



VNESHECONOMBANK
GROUP

Sustainability REPORT 2013

BELVNESHECONOMBANK
OPEN JOINT STOCK COMPANY



Sustainability Report 2013

БРЕНД
БГОДА 2012

ПОЧЕТНЫЙ ДИПЛОМ

ПОБЕДИТЕЛИ

СОЦИАЛЬНО ОТВЕТСТВЕННЫЕ БИЗНЕСЫ

Беларусь

Торгово-промышленная палата Республики Беларусь

САО «Беларуская трыба»



ТВОЙ БРЭНД - ТВОЙ КАПИТАЛ

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Opening Address of the Chairman of the Board



***Dear colleagues,
customers and business partners!***

We are proud to present this non-financial Sustainability Report of Bank BelVEB OJSC for the year 2013. This third in a row report will dwell upon issues of social and corporate responsibility of the Bank.

In the past year, Bank BelVEB OJSC stayed committed to a responsible and transparent approach in relations with its shareholders and customers, invariably focused on the implementation of important economic tasks of the Republic of Belarus and the Russian Federation and adhered to its corporate policy of social responsibility.

In 2013, Bank BelVEB OJSC updated its 2013-2015 Strategic Development Plan as based on provisions of the Memorandum on Cooperation between the Government of the Republic of Belarus and Vnesheconombank as well as the Bank's mission to facilitate successful business initiatives of its customers including joint projects of companies and self-employed entrepreneurs from Russia and Belarus.

The updated 2013-2015 Strategic Development Plan of Bank BelVEB OJSC lays the groundwork for the Bank's continued financial development and its relentless effort to promote bilateral economic cooperation between Belarus and Russia.

Therefore, the Bank puts a special emphasis on providing support to enterprises, participating in Russia-Belarus economic arrangements, and the country's small and medium businesses.

Over the year under review, Bank BelVEB OJSC pursued a well-balanced lending and customer policy, strictly complying with the formulated development plan. Despite the fact that the year under review proved a difficult one for macroeconomic reasons, the Bank managed to live up to near all of its target marks and plans. Positive key performance indicators allowed Bank BelVEB OJSC to stay firmly rooted among five most successful Belarusian banks.

More than 3,500 of new corporates and sole entrepreneurs decided to bank with us in 2013.

Without any doubt, further development of the Bank's customers business is inseparably associated with the implementation of new banking products and services. For this purpose, Bank BelVEB OJSC puts into practice the scheduled pivotal changes aimed at improvement of its business processes.

Bank BelVEB OJSC wields all mechanisms and capabilities of its own as well as those available from other members of Vnesheconombank Group so that business ideas of its customers might bring forth. For instance, last year project financing under EXIAR cover, a Russian export insurance agency, was executed for the first time. The insurance from the Export Insurance Agency of Russia allows to cut funding costs for Belarusian enterprises, from industrial giants to SMEs, thus decreasing their manufacturing costs.

In 2014, the Bank will continue providing a wide range of financial vehicles, including export factoring, export risks insurance, documentary operations, development of industrial chains that enhance trade turnover between Belarus and Russia by means of, inter alia, exports to third countries.

The Bank has been successfully cooperating with various international financial institutions to open up new favorable financing opportunities to its customers.

Last year Bank BelVEB OJSC signed a loan agreement to support SMEs with the Eurasian Development Bank (EDB) and secured a credit line with the European Bank for Reconstruction and Development under the BelSEFF Belarus Sustainable Energy Finance Facility Program.

An amplified impetus has also been given to retail business of Bank BelVEB OJSC. Customer loan application

review procedures were considerably speeded up; remote channeling of retail services was improved, and new popular banking products were introduced.

Owing to all above and other measures, Bank BelVEB OJSC demonstrated intensive growth in retail loans and deposits thus expanding its retail market share and improving its position in the banking sector in terms of retail loans.

The year 2013 saw the Bank actively implementing projects in the sphere of innovative technologies, infrastructure upgrading and added energy efficiency. The Bank's operation largely contributed to alleviating sensitive social and economic issues such as improvement of living standards, increasing of tax revenue, creation of new working places and employment of the population.

