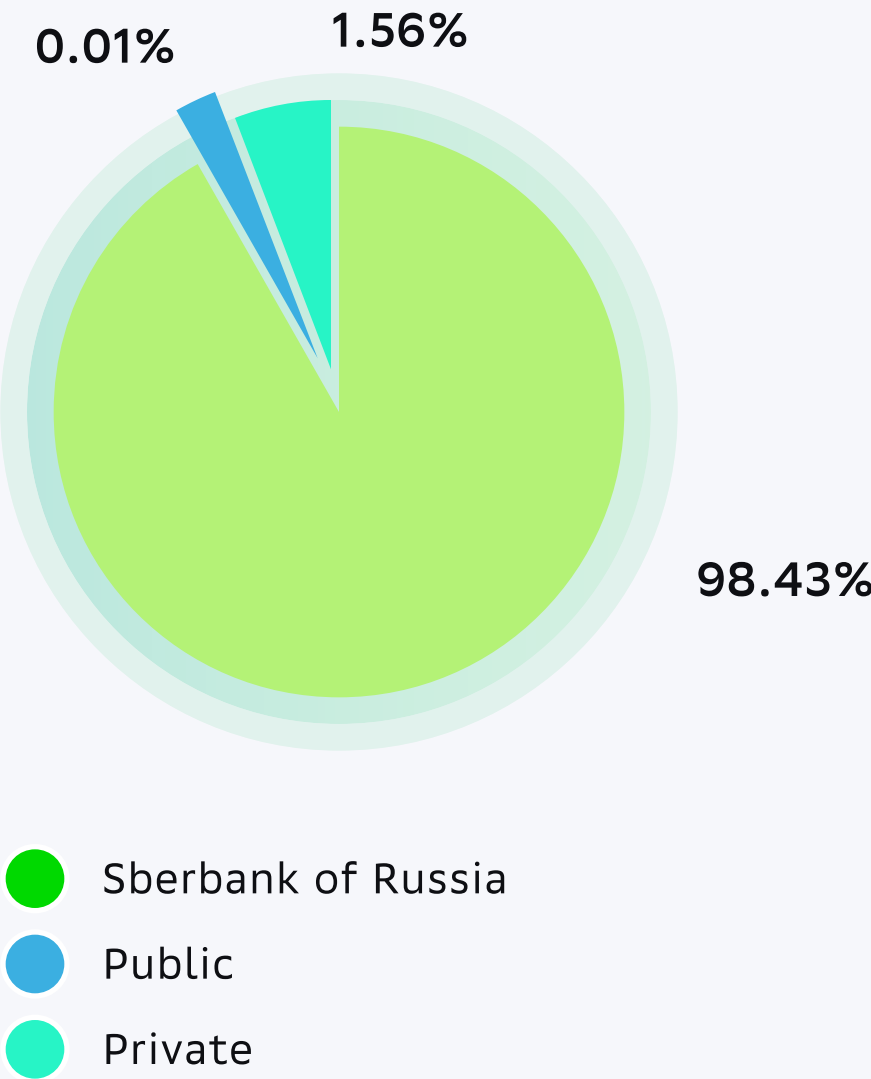
Equity

The Bank’s equity amounts to BYN 73.58 million.

The Bank’s equity is divided into 1,470,828,888 common shares and 870,805 preference shares.

The total number of shareholders is 13,259 legal entities and individuals.

Equity structure



Bank’s standings in the financial market of the Republic of Belarus (as of 01.01.2024)

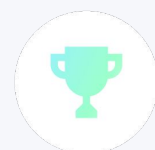
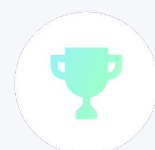
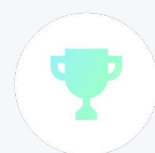
Indicator	Market share	Rank
Assets	4.3%	6
Equity	4.4%	7
Corporate loans (including bonds)	3.7%	7
Retail loans (excluding preferential loans)	5.7%	4
Corporate funding	5.6%	6
Retail funding	4.5%	6
Profit	7.4%	4



Awards in 2023

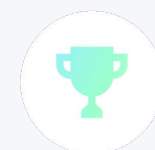
THE REPUBLICAN CONTEST LEADERS OF DIGITAL ECONOMY 2023

NOMINATION

-  COMPANY OF THE YEAR IN THE AREA OF PROCESS DIGITALIZATION AND DIGITAL TRANSFORMATION OF PRODUCTIVE ACTIVITY
-  DIGITAL SERVICE OF THE YEAR
-  PROJECT OF THE YEAR IN THE AREA OF INFORMATION SECURITY

THE INTERNATIONAL AWARD BEST OFFICE AWARDS*

NOMINATION

-  FOREIGN PROJECT

* The most prominent professional award in the area of corporate interior design in the territory of the Eastern Europe, Russia, and the CIS.



Key Financials

Sber Bank is ranked among the top 3 banks with foreign and private capital by business volume and profit.

5.2 BILLION BYN
ASSETS

888.1 MILLION BYN
CAPITAL

217.2 MILLION BYN
PROFIT

20.6 %
CAPITAL ADEQUACY

426.5 MILLION BYN
NET OPERATING INCOME

689.4 THOUSAND
ACTIVE CLIENTS

24.7 %
ROE

459.4 THOUSAND
ACTIVE CLIENTS IN DIGITAL CHANNELS

52.7 %
CIR

55.7 %
SHARE OF SALES IN DIGITAL CHANNELS



MARKET OVERVIEW

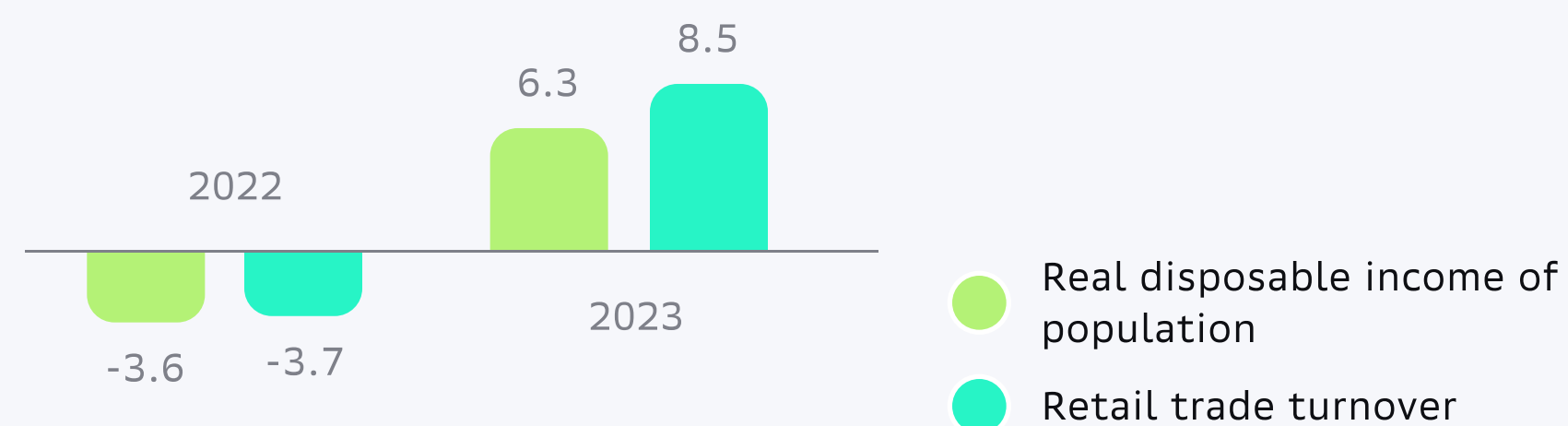
- 11 MACROECONOMIC ENVIRONMENT IN THE REPUBLIC OF BELARUS
- 13 BANKING SECTOR



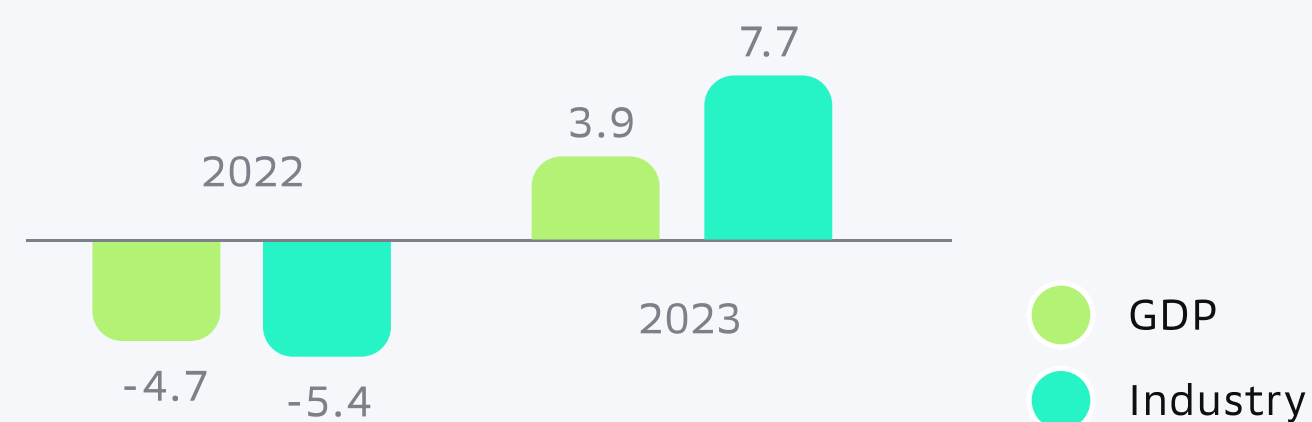
Macroeconomic Enviroment in the Republic of Belarus

The main feature of the Belarusian economy in 2023 was the process of adaptation to new external economic conditions: quick re-routing of export flows and stimulating domestic economic policy. Besides, the low baseline of 2022 influenced the dynamics of main macroeconomic indicators to a great extent.

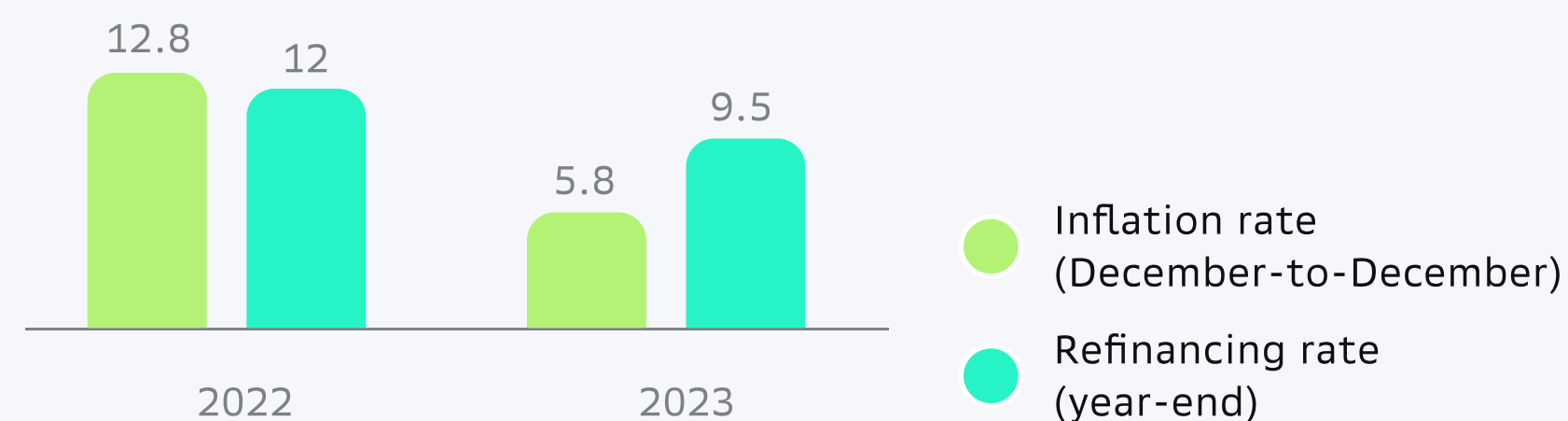
Income of population and retail trade turnover, growth %



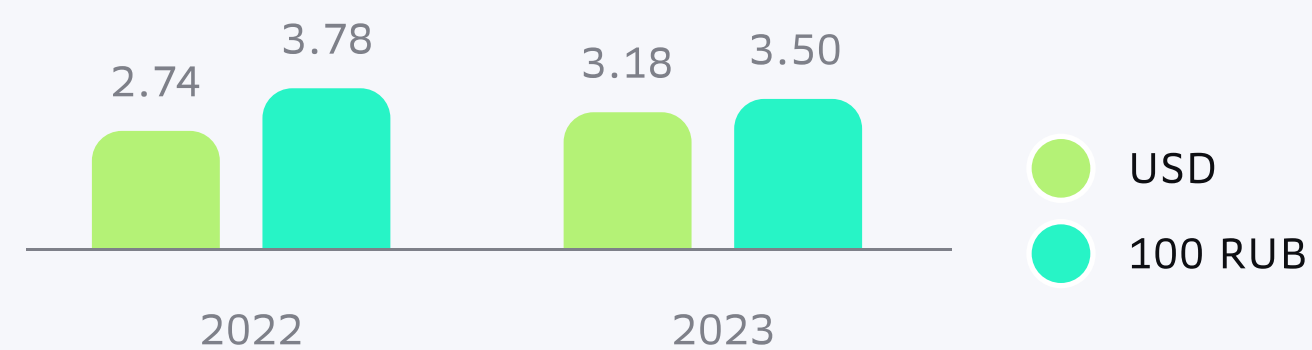
GDP and industry, growth %



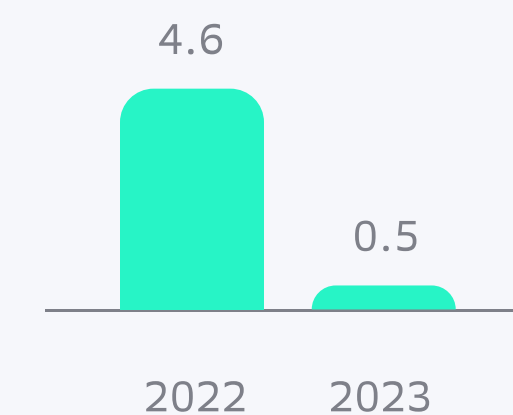
Inflation and refinancing rates, %



BYN exchange rate



Balance of foreign trade with goods and services, USD billion





Macroeconomic Enviroment of the Republic of Belarus

According to 2023 results, positive balance of foreign trade with goods and services made USD 0.5 billion.

Domestic demand stimulation was the main factor contributing the economic growth.

Investments into the core capital grew by 14.8%. Construction and assembly work increased by 8.1%, equipment purchase costs grew by 32%.

Strict administrative measures in terms of pricing confined the inflation rate to 5.8%. Against the backdrop of nominal salary growth (by 18.6% to December 2023 to December 2022), relatively low inflation rate underpinned the growth of real disposable income of the population by 6.3%.

In the result of income growth, moderate inflation level, and deferred solvent demand of the population, the retail trade turnover grew by 8.5%.

Due to inflation slowdown and for the purpose of economic activity incentivization in 2023, the regulatory authority reduced the refinancing rate from 12% p.a. to 9.5% p.a.