Rendering assistance to cultural and sports events, charity, upgrading of facilities and equipment of scientific, educational, cultural and arts facilities as well as promotion of historic values helps the Bank expand the scope of its positive contribution to solving vital social problems as well as to consolidating its image of a socially responsible company among its clientele, business counter-partners and the general public.

As is generally known, good results can be achieved only through a professional team work. It is the coordinated effort and efficient work of our staff and mutually beneficial cooperation with our customers, business partners and shareholders that allowed the Bank to attain its objectives.

The Supervisory Board and the Management Board express their sincere gratitude to all shareholders, customers and business partners for their loyalty to and beneficial co-operation with the Bank. We shall always adhere to the principles of partnership, responsible discharge of our obligations and imbedding the values of corporate and social responsibility into the daily operation of the Bank.



Pavel V. Kallaour
Chairman of the Board

1

BANK FACT FILE

1.1 MANAGEMENT SYSTEM

1.1.1

General
Information

1.1.2

Governing
Bodies

1.1.3

Organizational
Structure

1.1.4

Improvement
of the Internal
Control System



1.1.5

IT Development

1.1.6

Implementation
of 2013-2015
Development
Strategy

1.1.7

Economic
Trends
in the
Reporting
Period

1.1.8

Milestones and
Achievements
in 2013



1.1

Management System

1.1.1

General Information

The official full name of the Bank in Belarusian - **Адкрытае акцыянернае таварыства «Белвнешэканамбанк»**, the abbreviated name - **ААТ «Банк БелВЭБ»**, in Russian - **Открытое акционерное общество «Белвнешэкономбанк»** abbreviated to **ОАО «Банк БелВЭБ»**, in English - **Belvnesheconombank Open Joint Stock Company**, abbreviated to **Bank BelVEB OJSC**.

The Bank is registered with the National Bank of the Republic of Belarus on December 12, 1991 under No. 24, its identification code in the Unified State Register of Legal Entities and Entrepreneurs is 100010078. The legal address is 29, Pobediteley Ave., 220004, City of Minsk, Republic of Belarus.

Legal form of the Bank is open joint stock company, equity participation of the State Company Bank for Development and Foreign Economic Activity (Vnesheconombank), Moscow is 97.52 %.

In 2013 the Bank operated under the following licenses:

- License of the National Bank of the Republic of Belarus No. 6 dated April 19, 2013;
- Special Permit (License) of the Ministry of Finance of the Republic of Belarus No. 02200/5200-124-918 of July 29, 2002 to perform professional and stock exchange transactions with securities valid until July 29, 2022; and
- Special Permit (License) of the Ministry of Finance of the Republic of Belarus No. 02200/21-00884 dated June 23, 2010 to perform transactions with precious metals and stones valid until June 22, 2015.

Main activities of the Bank comprise:

- attracting cash funds from individuals and legal entities to accounts and current (time) deposits;
- lending the funds attracted from individuals and legal entities to accounts and current (time) deposits on its own behalf and at its own expense subject to collectability, serviceability and maturity;
- opening and maintaining bank accounts for individuals and legal entities;
- opening and maintaining precious metal accounts;
- rendering settlement and cash services to individuals and legal entities including correspondent banks;
- foreign exchange transactions;
- trade in precious metals and stones as determined by the National Bank of the Republic of Belarus;
- attracting precious metals and stones to current (time) deposits of individuals and legal entities;
- issue of bank guarantees;
- trust management of cash funds subject to trust management agreements;
- issue of bank payment cards;
- issue of securities to confirm attraction of cash funds to current (time) deposits and their placement in accounts;
- financing subject to assignment of accounts receivable (factoring);
- provision of special premises or safe boxes installed therein to individuals and legal entities for keeping documents and items of value (cash funds, securities, precious metals and stones, and etc.);
- transportation of cash, payment instruments, precious metals and stones and other items of value between banks and non-bank credit and financial

institutions, their stand-alone and structural units, as well as delivering of such items of value to clients of banks and non-bank credit and financial institutions.