Throughout the year, the gold and currency reserves grew USD 197.9 million, mainly due to the increase of monetary gold value (by USD 440.8 million).

Under the influence of RUB volatility in 2023, the Belarusian rouble lost value to USD by 16.1% and gained value to RUB by 7.5%.

In 2023, the industrial production grew by 7.7%, and the real GDP increased by 3.9%.

Banking Sector

In 2023, the banking system maintained its stability and profitability, in spite of material challenges and continuing sanctions.

127.6

BILLION BYN

+21.7%

ASSETS

21.7

BILLION BYN

+15.4%

EQUITY

2 940

MILLION BYN

+40.1%

PROFIT

Throughout the year, the banking system assets increased by 21.7% and reached BYN 127.6 billion. The main growth was supported by state-owned banks.

The banking sector profit increased by more than 40% in comparison with the previous year, and exceeded BYN 2.9 billion. Reduction of provisioning by 55.4% was the main profit driver.

The return on assets of the banking system made 2.5%. The return on equity was 15.8%.

The indebtedness under loans issued to the economy sectors increased by 17.4% up to BYN 72.8 billion.

The aggregate corporate loan portfolio reached BYN 52.4 billion – 16.1% increase due to lending in local currency.

The retail loans portfolio increased by 20.9%. Consumer loans were the main retail lending driver (+39.7%).

The deposits placed with banks increased by 22.1%. The corporate deposits grew by 20.3% and reached BYN 35 billion, mainly due to re-distribution of budget funds at the end of the year. The retail funding increased by 24.2% due to current accounts maintained in the local currency.

The share of non-performing loans in assets subject to credit risk as of 1 January 2024 made 5% (-0.1 p.p.).



CORPORATE BUSINESS

15	CORPORATE BUSINESS IN 2023
16	LENDING
17	MSME DEVELOPMENT
18	REMOTE BANKING SERVICE AND TRANSACTION BUSINESS
19	SERVICE PRODUCTS
20	CLIENT JOURNEY
21	INTERNATIONAL BUSINESS



Corporate Business in 2023

42.5 THOUSAND

ACTIVE CLIENTS

7th RANK

CORPORATE LENDING
IN RUB

57 %

NPS

1.9 BILLION BYN

LOAN PORTFOLIO

9.1 SCORE

CSI

2.2 BILLION BYN

CUSTOMER FUNDING

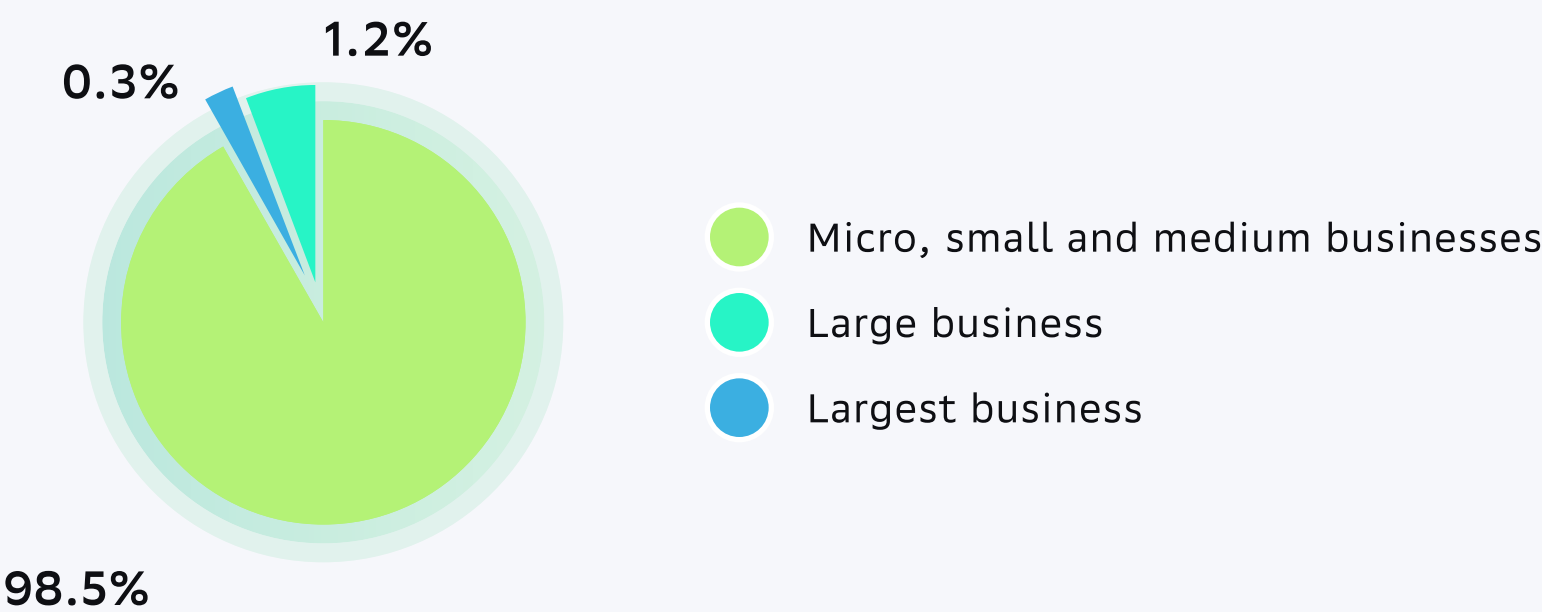
48.2 %

MAU

342 MILLION USD

TRADE FINANCE
TRANSACTIONS

Client base structure



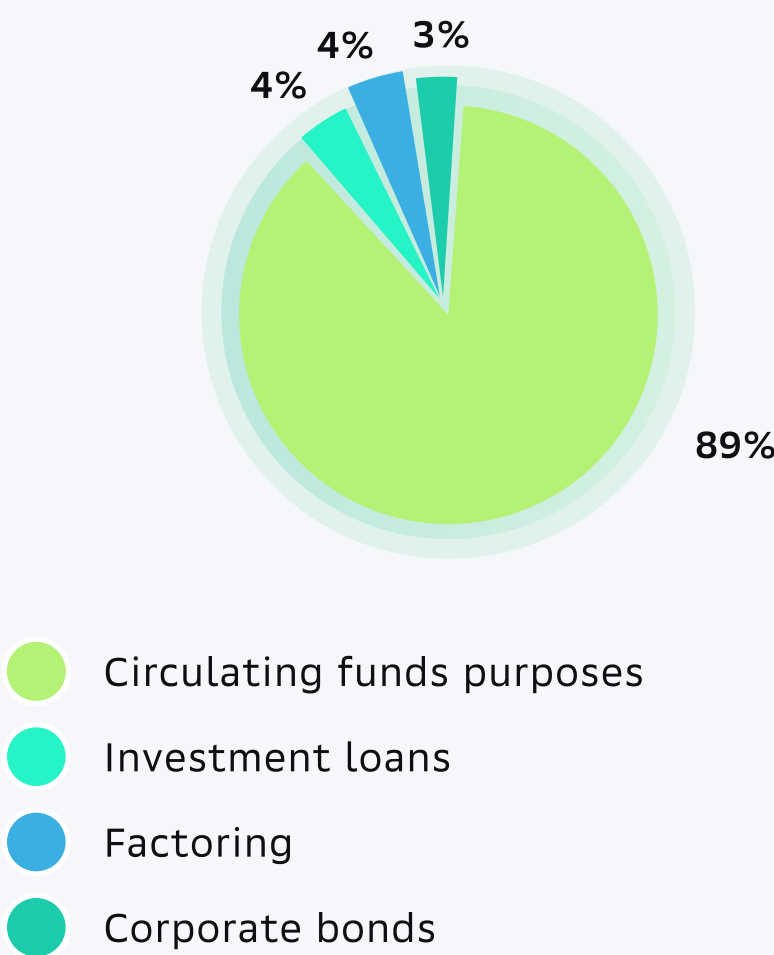


Lending

1.9 BILLION BYN

LOAN PORTFOLIO
(INCLUDING CORPORATE BONDS)

Loan portfolio structure



In 2023, we continued to develop and improve the corporate client lending process.

In the SME segment, we launched new loan products and expanded the existing ones:

- Digital E2E product ‘ONE CLICK’ (micro overdraft) with full process automation – the loan is issued online, without the need to visit the Bank’s office, the decision is made within 15 minutes.
- Welcome loan for new businesses registered not later than 1 calendar year ago – the loan is issued without the need to visit the Bank’s office, the decision is taken based on the client’s compliance with the minimum requirements set by the Bank; provision of the reporting statements and collateral is not required.
- The loan product 'Business Express' (micro loan) can now be provided to non-clients by sending a pre-approved financing offer; offers are drawn on the basis of loan transaction data of the Bank’s clients, against surety; the decision is taken according to a simplified procedure without financial statements analysis.

The existing lending process was optimized: we expanded the list of economic activities of leaseholders financed with the Bank’s loan funds, introduced ranking based on leaseholder analysis depending on the type of property, liquidity, and advance payment amount.

The time to granting financing to the client under cessation of claims was reduced due to commissioning of the module supporting factoring transactions. The product line includes closed-end factoring with recourse, open-end factoring with or without recourse, export factoring under the Decree of President of the Republic of Belarus No. 534. The Bank’s product line covered the whole range of client demand and allowed reaching the factoring portfolio equal to BYN 75 million by the end of the year.

Within transition to ESG principles, the list of covenants (ESG terms) was introduced to be stipulated in the loan documentation under project finance and investment loan transactions.



MSME Development

41.8 THOUSAND
ACTIVE CLIENTS

615 MILLION BYN
LOAN PORTFOLIO

Supporting the development of micro, small, and medium enterprises (hereinafter – MSME) is the top priority activity for the Bank. Building up the client base in this segment allows us to diversify risks while ensuring a high margin level. In spite of sanction limitations, in the reporting year we managed not only to retain our active client base of MSME but also increase the quantity of active clients and increase their share in the system up to 11.2%.

The Bank’s strategic objective in 2023 was the growth of key (high-income) small business clients. A set of measures to attract new clients, development of lending, support of foreign trade contributed to the net increase of the key client base by 7% up to 8.8 thousand clients.

The share of loan indebtedness of MSME clients in the total corporate loan portfolio made 29%.

We continued to improve remote client onboarding channels. The partner channel’s share as of 01.01.2024 made 37.9%.

The development of our loan products allowed us to increase the volume of client funding. The growth of MSME loan portfolio was above the average trend in the banking system. The Bank was the first in the banking system by the volume of the loan portfolio of individual entrepreneurs in BYN.



Remote Banking Service and Transaction Business

Introduction of new remote banking services SBOL for corporate clients is one of the most important directions of transaction business development. In 2023, SBOL users were offered:

- Ordering and presenting statements electronically
- Role model within the company
- Display of agreements under transaction products
- Joining the referral program
- Quick notification of clients about rejection of documents
- Signing in with EDS
- Materially expanded functions of the mobile application on Android (making payments via the instant payment system, correspondence with the Bank, foreign currency payments, information about credited funds under a transaction in foreign currency)

To expand the client base throughout the year, we held the event ‘Test Drive for Business’ for small and micro enterprises and individual entrepreneurs that open a current (settlement) bank account in Belarusian roubles with Sber Bank for the first time. The participants of the event could activate the package of services under the current BYN account with the minimal subscription fee.

To support foreign trade activity, we launched the new package of services ‘New Markets’ that includes unlimited number of payments in BYN, CNY and RUB within the Group.

We also materially revised and improved the acquiring service. In particular, we:

- Introduced the new trade acquiring product ‘Smart Cash Desk of Sber Bank’ (payment terminal with the programmable cash desk and receipt printer) in partnership with the equipment vendor and cash desk operator.
- Introduced the monetization model ‘Conditionally free of charge terminal’ (if the client does not comply with the requirements for the monthly cashless turnover, an additional fixed fee is charged from the client for each terminal or the mobile application).
- Re-worked the mobile application for payment acceptance ‘SBPOS’ that replaces the POS terminal (added the feedback section, implemented biometrical sign-in, ensured compatibility with Harmony OS, eliminated vulnerabilities, prepared for certification in the national payment card system MIR).
- Offered new remote SBOL services for the clients (terminal registration, change of registration information for terminals, merchants, payment details of agreements, display of agreements and terminals).
- Organized replacement of terminal equipment installed at the clients’ locations at the Bank’s cost and registered with Belarusian Processing Centre with smart cash desks of Sber Bank.



Service Products

In the framework of ecosystem establishment and development, we improved banking services for corporate clients. In particular, we:

- Implemented the new service for daily loading of information about accomplished orders, based on which cash documents and payment instructions are drawn for the couriers who deliver food from trade networks and restaurants against cash. The service ensured high speed of document execution for couriers when addressing to the Bank for transfer of funds to the beneficiaries.
- Introduced an improvement in SBOL by launching the software module for car re-filling. The improvement allows electrical filling station users to view account balance and the history of payments and credits for the selected period of time in the Personal Account section of the module.
- Offered our business clients legal support and an opportunity to obtain a 20% discount from the Bank’s partner on all legal services relating to corporate, civil, economic, banking, land, financial, administrative, IT law, etc.

The Bank’s clients that use the cash and settlement service packages ‘Trade Online’, ‘Entrepreneur Plus’, and ‘New Markets’ got an opportunity to utilize professional partner support:

- Creation of own Internet store, integration with all large marketplaces on the special pricing terms and free trial based on InSales.by – the online trading management platform in Sberbank ecosystem.
- Free of charge information and consulting support in cooperation with Ozon and Wildberries marketplaces from the technological partner of Ozon.ru in Belarus – the Internet marketing agency Qmedia.

In partnership with insurance companies, we offer our clients a wide range of programs (insurance of medical costs, car insurance ‘Autocasco’, insurance of property of legal entities and individual entrepreneurs and civil liability of its users, insurance of risks relating to the use of bank payment cards).

The Bank’s clients who are individual entrepreneurs using the package of cash and settlement service ‘Entrepreneur Expert’, in cooperation with Information and Publishing Centre for Taxes and Levies, we offer a subscription to the online course ‘On taxes for IEs and other issues in simple terms’ and acquire special knowledge on entrepreneurship, drawing tax returns and personified reports, accounting and other documentation.

To increase security and strengthen business relations with the Bank’s clients and their counterparties, we hold the event ‘Check your counterparty’, where our corporate clients can check up to 30 potential partners from Belarus, Moldova, Kazakhstan, Russia, and Kyrgyzstan, per month. This service allows our clients to estimate economic and other risks related to their counterparties and take an informed managerial decision in making payments via SBBOL remote banking service system.



Client Journey



Sber Bank offers its clients comfortable service, innovations, and contemporary products.

Studying client satisfaction with the Bank’s products and services is one of the main development directions. The process mechanism is based on application of innovation tools to create better client experience, communicate with the client, and analyze the feedback.

Regular marketing surveys, interviewing, and analysis of client applications serve as the sources of information about client impressions.

As of the end 2023, corporate client loyalty to the Bank (NPS) made 60%, the general corporate client satisfaction score (CSI) was 9.2. The client effort score (CES) was 66%.

In the client journey processes, we use modern client-focused technologies of business task solution: design thinking, customer journey maps, customer journey redesign, online surveys, speech analytics. Considerable attention is paid to the clients, their needs and demands.