The Bank's branch network comprises 23 branches (5 regional branches, 4 branches in the City of Minsk, 14 branches in large regional centers of the Republic of Belarus), 13 cash settlements outlets, 11 centers of retail business, 3 remote working places and 20 exchange offices.

The Bank is a member of the following international organizations: European Business Congress; International Payment System MasterCard Worldwide, International Payment System Visa Incorporated, Moscow International Currency Association, Western Union Financial Services Inc.

The Bank's subsidiaries comprise Belvneshstrakh Insurance Company, SZAO International Energy Center, KSO Vnesheconomstroy OOO and an associate company ZAO Sivelga.

■ **Belvneshstrakh (the Bank holds 100% of the equity) is a universal insurance company offering its customers, from corporate entities to individuals, a comprehensive range of insurance services.**

■ **SZAO International Energy Center (the Bank holds 52.095 % of the equity) is an energy services company operating heat and power-generating plants and selling electric and heat power.**

■ **KSO Vnesheconomstroy OOO (the Bank holds 51% of the equity) is a joint venture implementing investment projects in housing construction.**

■ **ZAO Sivelga (the Bank holds 25.002% of the equity) is a shoemaking company and vendor.**

1.1

Management System

1.1.2

Governing Bodies

Pursuant to the Bank's Charter, management functions are vested in the following bodies:

- General Meeting of Shareholders – highest management body;
- Supervisory Board – collegiate management body entrusted with general issues of the Bank's operation;
- Management Board - collegiate executive body.

In accordance with the Bank's Charter, the Head of the Bank is Chairman of the Board. The supervisory body of the Bank is the Internal Auditing Commission.

As at January 1, 2014, shareholders of the Bank comprise 420 corporate entities and more than 43 thousand individuals. Registered shareholder capital reaches BYR 1,174.1 billion. The Bank is fourth-placed among local banks in terms of shareholders' equity.

SUPERVISORY BOARD as at January 1, 2014				
Chairman of the Supervisory Board				
Petr M. Fradkov Chief Executive Officer, OJSC Russian Agency for Export Credit and Investment Insurance, Moscow				
Deputy Chairmen of the Supervisory Board				
Sergey A. Vasiliev Deputy Chairman, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Moscow		Sergey P. Lykov Deputy Chairman, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Moscow		
Members of the Supervisory Board				
Andrey M. Arshinov Chairman of the Board of Directors of Specialized Depository INFINITUM OJSC, Moscow	Georgy A. Egorov	Aleksander V. Kernozhitsky Head of Financial Department, Minsk City Executive Committee	Nikolay N. Kosov Chairman, International Investment Bank, Moscow	
Sergey V. Kuznetsov Director, Legal Department, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Moscow	Ilya V. Minichev Director, Structural and Debt Finance Department, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Moscow	Sergey Y. Noskov Director, Banking Activity Directorate, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Moscow	Nataliya A. Rannikh Deputy Department Director, Head of Business Administration under Department of Affiliate Banks, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), Moscow	
MANAGEMENT BOARD as at January 1, 2014				
Pavel V. Kallaour Chairman				
Deputy Chairmen				
Sergey P. Zelenko Deputy Chairman	Dmitry M. Levdansky Deputy Chairman	Nikolay V. Luzgin Deputy Chairman	Oleg G. Prohortchik Deputy Chairman	Andrey K. Romanenko Deputy Chairman
Member of the Board				
Anatoly A. Minich				

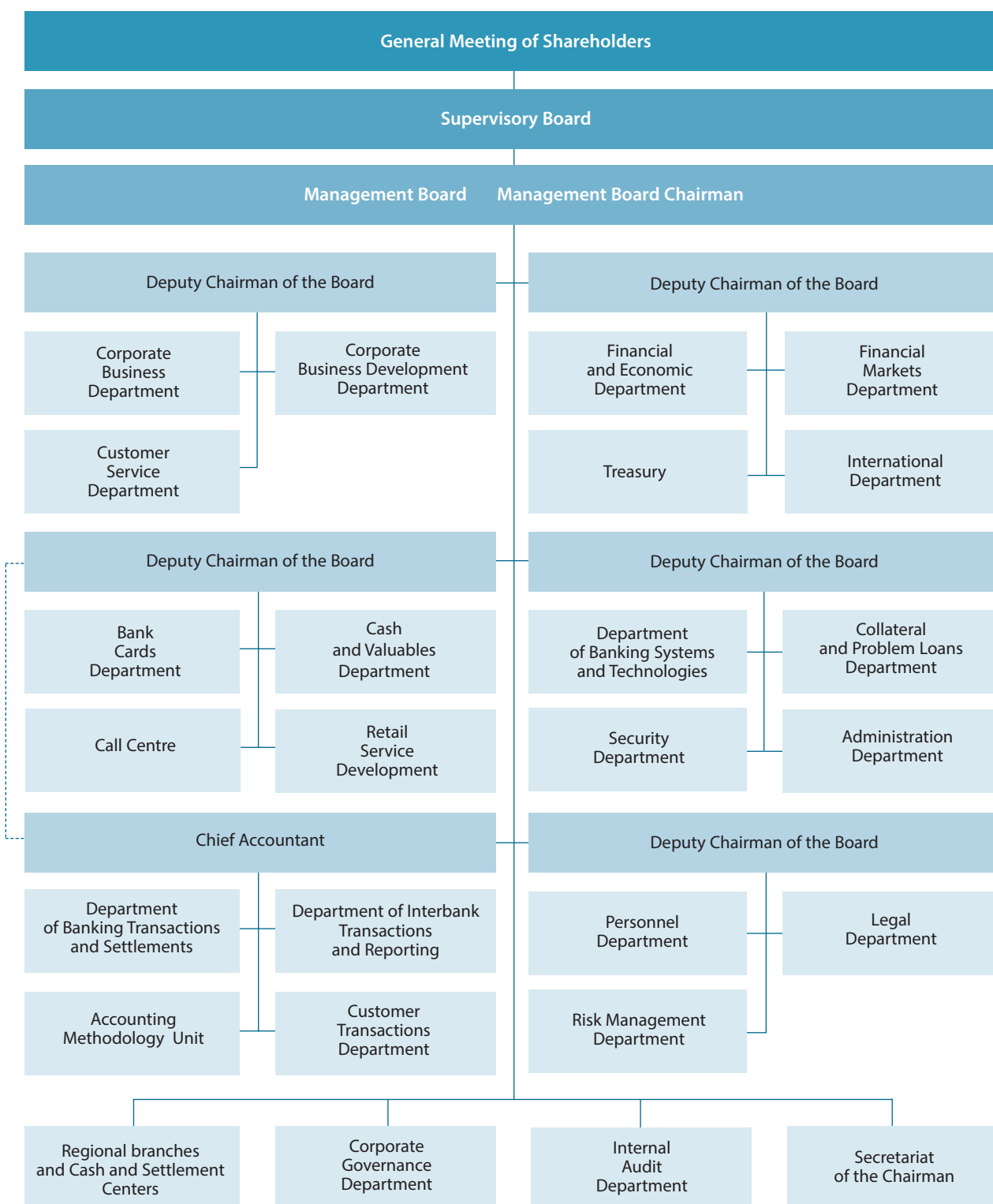
1.1

Management
System

1.1.3

Organizational
Structure

The following collegiate bodies under the Management Board were operational in 2013: Higher Credit Committee, Small Credit Committee, Assets and Liabilities Management Committee, Fees and Commissions Committee, Marketing Committee. Established by the resolution of the Supervisory Board were also Auditing Committee and Risks Committee.



1.1

Management System

1.1.4

Improvement of Internal Control System

In 2013, the Bank continued promoting and upgrading its Internal Control System to meet the changing local legislation requirements and to introduce the best international practice.

The following measures were taken:

- the Audit Committee under the Supervisory Board was organized;
- an officer in charge of exercising the Internal Control was appointed;
- the Internal Control Unit was organized within the Corporate Management Department (hereinafter the IC Unit);
- the Financial Monitoring Unit was brought under control of the Corporate Management Department.