The Bank aims at building long-term relations with the client and solving their issues. Such approaches allow us to improve our products and services based on the clients’ opinion and tighten our relationship with the clients.

Marketing surveys, research and analysis result in plans of measures focused on improvement of client service quality, customer journey, and product and services of the Bank.



International Business

342 MILLION USD

TRADE FINANCE TRANSACTIONS AMOUNT

>400 DEALS ACCOMPLISHED

In the reporting year, we traditionally paid much attention to the development of business relations with financial institutions and expansion of the partner bank network.

New names were added to the list of partner banks in terms of trade finance transactions.

Certain active foreign banks increased the credit risk limits for trade finance by amounts and by tenors, as well as established separate limits for funded transactions for the purposes of joint tied trade finance operations of the Bank's corporate clients with the maturity of up to 10 years.

We concluded new framework agreements on tied loans and obtained tied resources in Chinese yuan.

The total amount of trade finance transactions (including letters of credit, guarantees, bilateral trade finance loans, two-factor factoring operations) drastically increased in comparison with 2022 and equalled to USD 342 million. More than 400 transactions were executed.

Two-factor factoring development was one of the top priority activities in 2023. We improved the respective specifications of the loan product, concluded new agreements with non-resident factors that expanded our opportunities to provide import and export factoring services under trade agreements of clients with counterparties from the Russian Federation. The amount of utilized facilities under the two-factor deals increased by 10 times in comparison with the previous year and exceeded RUB 2.4 billion.

Much attention was paid to further adoption of basic trade finance products to the client demands and changes in the laws. To increase corporate client satisfaction, we reworked specifications for guarantees in all client segments under the standard loan procedure (improved the terms of guarantee issue and prolongation under the non-revolving facility limit, mitigated the demands to clients and collateral, introduced the concept of tourist guarantees).

In the reporting year, Sber Bank was appointed as the agent bank under three new agreements concluded between the Government of the Republic of Belarus and foreign banks and leasing companies according to the Decree of President of the Republic of Belarus No. 466.



RETAIL BUSINESS

23	RETAIL BUSINESS IN 2023
24	RETAIL CLIENTS
25	CLIENT JOURNEY
26	PREMIUM CLIENT SERVICE
27	RETAIL LENDING
28	RETAIL FUNDING
29	CARD PRODUCTS AND SERVICES
30	REMOTE RETAIL BANKING SERVICE
31	RETAIL SALES AND SERVICE CHANNEL DEVELOPMENT
32	TRANSACTION BUSINESS



Retail Business in 2023

4th RANK

RETAIL LENDING

926 MILLION BYN

LOAN PORTFOLIO

5.7 %

SHARE IN RETAIL LOANS
(NOT COUNTING BENEFICIAL LOANS)

1 383 MILLION BYN

CUSTOMER FUNDING

4.5 %

SHARE IN RETAIL DEPOSITS

3rd RANK

IN THE BANK PAYMENT CARDS MARKET
(NOT COUNTING STATE-OWNED BANKS)

1.4 MILLION

CARDS IN CIRCULATION

7 %

MARKET SHARE BY THE BANK CARD
PORTFOLIO

647 THOUSAND

ACTIVE CLIENTS

430 THOUSAND

MAU

55.3 %

SHARE OF SALES IN DIGITAL CHANNELS:
34.8% – SALES IN SBOL (NOT COUNTING OTHER CHANNELS)
17.2% – SALES IN PHYGITAL (WITH REGISTRATION IN SBOL)
3.3% – SALES IN PARTNER CHANNEL (PARTNER ONLINE LENDING)



Retail Clients

647 THOUSAND

ACTIVE CLIENTS

In 2023, the active retail client base expanded to 647 thousand clients. The role of digital channels in client onboarding becomes more prominent: ca. 42% of users become the Bank’s clients online.

Personalization is an important direction of client relations development. Accumulating knowledge about the client, using up-to-date tools of client analytics and data processing allows personalizing products, services, and communications with clients.

Machine Learning has a pivotal role in analytics. In 2023, we developed 5 ML models that forecast client response to proposals, personal categories of the loyalty program, payments in SberBank Online, and purchase locations.



Client Journey

75 %

NPS

Sber Bank offers its clients convenient and user-friendly service, values long-term mutually beneficial relations, and aims to exceed consumer expectations. Regular marketing research and analysis of client applications are important for studying the customer voice.

To assess the current level of client service, determine the clients’ demands and potential preferences, we apply contemporary approaches and tools. We regularly carry out service quality monitoring at all points of communication between the client and the Bank (NPS, CSI, CES, TRIM measurements). To incentivize managers and specialists of service channels to provide the highest level of service, the customer experience measurements are included into the key metrics.

For the purpose of effective business task solution, development of new and upgrade of the existing products and services based on the target audience, we apply modern research methodologies: in-depth interviews, focus group discussions, UX/UI testing, creative sessions with participation of users and product teams in the Sber Product Day format. Such approaches allow us to design products and services based on real life situations and client preferences.

Client service quality improvement is enabled through clearly structured process of application review and analysis, and implementation of upgrades based on client feedback. To increase client satisfaction with the application review process, we use the quality monitoring tool to assess compliance with the laws and local regulations of the Bank, which influences the effectiveness of performance by specialists who process the applications.

We aim not only to provide our clients with services but delivery the necessary knowledge and skills for effective management of personal finance and savings. We invite our clients to participate in various meetings to improve and develop financial awareness.

In 2023, such events were attended by more than 1500 people. The main focus of such meetings is on pensioners, children, and the youth. Such events help acquire the necessary financial and information security knowledge.

With regard to the pertaining frequency of financial fraud cases, the main focus of financial awareness events in the reporting year was on digital security. We developed video materials showing real fraudulent schemes.

Cooperation with the National Bank, the Ministry of Education, and the leading higher educational establishments of the country allows creating a favourable environment to support educational and information events.



Premium Client Service

In 2023, we continued to develop the premium client service by offering banking services in the special format office SberFirst (Minsk), 23 SberPremier zones and the SberPremier remote channels.

The work with premium segment clients aimed at improvement of the service quality with the growth of product penetration: by 2% in the VIP client segment, and by 6.25% in the Affluent client segment.

In the framework of premium service development, we:

- Adopted the Strategy of development of SberPremier model that stipulates the increase of the share of the remote SberPremier channel in the client base by 15.9%.
- Introduced the system for control of service quality and sales in the remote SberPremier channel and adopted the Client Service Standard.
- Held a series of training sessions by inviting an external business trainer to improve the competency and skills of personal account managers.
- Developed the design project of the new VIP office SberFirst and implemented the measures to launch the premium service office in the new location at 32A-1, Nezavisimosti Avenue, Minsk.
- Redesigned the SberPremier section and updated certain SberFirst subsections at the Bank's website.
- Implemented the practice of regular client satisfaction study in the VIP and Affluent client segments after visiting the Bank's office: Constantly tracking CSI.

- Updated card products for premium clients: a comprehensive service package SberFirst and a premium payment card Ultra Card of BELKART payment system.

- Added the new deposit Premium Manage in the local currency and the deposit Premium Trust in Chinese yuan, to be opened in the Bank's offices.

- Concluded partner agreements with medium and premium merchants and made special offers to clients.

High satisfaction indices in 2023 confirmed that we made the right choice of direction, aiming at a high level of service and focusing on demands of the premium segment clients. Constantly tracking CSI measurements scored 10 in the SberFirst and 9.9 in SberPremier.



Retail Lending

4th

RETAIL LENDING MARKET

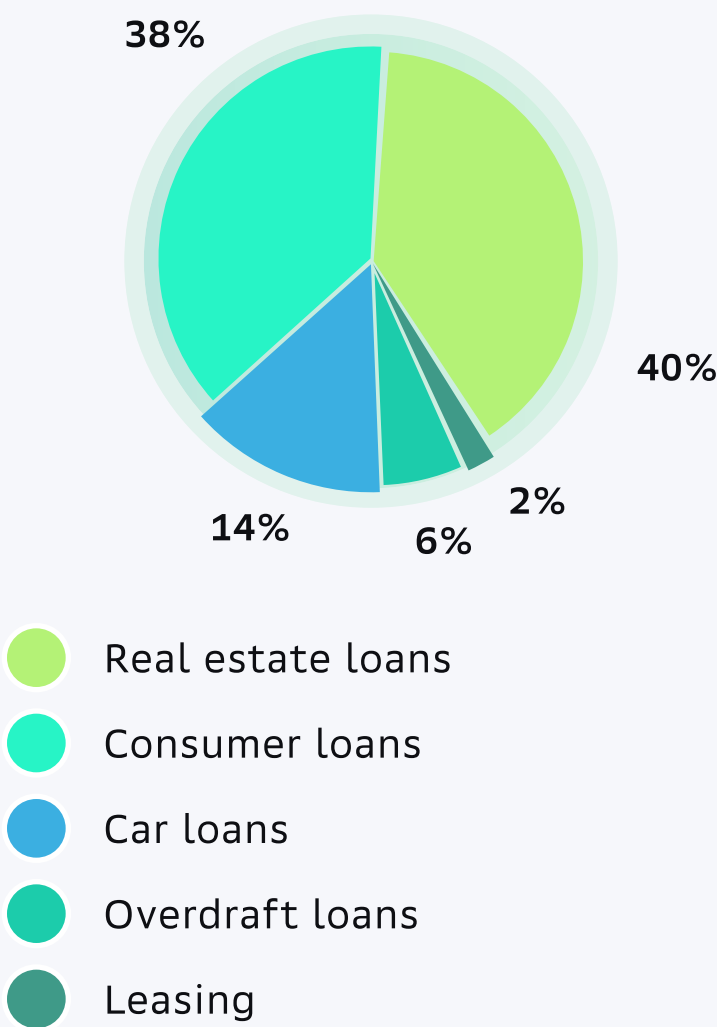
5.7 %

RETAIL LOANS SHARE
(WITHOUT BENEFICIAL LOANS)

926 MILLION BYN

LOAN PORTFOLIO

Loan portfolio structure



Throughout the year, we updated and improved our product line. The main focus in retail lending was on consumer purpose loans: new products were put to market – Comfort with SberBank, Buy a Car Online, the product with an increased maximum loan amount Start and Go was introduced for purchasing new cars. We modified loan products Simply Online, Buy a Car with SberBank, GEELY Car Loan with Sber Bank!, in response to the changes in the market and competitive environment.

We expanded the opportunities for retail lending using digital technologies: our clients can submit a consumer loan application with a QR code. The unique product Buy a Car Online met the market demand in obtaining the loan online in the Bank’s remote channels.

In the course of the loan product line improvement, we focused on POS lending, expansion of partnership with the leading trading platforms. For the mutually beneficial cooperation, we launched the loan product Arrow!. To increase the scope of retail loans for buying goods of domestic origin, we support special terms of the product Buy with Sber Bank!.



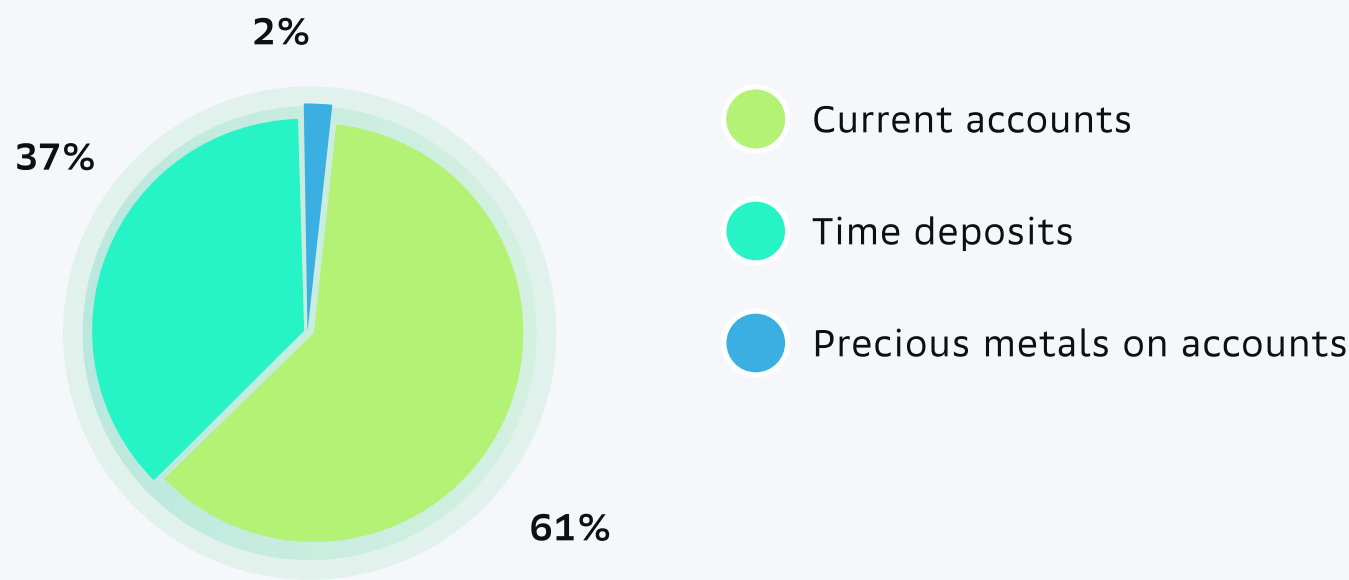
Retail Funding

1 383 MILLION BYN

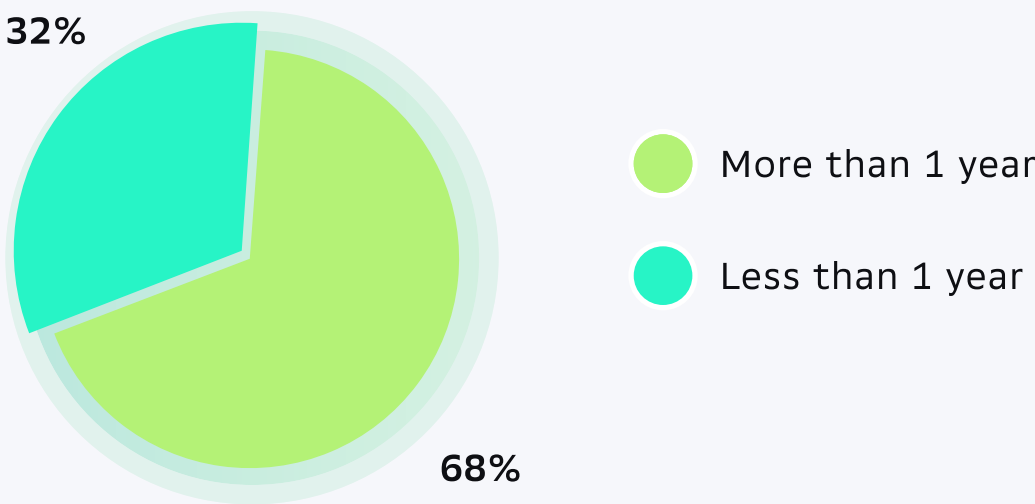
RETAIL FUNDING

In the reporting year, we continued expanding the BYN deposit portfolio, giving priority to irrevocable deposits for one year and above as the main long-term funding component. The deposit portfolio growth rate made 34%. Development of deposit products included their modification with regard to market trends.

Retail funding structure



Time deposits by tenors





Card Products and Service

3rd RANK

IN THE BANK PAYMENT CARDS MARKET

1.4 MILLION

CARDS IN CIRCULATION

3rd RANK

BY THE NUMBER OF TOKENIZED CARDS
IN THE MOBILE APPLICATION BELKART PAY

In the reporting year, we continued modifying the card product line, increase quality and quantity parameters of card portfolio efficiency based on Belkart national payment system:

- Sbercard – the flagship mass product with the unique display of top partners and increased moneyback rates under marketing activities with key partners
- Digital SberCard – with free of charge momentum issue in SberBank Online application
- UltraCard – for premium segment clients
- Guest card – for non-residents
- Balance+ with a basic account – socially important product.

We launched the Loyalty Program service that allows saving on daily costs. The artificial intelligence analyzes the history of transactions of each client and creates a tailored display of purchases.

Remote Retail Banking Service

PRODUCT SALES IN DIGITAL CHANNEL

55.3 %

SHARE OF PRODUCT SALES
IN DIGITAL CHANNEL

34.8 %

SHARE OF SALES IN SBOL
(WITHOUT OTHER CHANNELS)

17.2 %

SHARE OF SALES IN PHYGITAL
(WITH REGISTRATION IN SBOL)

3.3 %

SHARE OF SALES IN PARTNER CHANNEL
(PARTNER ONLINE LENDING)

In the reporting year, we redesigned the web version of SberBank Online. Quick switching between main sections was implemented: home (landing) page, payments and transfers, history of transactions, and profile management.

Based on the analysis of user demands, structured information was added to the main page: card balances, exchange rates, frequently used services.

As of 01.01.2024, the number of PWA users made 155 thousand.

YooMoney identification was reassumed; the number of identified clients exceeded 9 thousand.

Our SBOL clients (natural persons) got an opportunity to send and receive instant transfers by the mobile phone number. The transfer is executed if the recipient’s phone number and remotely signed consent is available.

In order to reduce vendor dependency, in 2023 we transferred the application services to the in-house cloud native platform.



Retail Sales and Service Channel Development

In 2023, the retail sales and service channel was developed in the following directions:

1. Increase of remote sales model maturity

We continued to develop SMART-office in the whole regional network, improved mobile desks of sales managers: introduced electronic presentations, cross sales of insurance products, enabled viewing current client products, optimized the customer journey.

The pilot project of electronic queue modernization was accomplished successfully. The CSI of clients with the electronic queue redesign scored 9.2, the loss of client flow decreased to 5.8%.

To assess the penetration of the models, centralized assessment of all remote channel roles was carried out.

Satisfaction with the quality of service in the remote channel scored 9.6.

2. Sales management and improvement of efficiency of managed channels

Throughout the year, the volume of lending via digital channels increased by 4.6 times.

Cross sales increased by 12 p.p., the channel productivity improved by 29%.

3. Increase of maturity and professional competence of retail sales team

We developed and implemented the welcome training for new employees of the retail sales team aimed at development of hard and soft skills, undergone by >90% of the team staff.

Also, we implemented the system of regular service and sales quality monitoring system – Mystery Shopper. The quarterly monitoring results prove that the level of service in the digital channel improved.



Transaction Business

In the reporting year, we developed and improved transaction products. In particular, we:

- Intensifying working on improvement of bank transfers in CNY.
- Implemented the initiative to execute currency exchange operations in cash CNY.
- Introduced the service of banknote authenticity verification for natural persons.
- In the framework of comprehensive human-centric approach, also in the area of transfers outside the Republic of Belarus for large amounts (car purchase, payment for goods), introduced the service of FX agreement maintenance at the web portal of the National Bank of the Republic of Belarus.
- Launched the new service for improvement of domestic payments of natural persons by the phone number via the instant money transfer system in Sberbank Online to other banks (between current accounts of natural persons).
- Continued to improve cross border transfers in Sberbank of Russia by the phone number, available to natural persons in Sberbank Online.



CLIENT SUPPORT CENTRE



Client Support Centre

2 MILLION

COMMUNICATIONS WITH CLIENTS
(INBOUND AND OUTBOUND)

9.5 SCORE

CUSTOMER SATISFACTION INDEX

The total number of communications held by the Client Support Centre (hereinafter – the Centre) with retail and corporate clients made 1.6 million contacts in 2023.

The key high-level indicators of client experience in the channel, Customer Satisfaction Index, is quite high and scores 9.5 in two domains (retail and corporate client service). The waiting time to operator’s answer made 30 seconds.

Retail clients are welcome to obtain services in the automated mode through the virtual assistant, without waiting. The virtual assistant became available for corporate clients in the multimedia channel in 2023.

To build up efficient communications with clients, the Centre is continuously improving the service processes. In 2023, we:

- Successfully passed recertification audit for compliance with the Russian adaptation of ISO 18295 standard.
- Introduced the process and established the support line for corporate clients on acquiring issues.
- Expanded the line for priority service of corporate clients.
- Arranged for support of the Bank’s clients on the support line of the regional network, etc.

The Centre regularly analyzes the inbound traffic and client requests, in order to optimize business processes and facilitate customer journey.

Sales of banking products and services to the existing and potential clients is one of the most important activity of the Centre. In 2023, the volume of outbound traffic to retail clients increased by 25% and made 325 thousand calls. The volume of outbound traffic to sell banking products to corporate clients exceeded 31 thousand calls.

REGIONAL NETWORK

Regional Network

56

SALES OFFICES

6

REGIONAL
DIRECTORATES

36

ADDITIONAL OFFICES

14

REMOTE DESKS

Our regional network comprises 56 sales offices. In 2023, we continued the regional network transformation process, established four new-format offices, and expanded the network coverage. Our bank is present in 35 towns and cities.

For the clients’ convenience, we launched seven client service locations in frequently visited public places (malls, railway stations), where individual clients can exchange money, and legal entities can get their cash proceeds collected.

The new offices have comfortable co-working zones offering cozy seats to work from a personal laptop, connect to free Wi-Fi, or discuss business.

There are electronic encashment terminals that allow cash transactions in the ‘one-window’ mode.

The electronic queue for consulting services saves time for the clients and optimizes consultants’ work.

Hard copies are used to the minimum extent: electronic document flow enables subscribing to banking products or testing client services with a tablet.

Sber Bank sets a new trend for open, transformable, and barrier-free office environment where the employees and the clients alike feel content.





OPERATIONS IN FINANCIAL MARKETS

- 38 CORRESPONDENT RELATIONS
- 39 STOCK MARKET
- 40 FX MARKET
- 40 PRECIOUS METALS MARKET



Correspondent Relations

56

NOSTRO ACCOUNTS

114

LORO ACCOUNTS

Sber Bank has a widespread correspondent bank network and regularly expands it.

To increase the geographical coverage of payments and provide a wider range of settlement services to clients, we opened a Nostro account in Azerbaijani manat. Additional Nostro accounts in Chinese yuan, Kazakh tenge, and Armenian drams were opened to enable settlement alternatives.

We onboarded four new correspondent banks with Loro accounts from the Russian Federation and the Republic of Belarus.

Totally during the year we opened six Nostro accounts, eight Loro accounts, executed two master agreements on interbank market transactions with Moscow Credit Bank (Russia) and Sovcombank (Russia).

In 2023, we continued developing the alternative payment infrastructure and arranged for message exchange via the Financial Message Transmission System of the Bank of Russia (SPFS) with 11 banks.

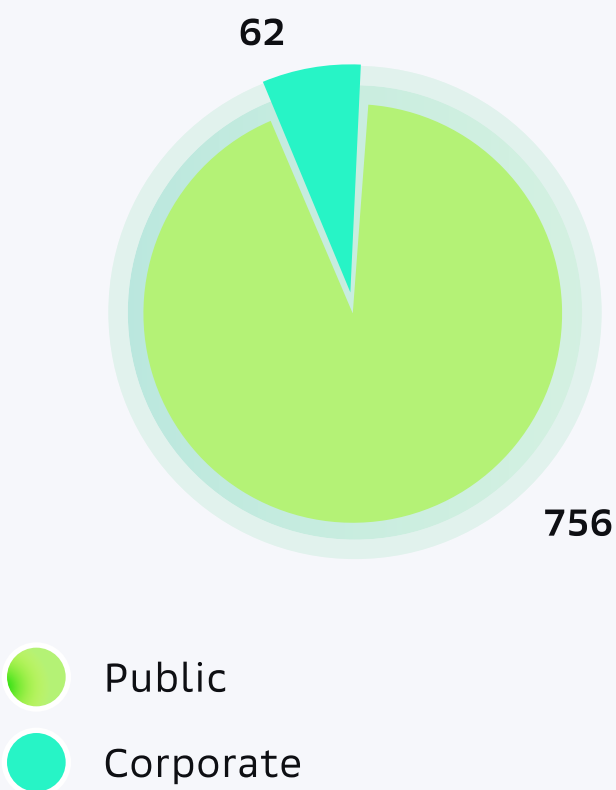


Stock Market

818 MILLION BYN

BONDS PORTFOLIO

Bonds portfolio, BYN million



In the reporting year, the Bank continued to develop as a professional participant of the securities market.

The amount of the Bank’s bonds sold to corporate entities and natural persons equaled BYN 152 million as of 01.01.2024.

In 2023, we placed 6 issues of bonds to natural persons. In total, there are 14 issues of bonds for natural persons and legal entities in circulation. This instrument allows increasing the Bank’s resource base to finance the productive sector of the economy when the market rates of borrowing are volatile. The obligations under the Bank’s bonds were fulfilled timely and in the full scope.

The bonds portfolio acquired by the Bank equaled BYN 818 million, of which corporate bonds were BYN 62 million, public bonds were BYN 756 million.

Traditionally, we pay much attention to depository services that are offered to legal entities and natural persons. As of 01.01.2024, the Bank’s depository served 277 security issuers and 99 thousand depositors.

The Bank’s depository is among the three largest depositories of the Republic of Belarus and occupies the 3rd position of 13 bank depositories by the number of served share issuers and the 2nd position by the number of served bond issuers.



FX Market

Throughout 2023, we secured high ranking among the participants of the currency exchange market and strengthen our positions as a market maker and one of the key players in the domestic market of the Republic of Belarus and Moscow Exchange.

Due to high-tech electronic payments, our clients are offered the services of currency exchange for a wide range of currency pairs at the rates most approximate to the current market rates.

The Bank gained access to trading sessions in the monetary and precious metal markets of Moscow Exchange, which improved the level and quality of client service in carrying out operations.

We continue to develop and promote the financial market services for our clients and pay close attention to the improvement of client service quality in all market segments.

Precious Metals Market

We occupy the leading position among Belarusian banks in terms of banking operations with precious metals with natural persons, corporate entities, and individual entrepreneurs.

The client operations are carried out in the following areas:

- Unallocated precious metals – purchase and sale under unallocated metal accounts and attraction of precious metals into deposits.
- Cash precious metals – purchase and sale of bullions, investment coins.

Our active work in the domestic market in combination with effective management of precious metal portfolio brought high results.



RISK MANAGEMENT

42	RISK MANAGEMENT STRATEGY
44	RISK MANAGEMENT AUTHORITY AND RESPONSIBILITY
45	RISK IDENTIFICATION RESULTS IN 2023



Risk Management Strategy

In 2023, we continued to improve the risk management system and support business divisions of Sber Bank.

Key achievements:

- Stage-by-stage transfer to IFRS 9 was initiated.
- RBL model (model-based client limit setting) under the Smart Technology (Micro) was put into operation.
- New products for small and micro clients were developed with Risk Management participation: Business Express (transaction model solution for non-clients); Welcome loan (for newly registered legal entities and individual entrepreneurs). All products up to 15 thousand basic units without independent risk examination.
- Under the concept ‘Decision-making on light products for Medium+ clients in 15 minutes’, the Procedure for making decisions on light products was developed and approved in the MVP format (Pilot).
- To decrease the period of deal review, the EGL limit system for Medium+ clients was introduced.
- The loan product ‘Arrow’ for POS lending development was designed and launched.
- The new functionality ‘Loan potential’ went into the stage of technical implementation.
- Further improvement of operation, IT and outsourcing risk management continued:
 - Plan for prevention and liquidation of extraordinary situations in the Bank was developed and approved.
 - The procedure of function outsourcing was developed and approved.
- With regard to the market situation in 2023, the interest risk management methodology was redesigned.



Risk Management Strategy

Control and reporting

The Bank applies three lines of defense for efficient risk management

1st line of defense

Business units

- Risk identification
- Risk detection and primary assessment

2nd line of defense

Divisions responsible for relevant risks

- Independent assessment of risk level
- Risk level forecast
- Stress testing arrangement
- Reporting
- Development and implementation of measures necessary to comply with the established limits
- Risk assumption
- Risk identification and materiality assessment

3rd line of defense

Independent assessment of compliance of the risk management system with internal and external requirements

Internal and external audit

- Presentation of the assessment of efficiency of internal control system, risk management, and corporate governance to the Bank’s management bodies
- Drawing recommendations to improve the efficiency of such systems

Regulatory authority

Risk Management Authority and Responsibility

Supervisory Board

- Defines the main directions of development and effective functioning of the risk management system.
- Adopts the Strategy Plan of Development of the Bank, the Risk and Equity Management Strategy.
- Approves the system of risk tolerance and appetite.
- Adopts the Strategy of NPL assets and debts written off to off-balance sheet accounts, the Regulation on the Lending Policy of the Bank, and controls their implementation.
- Sets the risk limits for operations subject to credit risk with corporate clients, and deal terms beyond the scope of authority of the Management Board.

Risk Committee

- Monitors implementation of the strategy and resolutions of the Supervisory Board adopted in relation to risks, risk profile, risk tolerance and appetite, other risk metrics.
- Assesses the efficiency of the risk management system in the Bank and the holding.

Management Board

- Arranges the risk management system in the Bank and the holding, including by means of optimal distribution and delegation of authority in the risk management process, control of compliance with limits and scope of authority of the Bank’s officers, adoption of measures to reduce (limit) risks.
- Ensures achievement of targets and objectives set by the Supervisory Board in the area of risk management.

Collective bodies performing risk management functions

Large Credit Committee

Small Credit Committee

Credit Committees of Regional Directorates, decision-making bodies in the 4-eyes and 6-eyes format

Impaired Assets Committee

Classification Committee

Credit risk

Assets and Liabilities Management Committee

Market risk, interest rate risk, liquidity risk

Operating Risk Committee

Projects, Processes, and Technologies Committee

Operating risk

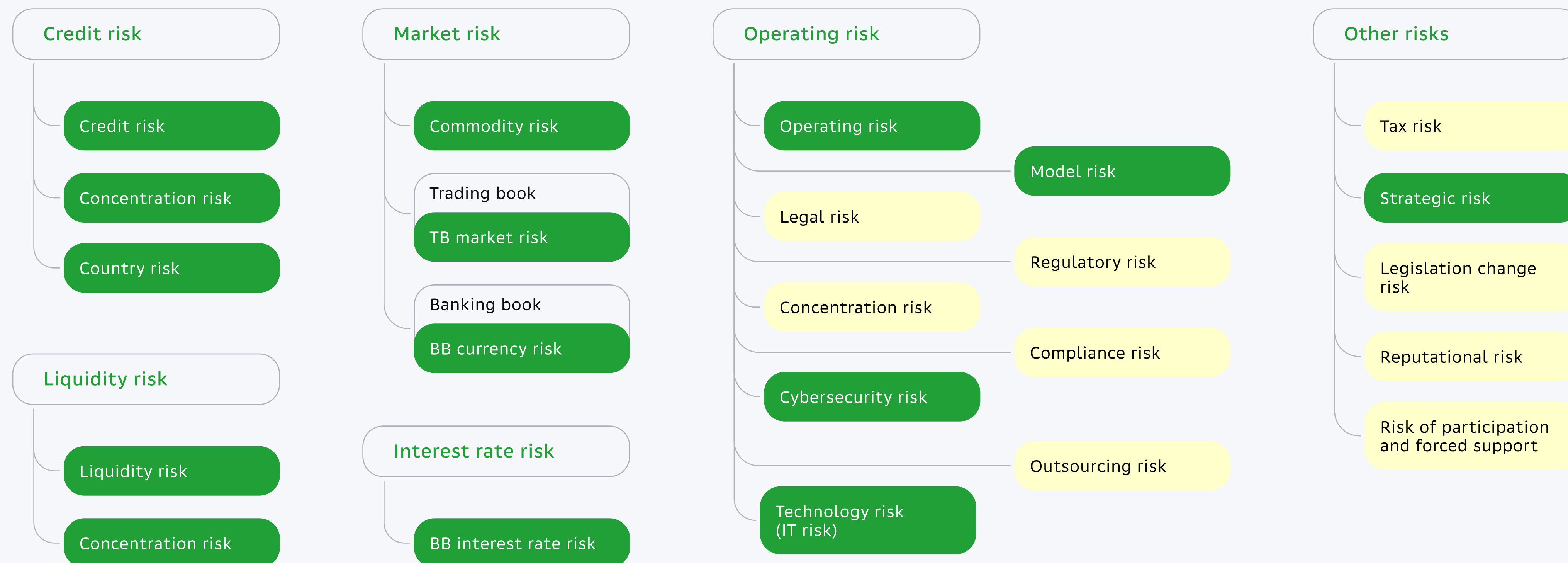
AIT Committee

Strategy Committee

Other risks

Risk Identification Results in 2023

The list of substantial and material risks of the bank / The holding according to the identification procedure in 2023



● Substantial risk
● Material risk



DATA MANAGEMENT. AI/DATA SCIENCE



Data Management. AI/Data Science

76 %

AI MATURITY INDEX

Data Science – modelling including application of large pre-trained models, expansion of the automated monitoring system, process research, enhancement of data operation culture maturity – remain our priority directions of development and improvement.

To increase AI maturity, we developed the AIM-index roadmap with the list of measures to ensure achievement of the target by 01.01.2024.

Key achievements in AIM-index and Data Science modelling development in 2023 were the following:

- Increase of the number of processes with AI component due to application of Process Mining technology
- Development of supplementary services ensuring uninterrupted operation of models
- Reduction of the average T2M of the models to 64 days
- Fulfillment of all scheduled initiatives according to the model operation plan
- Introduction of the automated monitoring of risk models for preventive tracking of quality of the existing models and early response
- Increase of the share of processes with AI component to 18%, which corresponds to the objective for 2023

Introduction of practices and approaches based on the international expertise has a special role in data science development. In the reporting year, the following actions were fulfilled in the framework of the data lifecycle management roadmap:

- The Regulation on data quality management of Sber Bank was developed and approved.
- The existing quality of crucial attributes, timeframes and effort by business units were assessed.
- The data monitoring procedures were developed and deployed automatically.
- The firmware Data Lake platform was initiated to establish the uniform data vault of Sber Bank.



IT TRANSFORMATION

- 49 IT DEVELOPMENT
- 50 INTRODUCTION OF NEW TECHNOLOGICAL SOLUTIONS
- 51 PROCESSING CENTRE



IT Development

Against the backdrop of geopolitical limitation set by foreign IT vendors, in 2023 we implemented measures aimed at ensuring secure and uninterrupted operation of all automated systems. In particular, we:

- Launched the project to avoid vendor dependence.
- Created the server infrastructure for migration to open source software, based on Postgresql database, for container development and operation of the Bank’s applications.
- Undated IP telephony server versions to eliminate risks of disabled IP telephony and equipment services.
- Carried out maintenance of server (storage and SAN) equipment of the Bank located in data centres.
- Upgraded cluster resources for virtual desktop servers.

In the reporting year, we launched the new mechanism of client service location connection using the video control service that allowed avoiding additional costs on procurement of telecommunication equipment, video recording devices and cameras, and telecommunication services.

To comply with cybersecurity requirements, we started updating system patches of all servers of the Bank.

We are automating the IT asset management processes using Jira SM tools, In 2023, we automated scanning of the Bank’s servers and drew the updated list of servers, automated the processes of ordering and releasing server resources, communication with third party vendors, and other functions.



Introduction of New Technological Solutions

In 2023, according to the IT strategy, we transferred 64 services to the In-house.BY solutions for the front systems of the Bank (SBOL, SBOL.PRO, Package Factory).

Such transition released a significant scope of server resources to be used in new projects. The services were transferred using the Synapse platform, which allowed us to reduce vendor dependency from proprietary solutions.

Based on the Synapse platform, we developed the following: front services, bank loyalty program, fee rate model, the unified accounting system (UAS) project), regulatory requirements, corporate and retail loans (One click, Staple).

In the reporting year, we successfully accomplished the project for transferring the containerization technology to the Kubernetes platform, used for software complexes of Synapse and the electronic archive, thus reducing the cost of software ownership. Additionally, we transferred our front systems SBOL, SBBOL, SBOL.PRO, and OpenAPI to the containerization platform.

Totally, in 2023 we transferred 6 systems to Kubernetes and 4 automated system to Linux.

As concerns OpenAPI, seven large corporate partners of the Bank were connected to API services – Loan Application and Loan Application Status. The share of online consumer loan applications submitted using the OpenAPI technology made around 33% of the total number of submitted online applications.

In order to centralize and reduce the cost of IT system ownership, optimize the IT landscape and core systems, we continued implementing the Unified Accounting System of the Bank (UAS).

All cash desks including the currency exchange functions, payment acceptance, operations with banking cards, acceptance of cash to repay loans and interest, sale of coins and bullions, electronic cashiers, sending and receiving money transfers without account opening – were transferred to UAS.

In the reporting year, we commissioned the function of salary project agreement maintenance, processing payrolls to credit salaries and other payments to retail accounts, and automated operations with limited-issue forms.

In pursuance of business process robotisation, we commissioned 11 algorithms in eight divisions of the Bank.

To comply with the requirements of legal regulations, requirements and stipulations of the National Bank, we upgraded the internal automated systems of the Bank in the following areas:

- Communication with public authorities by sending and receiving electronic information
- Communication with social security bodies to receive consent (refusal) to make payments to the budget from the automated system for fulfilment of monetary obligations (AIS IDO)

- Upgrades pursuant to amendments of the Guideline on bank transfers

- Modification of the data structure received from the web portal according to the Resolution of the National Bank ‘On registration of agreements in foreign currency by residents’

- Collection of funds using AIS IDO from the accounts of clients who are subject to insolvency or bankruptcy procedure (liquidation procedure), for public authorities according to the Law of the Republic of Belarus dated 13.12.2022 No. 227-Z ‘On insolvency settlement’

- Ensuring timely repayment without execution of the AIS IDO payment instruction according to the supplemented list of reasons

- Fulfilment of requirements on accounting of legal entities and individuals concerning prevention of money laundering and terrorist financing (AML/CTF)

- Implementation of stipulations of the Law of the Republic of Belarus dated 19.04.2022 No. 164-3 ‘On payment systems and services’ and settlement standards

- Fulfilment of information security requirements for OpenAPI services.

In 2023, we commissioned the instant payment system for individuals allowing making domestic transfers having the recipient’s phone number and consent given remotely.



Processing Centre

To develop the functions of the Bank's processing centre, ensure security and fault tolerance, implement business initiatives, and comply with the requirements of payment systems and regulatory authorities, we accomplished more than 500 tasks in 2023.

The processing platform reliability made not less than 99.99%, and autotest coverage exceeded 90%. Compliance with PCI DSS requirements was ensured, and scheduled certification in Belkart system was accomplished.

The database of the Bank's processing system was moved to RHEL8, Win servers were switched to Linux, BellSoft Liberica JDK included into the Unified Register of Russian software is used as the progressive Java runtime environment.

Due to sanction limitations, we developed the plan of action for HSM redundancy with regard to the current scope providing for fail-safe operation. Simultaneously, we tested the Bank's processing platform using Russian HSM models.

In the reporting year, we audited the platform performance and optimized online services, thus increasing the number of processed queries per second by 25% and creating a safe cushion for performance. The in-house monitoring of the processing centre was introduced based on Zabbix solution where more than 1000 metrics are used.

Sber Bank became the first host bank in the country whose processing centre implemented the tokenization service for Belkart cards and tokenized cards of VISA and Mastercard in Belkart PAY wallet. The first stage launched the function of cash withdrawal and viewing the balance in the Bank's terminals with Belkart tokens of the Bank and other banks of the country.

The ATM operation was supported using the new software TellMe and WebIUS. New models of POS terminals were connected to the Bank's processing centre, and the relevant host acquiring testing was performed in the national payment card system MIR. The processes of registration and adjustment of ATM parameters, and locking of terminal equipment according to business requirements were automated.

We finalized the integration of the Bank's processing platform with the Unified Accounting System concerning online and offline interaction; provided for dispatch of the necessary information flows for the cash cycle and Teradata; arranged for routing of traffic at the issuing bank level from the H2H channel to the Belkart channel, which allowed saving operating costs for routing and clearing; implemented an elaborate card product 'Companion Card'; developed new online services and analytical reports.



CYBERSECURITY



Cybersecurity

Sber Bank pays much attention to the cyber security risk. To ensure digital security of our banking infrastructure, we use various systems: firewalls, antivirus software, integrity and configuration control, protection analysis, leak prevention, data depersonalization, security event collection and mapping, cyber security incident processing, and fraud monitoring systems.

The implemented systems are frequently fine-tuned and upgraded to provide the necessary level of protection with regard to the growing cyber threats.

We carry out measures to ensure security of transactions executed via remote service channels, namely:

- Adjusting business processes
- Upgrading software complexes, procuring and installing special software
- Informing clients about cyber threats

We continuously cooperate with our parental company on data protection issues, given the extensive experience of Sberbank of Russia in this sphere.

All divisions and processes of the Bank are involved.

High level of cyber security of the Bank is confirmed by regular audit revisions. In particular, the Bank confirms compliance with PCI-DSS standard of international payment systems on the annual basis.

In 2023, the Bank’s project ‘Integration of the anti-fraud system in Sber Bank’ was awarded with I degree diploma at the republican contest Leaders of Digital Economy 2023.

AGILE TRANSFORMATION

Agile Transformation

3.54 +0.3

AGILE SCORE

4000

AGILE UPDATES

6

TRIBES

23

TEAMS

In 2023, we continued to develop Agile practices and focused on product transformation and evolvement of product competencies.

Main performance results in the product transformation area are the following:

- Developing Agile product directory and its integration into the development and support processes
- Designing the new product process with clear definition of stages, roles, and deliverables
- Implementing the Discovery platform as the unified space for drawing hypotheses, conducting research, and taking decisions on the product

Totally in the reporting year there were defined 157 Agile products, of which 97 user products, 23 channels, 10 services, and 27 infrastructural products. The role-based management model was specified with the roles of Business Lead, Product Manager, Product Owner, CX Expert, Sales Manager, and Marketing Manager.

Implementation of product transformation is closely relied to the continuous development of product competencies. The main achievements are the following:

- Implementing the product role competency matrix
- Implementing the diagnostics and grading system
- Training of the product perimeter at third party courses, on product tracks, at internal intensive sessions, and practical meetups

We continued developing Agile practices, which is proved with the Agile Score growth to 3.54.

In 2023, there were 6 tribes and 23 teams working on creating products and developing technologies within the Agile perimeter. We implemented about 4000 updates, introduced such products as the Loyalty Program, ONE click, digital SberCard, Staple loans, web version of SBOL, Smart-SBOL, Smart desk, Cash cycle, etc.

Improvement of IT production quality was one of the principal objectives. The actions taken in this area reduced the number of critical defects twice, and the total technical debt by 40%.

In the framework of Agile transformation, PI cycle and BVD events were reformatted focusing on the product and its efficiency, new tools were integrated into the targeting and budgeting processes, Scrum framework practice was improved in the teams, new dashboards and Agile production metrics were developed.

The Bank possesses significant expertise in Agile practice and product-based approach, which is proved by participation of the Bank’s staff in numerous conferences.

In 2023, Sber Bank became the winner of the contest ‘Leaders of Digital Economy 2023’ in the nomination ‘Company of the Year in the area of process digitalization and digital transformation of production activity’.



INTERNAL CONTROL AND COMPLIANCE

- 57 INTERNAL CONTROL SYSTEM
- 58 COMPLIANCE



Internal Control System

The internal control system aims at ensuring that the strategic objectives are achieved, the Bank’s financial and economic activity in execution of banking and other operations is effective and efficient, and its assets and deposits are safe.

The Bank’s internal control system is consolidated and focuses on:

- Protecting the interests of the Bank, its shareholders, partners, and clients.
- Ensuring safety and efficiency of the Bank’s activity.
- Providing for timely preparation of credible financial, accounting, prudential, and other reports.

The internal control system applied by the Bank and the members of its holding is based on the following key principles:

- Management involvement
- Responsibility of the management bodies for the establishment of an adequate and efficient internal control system
- Continuous internal control over all activities and processes
- Establishment of strategic objectives and control over their achievement
- Risk detection and management
- Responsibility of each department, manager, and employee for internal control within the scope of their duties, responsibilities, and authority
- Authority distribution in executing transactions and operations, setting limits, managerial control.

The organizational structure of the internal control system is correlated to the organizational structure of the Bank.

The spheres of responsibility of the internal control subjects are delimited depending on their involvement into business processes and the process of efficiency monitoring of such system.

The internal control system development in 2023 aimed at achieving strategic objectives, ensuring financial reliability and information security corresponding to the nature and scale of activity maintained by the Bank and its holding.



Compliance

The Bank stipulates the principles for organizing and functioning of the internal control system of the Bank and members of its holding, as well as tasks, functions, authority, and responsibility of the internal control system participants.

Adherence to the procedures of compliance control is required from all employees of the Bank and members of the Bank’s holding. The Bank openly declares its compliance principles and publishes its policies on the official website.

The Bank’s compliance control focuses on compliance of the Bank and its employees with the requirements of the laws and local regulations in terms of:

- Prevention of corruption, money laundering, terrorist financing, and proliferation of mass destruction weapons.
- Managing conflicts of interest.
- Carrying out activities in the financial market including prevention of illegal practices and protection of insider information, prevention of market manipulation.
- Compliance with economic sanctions, control over accounts of foreign taxpayers.
- Codes of conduct and standards of business.

In 2023, the Bank implemented measures to manage and decrease the compliance risk, with regard to external factors.

The performance results, as well as the outcomes of internal and external audit revisions proved that the compliance system is sufficient, and the applied procedures are adequate to the nature and scope of the Bank’s business.

Internal control and compliance training

In the reporting year, employees underwent training with mandatory testing on the following subjects:

- Prevention of money laundering and terrorist financing
- Anti-corruption
- Gift treatment rules
- Potential conflict of interest disclosure
- Special economic measures
- FATCA (Foreign Account Tax Compliance Act)

A new remote course for updating the employees’ knowledge on AML/CTF and FATCA topics was developed.



HR DEVELOPMENT



HR Development

Our staff is complete and stable

46 % OF THE STAFF

HAVE BEEN WITH US >10 YEARS

39 YEARS OLD

IS THE AVERAGE AGE OF OUR EMPLOYEES

94 %

STAFF COMPLETENESS

In the reporting year, we improved the Bank’s organizational structure, redistributed and consolidated functions, developed the production efficiency management system.

Due to continuous monitoring of salaries, team chemistry, and effort of the Bank’s collective bodies, we ensured that our employees’ salary remained competitive in 2023 despite certain negative factors influencing the labour market. To maintain attractiveness of our HR brand for applicants and reduce the staff turnover, we revised the pay rates according to job grades.

Along with business expansion in 2023, the staff number increased by 4%. Such growth covered the HR demand of business units that was arising due to the development of certain lines of business, opening new sales offices, extension of working hours and client flow, and partial transfer of functions from the subsidiary non-credit financial organization that was liquidated.

The staff is stable and complete: about 46% of our employees have been with us for more than 10 years. The staff completion rate is 94%.

Throughout the year, we shifted our focus from recruiting to retention of talents by creating the attractive employer brand and work environment and providing the opportunities of horizontal and vertical career growth.

Adaptation of on-boarded employees was our priority in 2023: we formulated approaches to staff adaptation, appointed the pool of mentors, carried out quarterly welcome days after successful completion of all adaptation stages by new employees, established additional incentives for mentors.

In the reporting year, we actively cooperated with educational establishments, opened internship opportunities for students and trainees, and made offers to the best graduates.

We paid special attention to developing digital awareness of our staff, training in digital and product transformation, teaching skills encompassed in Sberbank model of competencies, as well as cybersecurity issues, agile transformation, IFRS implementation training.



HR Development

When arranging corporate training sessions, we select the best educational service providers. The Bank continuously cooperates with Sberbank Corporate University, our staff undergo regular training on the basis of SberUniversity platform.

In the reporting year, we carried out a set of measures aimed at improvement of involvement: business process optimization, targeted learning, teamwork, and other activities.

We continued advancing communications between the staff of regional network offices and functional divisions of the Head Office, building up effective cooperation and teambuilding, promoting the feeling of the staff unity and adherence to the Bank's corporate values.

Certain measures were implemented to provide social support to our staff: we improved the medical insurance program based on the employees' demands and the analysis of the current epidemiological situation; launched the information campaign focused on vaccination popularization, increasing the number of vaccinated employees and, consequently, achieving population immunity; elaborated the health care program for the employees and their children; continuously expanded the program of corporate benefits and discounts from partners.

In 2023, the current occupational health and safety system underwent audit revision and was certified according to the nationally adopted ISO 45001-2020 standard.

CORPORATE GOVERNANCE

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Corporate Governance Review

Corporate governance in the Bank is the system of interaction between shareholders, the controlling body of the Bank, officers and other involved parties aimed at general management of the Bank's activity, achievement of goals and compliance with the strategy of development, including ensuring financial sustainability and supporting long-term functioning as a profit-making company.

The management bodies of the Bank arrange for effective corporate governance corresponding to the nature and scale of banking and other activities and ensuring financial sustainability of the Bank.

The key components of the Bank's corporate governance structure are its management bodies, the controlling body, committees of the Supervisory Board of the Bank, structural divisions of the Bank, and the Bank's officers that communicate in the framework of the internal control system, the risk management system, the remuneration and compensation system, and in the management of the conflict of interest, and communication with the Bank's shareholders.

To comply with the corporate governance procedures, the Bank employs the respective officer – Corporate Secretary – who manages the activity aimed at supporting the Bank's management to the benefit of its shareholders, compliance of the Bank's management and management bodies with procedural requirements to protect legal rights and interests of the shareholders.

The Code of Corporate Governance is the document that establishes the main objectives and principles of the corporate governance system applied by the Bank.

The Bank regularly tracks the evolution of the corporate governance laws and practices in the Republic of Belarus and abroad, and follows them in its activity.

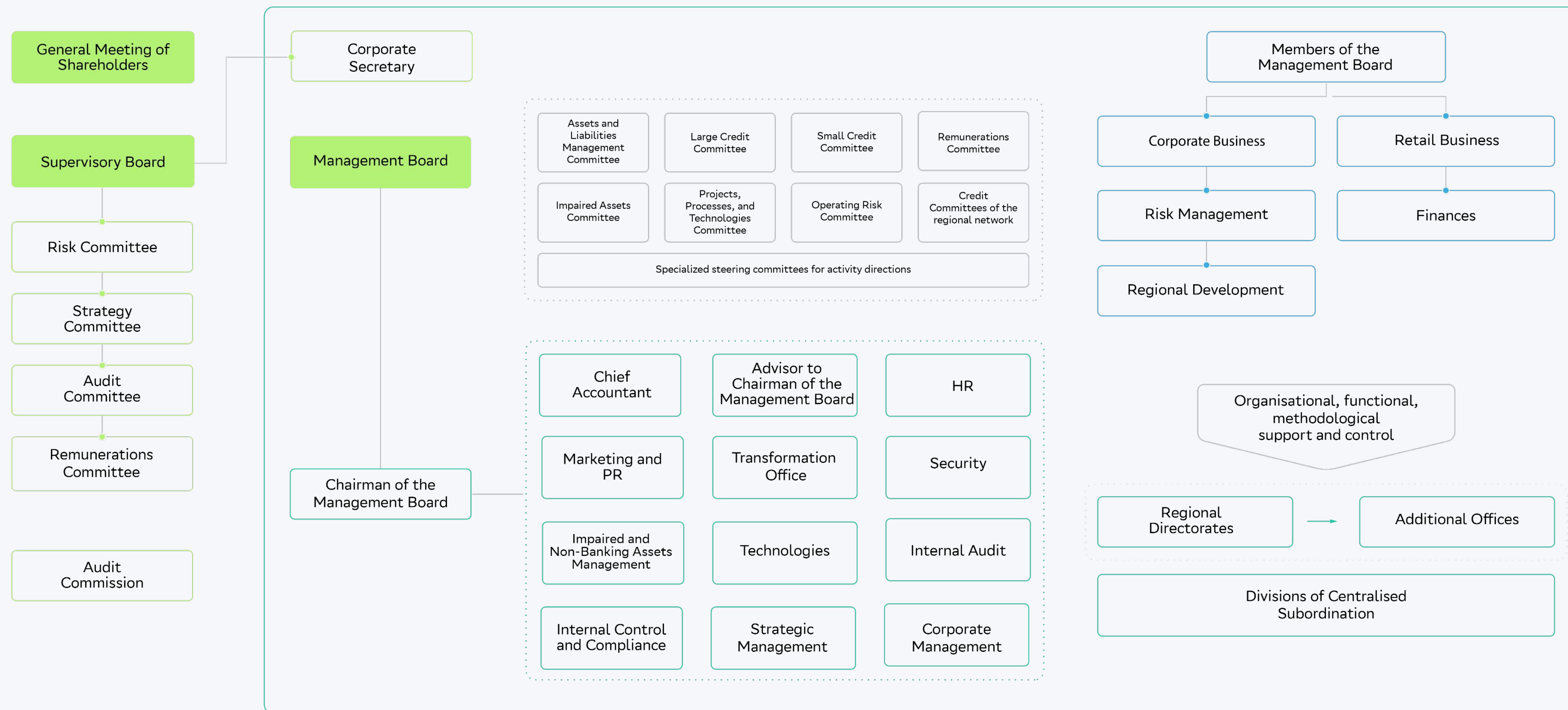
Corporate Governance Review

Corporate governance system. Checklist

Communication with the shareholders	✓
Annual election of the Supervisory Board	✓
Number of the Supervisory Board members	9
Number of independent directors	3
Number of the Supervisory Board committees	4
ESG agenda supervisor	✓
Annual self-assessment of the activity of the Supervisory Board, its members, committees of the Supervisory Board, the Management Board	✓
External assessment of the corporate governance effectiveness (not less than once in three years)	✓
Management Board	✓
Chair of the Management Board	✓
Members of the Management Board (including the Chair)	6

External audit	✓
Audit Commission	✓
Corporate Secretary	✓
Dividend policy	✓
Independent director activity standard	✓
Code of Corporate Governance	✓
Code of Corporate Ethics and Business Conduct	✓
Corporate culture priorities	✓
Risk management. Internal control. Compliance. Motivation and fair remuneration	✓
Anti-corruption	✓
Conflict of interest management	✓

Organizational Structure of Sber Bank





Organizational Structure of Sber Bank

The Bank functions on the basis of the organizational structure that comprises the Head Office, Regional Directorates, operational offices/ central subordination departments.

The Bank functions on the basis of the organizational structure that comprises the Head Office, Regional Directorates, operational offices/ central subordination departments.

Structural divisions of the Head Office are joined into domains (business domains, support domains) that provide organisational, functional, methodological support and control over the divisions of the Bank's regional network. The structure of regional directorates includes additional offices. The Head Office comprises independent structural divisions: departments and units arranged into functional domains.

The central subordination departments are structural divisions of the regional network without independent balance sheet, with high degree of process standardisation, typicality, and regulation of work processes that is not characteristic of the Head Office units.

The organisational structure of regional directorates is adopted based on the approval business (support) models and complies with the Strategy of the Bank's regional network development. Regional directorates report to the Head Office and act under direct organisational and methodological guidance of the Head Office.

The organisational structure is designed for the purpose of achieving strategic objectives of business development and corporate governance model and is adopted for business and support domains and their units. The decision on approval or amendment of the structural division of the Head Office, regional directorates and central subordination units is made by the Management Board of the Bank.

The organisational structure may be changed in order to achieve strategic objectives of the Bank's development, raise the efficiency of corporate governance, operation of business and support domains, optimise the distribution of functions, workload and staff, stimulate labour productivity, and achieve business plan targets.

The management bodies of the Bank are:

- General Meeting of Shareholders
- Supervisory Board
- Management Board.

The controlling body of the Bank is:

- Audit Commission.

General Meeting of Shareholders

3

GENERAL MEETINGS OF SHAREHOLDERS WERE HELD

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.

11

ISSUES WERE RESOLVED

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

Supervisory Board

9

MEMBERS

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. It reports to the General Meeting of Shareholders of the Bank

82

MEETINGS WERE HELD

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.

229

ISSUES WERE RESOLVED

To perform the functions of the Supervisory Board in the area of strategic planning, determine strategic objectives and goals of the Bank in the area of sustainable corporate governance development, including the ESG agenda, define the priority activities of the Bank, ensure effective functioning of the risk management system, the internal control system, the system of remunerations and compensations, and supervise the operation of these systems, 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 Committee headed by the Chair of the Supervisory Board.

Supervisory Board Committees

Committees of the Supervisory Board carry out a preliminary review of the most important issues falling within the scope of authority of the Supervisory Board and prepare recommendations for the Supervisory Board to adopt of resolutions on such matters.

Main tasks of the committees

Strategy 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
- Preparation of the necessary recommendations and suggestions

Audit Committee

- General management and maintenance of internal control and internal audit of the Bank
- Selection of external auditors and communication with them
- 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’s activity

Risk Committee

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

Remunerations Committee

- Comprehensive study of issues relating to compensations and remunerations
- Preparation of the necessary recommendations and suggestions



Strategy Committee

15

MEETINGS WERE HELD

In 2023, the Strategy and Ecosystem Committee carried out:

- Monitoring and control over implementation of the Bank’s measures aimed at achievement of strategic goas of development of the Bank and the bank holding.
- Monitoring and control over compliance with recommendations and instructions of the Supervisory Board on the issues of achievement of strategic goals of development of the Bank and the bank holding.
- Defining the policy of operation with the Bank’s partners included into the ecosystem and providing financial and nonfinancial services. Defining key directions of solicitation and establishment of partner relations in the ecosystem both within the Republic of Belarus and abroad.
- Informing the Supervisory Board by submitting reports on the progress of implementation of the strategic development plan of the Bank based on the reporting year results, and review of regular (quarterly) reports on the Bank’s activity with regard to consolidation of subsidiary companies, and reports on the performance results of subsidiary and dependent companies of the Bank.

21

ISSUES WERE RESOLVED

- Monitoring of fulfilment of decisions taken in relation to the ecosystem.
- Preliminary review of materials and preparation of recommendations for the Supervisory Board to resolve upon issues of:
 - Market analysis and peer comparison.
 - Launching project initiatives, approving interim and final reports on the progress of projects, and other issues necessary to ensure effective development of the Bank’s ecosystem.
 - Reviewing feasibility of establishment of subsidiary and dependent companies by the Bank and its subsidiaries, partner participation in authorized capitals of legal entities for the Bank and the members of the bank holding to solve the issues of ecosystem development (in compliance with prudential standards set by the National Bank of the Republic of Belarus).
 - Improving local regulations on management of the ecosystem components and partner relations.

To monitor the effectiveness of the activity of the Strategy and Ecosystem Committee, self-assessment was carried out, and its results were taken into account to determine further areas of improvement in 2024. The Supervisory Board considered the activity of the committee and its Chair in 2023 as effective.

Audit Committee

22

MEETINGS WERE HELD

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

40

ISSUES WERE RESOLVED

The Audit Committee’s functions include general management and maintenance of the internal control and internal audit systems of the Bank, selection of external auditors and communication with them, and profound study of local regulations of the Bank, reports and other issues subject to review by the Supervisory Board within the scope of the Audit Committee’s activity.

In 2023, the Audit Committee seated not less than once a month, in compliance with the law.

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

- Monitoring and control over the internal audit procedure, organization of work of the Chief Internal Control Officer of the Bank, organization 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 organization of the internal control system, quarterly in accordance with the plan of action.



Audit Committee

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 communicated with the external auditors to discuss audit results, 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 controlling authorities and external auditors, 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 and strategy of business.

The Audit Committee was in charge of:

- Profound study of the issues of the internal control system development strategy, 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.
- Monitoring and control over implementation of the Bank's measures in the area of internal control to ensure fulfilment of measures resulting from changes in the law, transfer to IFRS, transfer to the new cash desk model, and outsourcing usage.
- Control over fulfilment of the Activity Plan of the Internal Audit Department for 2023 approved by the Supervisory Board.
- Monitoring of audit review performance by the Internal Audit Department from the viewpoint of business efficiency prioritization.
- Results of audit revisions, revealing the most urgent issues in the organization 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, 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.

- Amendments to the accounting policy.

Based on the review of external and internal audit revisions in 2023, 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 and the external auditor, the consolidated internal control system of the Bank and the bank holding is assessed as sufficiently effective.

The Audit Committee performed a self-assessment of its activity in 2023, resulting in the determination of development areas to improve the Audit Committee's effectiveness.

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



Audit Committee

Throughout the year, the independent director – Chair of the Audit Committee regularly communicated with the Internal Audit Department, the Internal Control and Compliance Department, and the Bank’s top management to fulfil the tasks set for the internal audit and internal control arrangement in the Bank.

The Audit Committee determined top priority tasks for 2024, provided for monitoring and control over implementation of measures in the internal control area to ensure performance in conditions of external challenges and factors influencing the Bank’s business. It also defined the 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.

Risk Committee

17
MEETINGS WERE HELD

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.

In 2023, the committee seated at least once a month, not less than one meeting per quarter in the form of joint presence, in accordance with the law.

30
ISSUES WERE RESOLVED

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
- Making suggestions, informing the Management Board about recommendations of the Risk Committee based on the results of risk issues reviewed by the Committee (if necessary).



Risk Committee

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 in 2023 was assessed as good.

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. Besides, it communicated with the National Bank of the Republic of Belarus.

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 for 2024. The Supervisory Board considered the activity of the committee and its Chair in 2023 as effective.

Remunerations Committee

22

MEETINGS WERE HELD

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

36

ISSUES WERE RESOLVED

In 2023, the Remuneration 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.
- Assessment (not less than once per quarter) of the system of remunerations and compensations and its compliance with the laws of the Republic of Belarus.
- Assessment of the system of remunerations and compensations in the Bank and the bank holding.
- Control over compliance of the actual payments to the established approaches, and proportionality of remunerations paid to the Bank's employees to their actual contribution into the performance results and provision of financial stability of the Bank, control over compliance with the terms of remunerations for risk-assuming employees.
- Preparation and presentation of recommendations to the Supervisory Board to make decisions on the terms of payments, contract terminations, establishment and payment of quarterly bonuses to the members of the Management Board, establishment and payment of performance targets for the members of the Management Board.

The Chair of the Remunerations Committee regularly checked the compliance of the remunerations and compensations system with its functional requirements.

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 in 2024. The Supervisory Board considered the activity of the committee and its Chair in 2023 as effective.

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.

Management Board

6

MEMBERS

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.

66

MEETINGS WERE HELD

- In accordance with the delegated authority, the Management Board:
- Organizes the functioning of the systems included into the corporate governance of the Bank.
 - Ensures the establishment of contemporary banking infrastructure.
 - Approves the organizational structure of the Head Office and structural divisions of the Bank.
 - Resolves on opening and closing of structural divisions of the Bank.
 - Organizes the activity of the internal control system of the Bank.
 - Organizes the activity of the Internal Audit Department.
 - 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.

718

ISSUES WERE RESOLVED

- Resolves on other daily matters stipulated by the law, the Articles of Association, and local regulations of the Bank.
- For the arrangement of the proper internal control system, the Management Board of the Bank:
- 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 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.



Management Board

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, were set by the Management Board. Specific powers have been 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 Bank established the departments to manage certain risk types according to the nature and scope of banking operations and other activities and the special structural division for prevention of money laundering, terrorist financing, and financing of proliferation of mass destruction weapons.



List of the Bank's Committees

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, small, and medium corporate customers and individuals.

Impaired Assets Committee

Provides for effective overdue debt recovery.

Classification Committee

Provides for due management of the credit risk, ensuring the unbiased assessment of risks in classification of assets subject to credit risk and contingent liabilities.

Credit Committees of the regional network

Provide for implementation of the lending policy maintained by 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 internal investigations held in the Bank.

Procurement Committee

Provides for organization 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, organization and implementation of project-based activity, implementation of the process management system of the Bank.

Artificial Intelligence Transformation Committee

Provides for resolution of the issues relating to the development and implementation of Artificial Intelligence/ Research&Development (hereinafter - AI/R&D) initiatives, draws suggestions on strategic development of AI/R&D area, gives preliminary consideration to AI development strategies, and coordinates working with models.

Architectural Committee

Determines and controls the application of the uniform approach for the Bank and Vodorod CJSC to the Bank's IT infrastructure, aimed at achievement of the declared IT objectives of the Bank.



Audit Commission

In accordance with the Articles of Association of the Bank, 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.

Anti-Corruption and Conflict of Interest Management

The management bodies of the Bank, heads of structural divisions, and employees apply the principle of zero tolerance towards corruption in any form, and contribute to the anti-corruption culture in the society and among themselves. The Bank integrates anti-corruption principles into strategic and operating management at all levels of activity.

The Bank's management bodies put their best efforts into the 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 (beneficial and other owners), management bodies and their members, organizations of the banking holding, structural divisions, employees, and clients (counterparties), which may lead to adverse consequences for the Bank and its clients (counterparties).
- 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 of prevention, 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 on the Internet, 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's 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.

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.

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.

Information is disclosed in accordance with the rules of disclosure stipulated by Guidelines of the National Bank and resolutions adopted by the Bank.

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

Completeness

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

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.

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

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 2023, 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

- Amended the following local regulations with the purpose of comprehensive corporate governance regulation:
- The Articles of Association of the Bank, as concerns the list of banking operations and types of activities carried out by the Bank as stipulated by the law
 - Rules for skill improvement of the members of the Supervisory Board
 - Code of corporate ethics and conduct
 - Anti-corruption policy of the Bank and the bank holding
 - Other local regulations stipulating corporate governance principles.

02

- Implemented the measures aimed at improvement of the corporate governance effectiveness in the Bank and the bank holding, based on the results of the internal assessment of the corporate governance efficiency:
- Carried out step-by-step integration of sustainable development issues into the operational practice of the Supervisory Board
 - Ensured continuous and consistent improvement of risk management, internal control, motivation and remuneration systems and practices.

03

Carried out the annual self-assessment of efficiency of the Supervisory Board and its members, Committees of the Supervisory Board, and internal assessment of efficiency of the Management Board.



IFRS PERFORMANCE RESULTS OF SBER BANK GROUP

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IFRS Financial Results of Sber Bank Group

Sber Bank Group (hereinafter – the Bank group) achieved the following financial results in 2023:

225 MILLION BYN

NET PROFIT

261.7 MILLION BYN

OPERATING COST

In the reporting year, the loan loss provisions were restored in the amount of BYN 65.2 million, the provisioning rate for the loan portfolio made 9.7%.

The equity for the purpose of capital adequacy calculation increased by 17.4% up to BYN 1 036 million (CAR – 21.5%).

493.9 MILLION BYN

OPERATING INCOME BEFORE LOAN LOSS
PROVISIONING FOR INTEREST-BEARING
ASSETS

1 036 MILLION BYN

EQUITY OF THE BANK GROUP

135.5 MILLION BYN

NET FEE AND COMMISSION INCOME

53 %

CIR



Main Performance Indicators of Sber Bank Group

	2023	2022	Change 2023 to 2022, %	2021	2020	2019
Financial indicators, BYN million						
Operating income before provisioning	493.9	476.2	+3.7	386.7	359.9	340.1
Restoration/(Creation) of loan loss reserves	65.2	(31.6)	-	38.6	(55.9)	11.8
Operating income	547.2	436.2	+25.5	423.0	301.8	357.5
Operating cost	261.7	246.2	+6.3	240.9	246.0	250.5
Profit before tax	285.5	189.9	+50.3	182.1	55.8	107.1
Net profit	225.0	146.5	+53.5	146.4	48.2	91.5

	2023	2022	Change 2023 to 2022, %	2021	2020	2019
Balance sheet indicators, BYN million						
Corporate loans (net)	1 766.5	1 722.4	+2.6	1 983.6	2 317.4	2 217.1
Retail loans (net)	934.6	692.8	+34.9	761.6	775.3	787.1
Loan loss provisions	289.3	427.3	-32.3	490.6	614.2	459.3
Customer loans (gross)	2 990.4	2 842.6	+5.2	3 235.8	3 706.9	3 463.5
Total assets	5 259.7	4 919.4	+6.9	4 947.0	4 944.5	4 735.6



Main Performance Indicators of Sber Bank Group

	2023	2022	Change 2023 to 2022, %	2021	2020	2019
Balance sheet indicators, BYN million						
Corporate funding	2 233.2	1 874.3	+19.1	1 735.4	1 663.6	1 619.4
Retail funding	1 294.0	986.0	+31.2	1 029.5	1 141.0	1 331.1
Total liabilities	4 223.7	4 038.6	+4.6	4 149.3	4 204.3	4 040.0
Equity	1 036.0	880.8	+17.6	797.7	740.2	695.6
Capital for CAR calculation as per Basel Accord	1 036.0	882.3	+17.4	833.2	820.4	785.8

	2023	2022	Change 2023 to 2022, %	2021	2020	2019
Efficiency indicators, %						
Return on equity (ROE)	23.5	17.5	+6 p.p.	19.0	6.7	13.4
Return on average annual assets (ROA)	4.4	3.0	+1.4 p.p	3.0	1.0	2.0
Operating cost-to-income ratio before provisioning (CIR)	53.0	51.7	+1.3 p.p	62.3	68.4	73.6
Net customer loans to deposits ratio (LDR)	76.6	84.4	-7.8 p.p	99.3	110.3	101.8



Main Performance Indicators of Sber Bank Group

	2023	2022	Change 2023 to 2022, %	2021	2020	2019
Capital adequacy ratios, %						
Core (Tier 1) capital adequacy ratio	20.4	21.9	-1.5 p.p.	19.6	16.7	15.7
Total (Tier 1 and Tier 2) capital adequacy ratio	21.5	23.1	-1.6 p.p.	21.1	19.2	18.7
Equity to assets ratio	19.7	17.9	+1.8 p.p.	16.1	15.0	14.7

	2023	2022	Change 2023 to 2022, %	2021	2020	2019
Assets quality indicators						
NPL share in the loan portfolio, %	5.9	8.1	-2.2 p.p.	10.1	11.6	10.3
Loan loss provisions to NPL, x	1.7	1.9	-0.2	1.5	1.4	1.3
Loan loss provisions to the gross loan portfolio, %	9.7	15.0	-5.3 p.p.	15.2	16.6	13.3



Consolidated Profit and Loss Statement Review

Net interest income

Net interest income before loan loss provisioning in the reporting year made BYN 236.4 million (in 2022: BYN 229.9 million). During 2023, the parameters describing the main activity of the Group in funding and financing were changing in various directions depending on the type of the financial instrument.

Interest income for 2023 decreased by 14.6% and made BYN 369.6 million. The income reduced by 25.1% from corporate loans, and by 3.2% from retail loans.

Interest expense for 2023 decreased by 34.3% and made BYN 133.1. The largest share in the interest expense structure is occupied by client funding (72.2%), since the clients are the main funding source.

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

Assets	BYN thousand	2023			2022		
		Average annual value	Interest income/expense, %	Average profitability/cost, %	Average annual value	Interest income/expense, %	Average profitability/cost, %
Loans to legal entities		2 077 769	210 202	10.1	2 289 046	280 698	12.3
Loans to individuals		838 722	105 871	12.6	750 143	109 330	14.6
Loans to other banks		259 122	7 190	2.8	383 541	4 446	1.2
Securities		716 893	46 310	6.5	673 291	38 038	5.6
Total interest income generating assets		3 892 506	369 573	9.5	4 096 021	432 512	10.6
Expected loan loss provisions		(358 317)			(458 960)		
Assets not generating interest income		1 555 380			1 296 132		
Total assets		5 089 569			4 933 193		
Liabilities							
Due to legal entities		2 053 780	58 800	2.9	1 804 853	77 170	4.3
Due to individuals		1 139 933	37 313	3.3	1 007 738	42 433	4.2
Due to other banks		674 242	31 321	4.6	935 098	64 779	6.9
Debt securities issued		161 870	4 727	2.9	258 267	17 566	6.8
Rental liabilities		20 501	958	3.3	23 775	684	2.9
Total interest expense generating liabilities		4 050 326	133 119	3.3	4 029 731	202 632	5.0
Liabilities not generating interest expense		80 791			64 216		
Total liabilities		4 131 117			4 093 947		



Consolidated Profit and Loss Statement Review

Net non-interest income

Net non-interest income grew by 3% to BYN 244.3 million.
Net fee and commission income decreased by 0.5% and made BYN 135.5 million.

Operating costs

The operating costs increased by 6.3% in comparison with 2022 and reached BYN 261.7 million.
The operating cost-to-income ratio (CIR) made 53%.

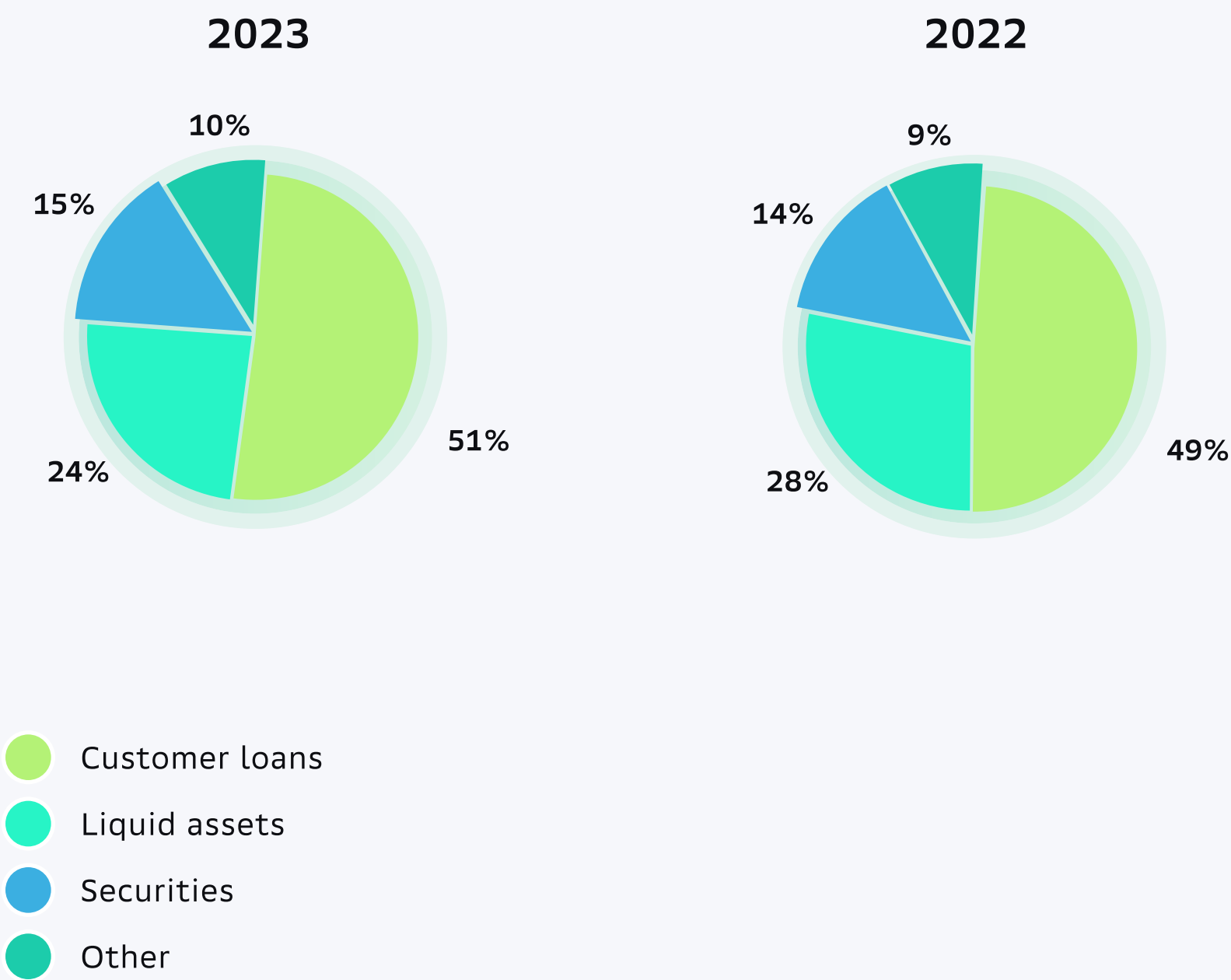


Consolidated Statement of Financial Condition Review

General trends

In 2023, the assets increased by 6.9% and made BYN 5 259.7 million. Customer loans occupy the largest portion of the asset structure – 49.1%.

The share of liquid assets including cash, correspondent accounts with banks in foreign currencies, and overnight loans, made 28.3%.

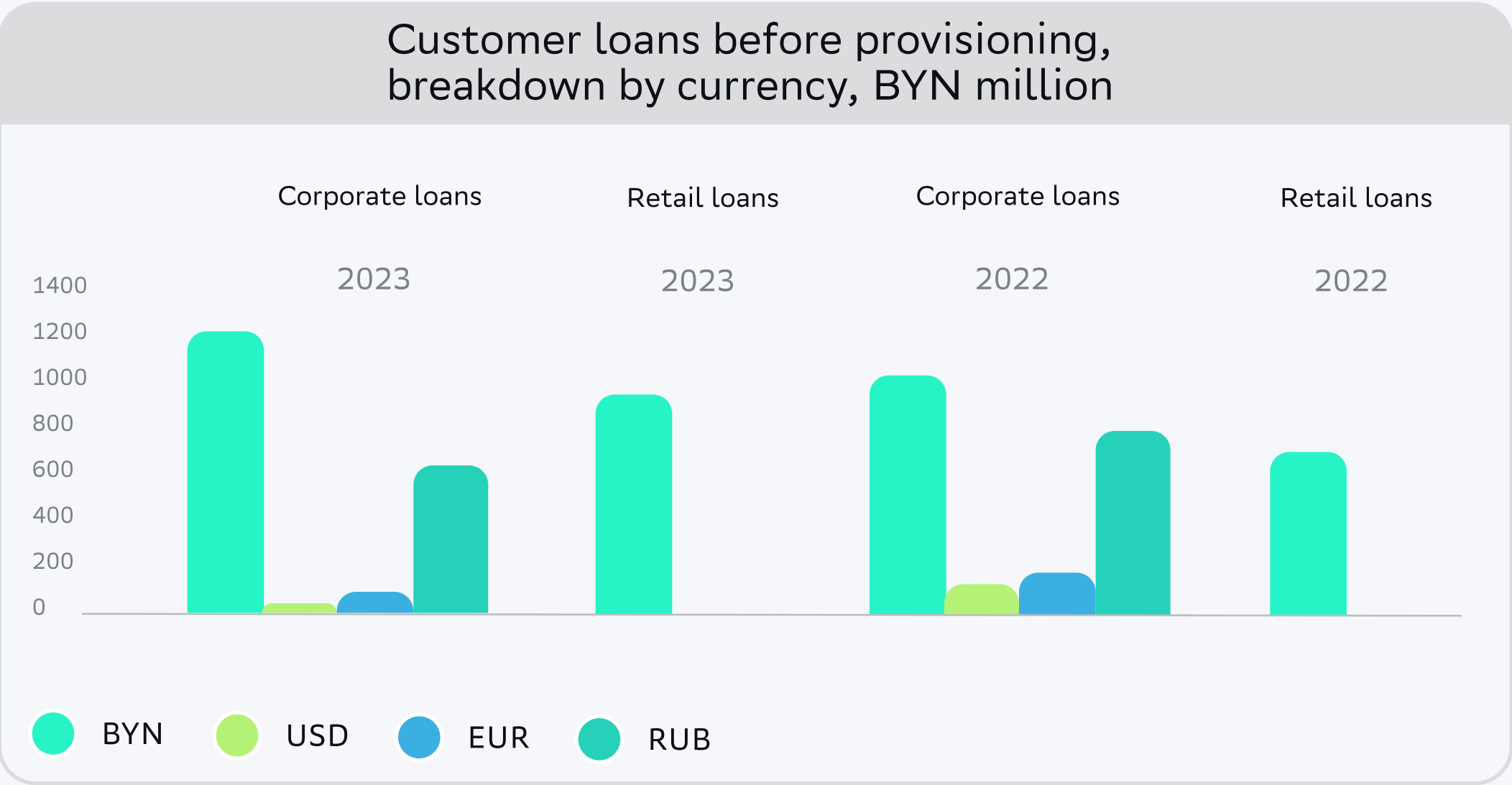


Customer loans

The aggregate loan portfolio of the Bank Group before loan loss provisioning made BYN 2 990.4 million (+5.2% to 2022). The corporate loan portfolio decreased by 4.3% to BYN 2 031.6 million. The retail loan portfolio increased by 33.4% and made BYN 958.8 million.

Non-performing loans were covered by reserves by 166% in 2023.

The share of loans in the local currency increased to 73.9% (cf. 2022: 61.9%).





Consolidated Statement of Financial Condition Review

Loans to customers, BYN thousand

	2023		2022		Change, %
	Amount	% of amount	Amount	% of amount	
Corporate commercial loans	1 945 303	65.1	2 040 016	71.8	(4.6)
Corporate special-purpose loans	86 331	2.9	83 887	3.0	2.9
Corporate loans	2 031 634	68.0	2 123 903	74.8	(4.3)
Retail consumer and other loans	368 788	12.3	141 817	5.0	160
Credit cards and overdraft	53 369	1.8	65 151	2.3	(18.1)
Retail housing loans	383 132	12.9	431 720	15.2	(11.3)
Retail car loans	153 484	5.0	79 982	2.7	91.9
Retail loans	958 773	32.0	718 670	25.2	33.4
Total loans to customers	2 990 407	100.0	2 842 573	100.0	5.2



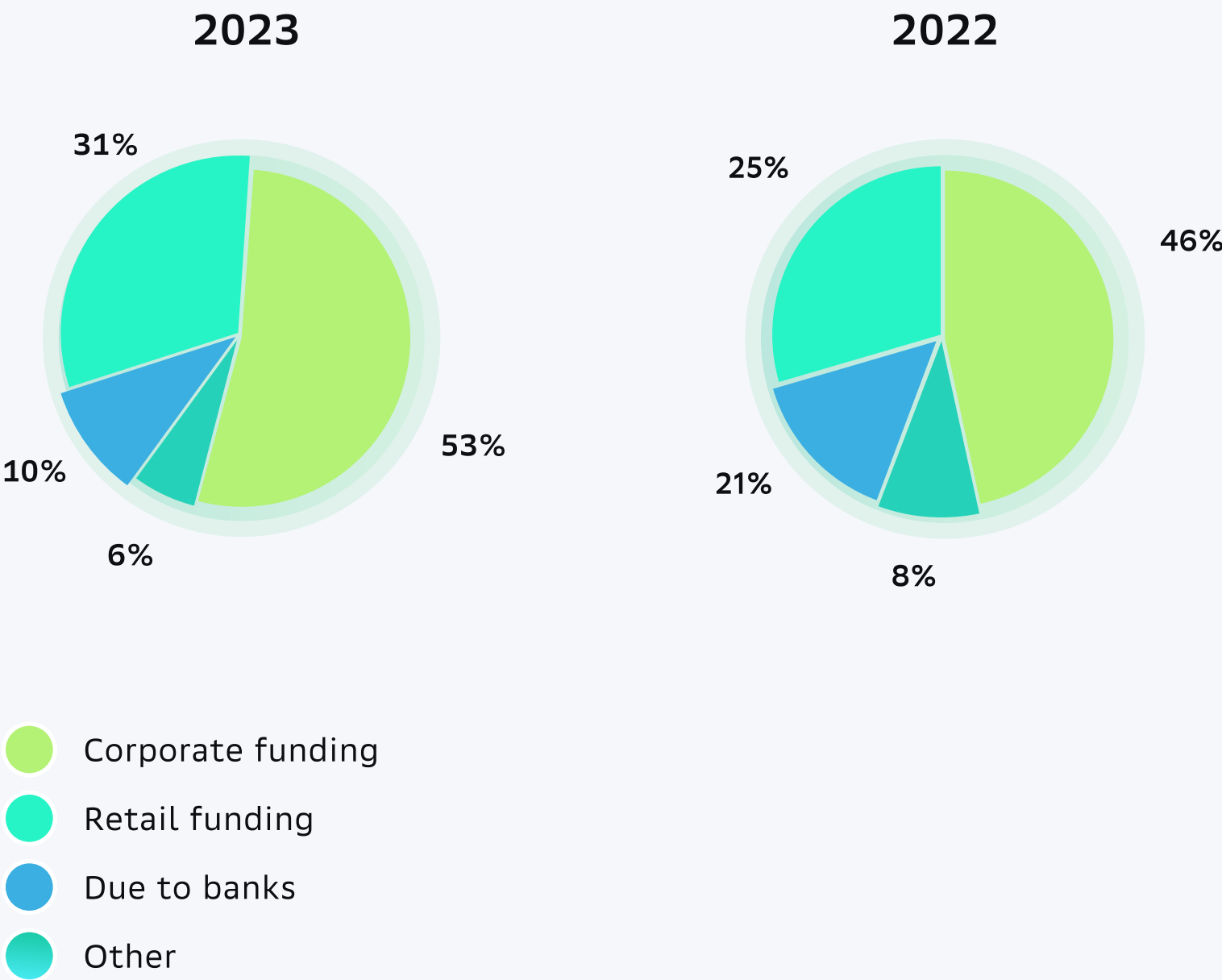
Consolidated Statement of Financial Condition Review

Liabilities structure review

Liabilities of the Bank Group in 2023 increased by 4.6% to BYN 4 223.7 million.

The structure of liabilities was dominated by retail and corporate funding (83.5%). Their total amount grew by 23.3% and reached BYN 3 527.1 million.

Funds due to banks decreased by 49.1% and made BYN 440 million (as of 01.01.2023: BYN 864.7 million). Their share in the liabilities structure reduced to 10.4%.



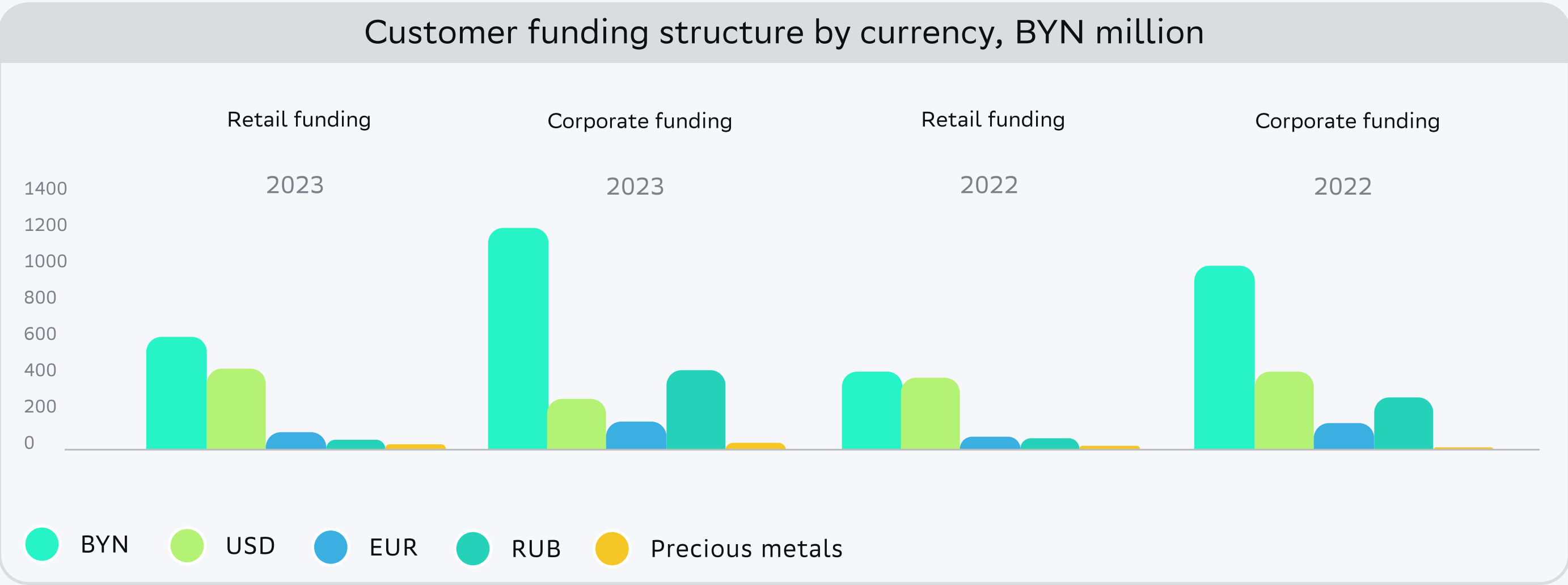
Customer funding

In 2023, the customer funding had the following breakdown:

	2023		2022	
	BYN thousand	Share, %	BYN thousand	Share, %
Retail accounts				
Current/ call accounts	781 151	22	452 176	16
Time deposits	512 777	15	533 762	19
Total	1 293 928	37	985 938	35
Corporate accounts				
Current/ call accounts	1 375 534	39	1 166 593	40
Time deposits	857 685	24	707 747	25
Total	2 233 219	63	1 874 340	65
Total retail and corporate funding	3 527 147	100	2 860 278	100



Consolidated Statement of Financial Condition Review



The share of foreign currencies in BYN equivalent reduced by 2.5 p.p. to 53.1% for retail deposits, and increased by 0.9 p.p. to 44.4% for corporate accounts.



Consolidated Statement of Financial Condition Review

Equity

The equity of the Bank Group increased by 17.6% to BYN 1 036 million.

The Bank’s share capital remain unchanged in the reporting year.

The share of Sberbank of Russia stayed at the level of 2022: 98.43%.

	Equity, BYN thousand		
	2023	2022	Change
Share capital	321 756	321 756	-
Share premium	576	576	-
Redeemed shares	(132)	(126)	(6)
Revaluation reserve for fixed assets	8 653	7 171	1 482
Revaluation reserve for investments	46 338	37 360	8 978
Retained earnings	658 876	514 100	144 776
Total equity attributable to shareholders of the Bank	1 036 067	880 837	155 230
Total equity	1 036 067	880 837	155 230



Consolidated Statement of Financial Condition Review

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.

	2023	BYN thousand 2022
Tier 1 capital		
Share capital	321 756	321 756
Share premium	576	576
Redeemed shares	(132)	(126)
Retained earnings	658 876	514 100
Total Tier 1 (core) capital	981 076	836 306
Tier 2 capital		
Revaluation reserve for office premises	8 653	7 171
Revaluation reserve for securities evaluated at fair value in other aggregate income	46 338	37 360
Applicable subordinated loan	-	1 458
Total Tier 2 capital	54 991	45 989
Total capital	1 036 067	882 295
Risk-weighted assets	4 807 976	3 823 452
Tier 1 (core) capital adequacy ratio (Tier 1 capital / Risk-weighted assets), %	20.4	21.9
Total capital adequacy ratio (Total capital / Risk-weighted assets), %	21.5	23.1

Core and total capital adequacy ratios for 2023 are well above the minimum requirements set by the Basel Committee.