In 2013, a range of documents forming the current Bank's regulatory framework of the Internal Control were adopted:

- Provision on the Audit Committee under the Supervisory Board of Bank BelVEB OJSC approved by the Supervisory Board dated March 18, 2013, Minutes No. 8;
- Provision on Conflict of Interests in Bank BelVEB OJSC approved by the Supervisory Board dated March 18, 2013, Minutes No. 8;
- the Internal Control Policy of Bank BelVEB OJSC and the Banking Holding of Bank BelVEB OJSC approved by the Supervisory Board dated April 29, 2013, Minutes No. 10;

- Introduction of Amendments and Additions to Provision on Organizing of the Internal Control System in the Banking Holding of Bank BelVEB OJSC No. 230 approved by the Supervisory Board dated May 28, 2013;

- Provision of the Internal Control System of Bank BelVEB OJSC No. 200 approved by the Supervisory Board dated May 8, 2013;

- the Code of Ethics of Bank BelVEB OJSC approved by the Supervisory Board dated November 11, 2013, Minutes No. 23;

- Inspection and Testing Procedures of the Internal Control System of Bank BelVEB OJSC No. 615 approved by the Supervisory Board dated December 30, 2013.

The Bank exercises Internal Control measures to secure orderly and efficient functioning of the Bank in compliance with the requirements of the legislation of the Republic of Belarus and the Bank's internal regulations and such principles as coherence, integrity of methodology, continuity of operation, delimitation of powers, absence of conflict of interests, responsibility and transparency.

The Bank's Internal Control System comprises Internal Control measures, internal audit, organizational structure, local regulations framing the Bank's strategy, policy, methods, and procedures related to the Internal Control as well as responsibilities of the Bank's Managing Body and its officers.

The Bank's Internal Control System is based on multi-level distribution of responsibilities between manage-

ment bodies and structural units of the Bank. The Bank's management bodies participate in daily operation of the Internal Control System. Division of responsibilities between the Bank's Supervisory Board, Audit Committee, Management Board, and other collegiate bodies, an officer in charge of the Internal Control System and other structural departments as well as officers on all levels allows the Bank to comply with the National Bank's Internal Control System requirements and avoid conflicting interests within the Bank.

In practice Internal Control measures being a part of the Bank's day-to-day activities help to adjust to changing operational environment and to avoid unreasonable costs.

Development of the Internal Control System lays the groundwork for the state-of-the-art high-performance system of corporate management within the Bank and contributes to the Bank's activities intended to realize 2013–2015 Strategic Development Plan of Bank BelVEB OJSC approved by the Supervisory Board dated June 3, 2013, Minutes No. 12 (hereinafter referred to as the Strategic Development Plan).

1.1 Management System

1.1.5 IT Development

In line with the Strategic Development Plan of Bank BelVEB OJSC for the years 2013-2015 the Bank pursued the three major directions in promoting its IT segment:

- upgrading the IT infrastructure to suite the requirements of a customer-centric business model;
- introduction of a powerful Business Intelligence system;
- fine-tuning its flexible system of business processes management.

Within the afore-mentioned automation mainstreams the Bank implemented several sizable projects.

In upgrading the existing IT infrastructure the following milestones were attained:

- while improving its banking day operational system, the Bank succeeded in implementing a '24x7' module, thus creating conditions for granting customers a round-the-clock access to a broad range of banking services and creating a stable ground for developing new banking products. Newly introduced upgrades of the banking operational system now allow the following: maintaining of precious metals accounts for individuals, issuance of standing payment orders intended for various banking operations, introduction of new deposit and credit vehicles, obtaining insurance policy, covering bank plastic cards transactions, performing

of automatic classification of counter-parties and provisioning, integration with the country's AIS Vzaimodeistvie platform while opening accounts and extending loans, automation of transactions related to registering, servicing and paperwork under banking safekeeping operations;

- starting-up of additional processing modules enabled the Bank to expand a range of plastic cards services, offer the Bank's clientele brand new quality products and increase the safety of plastic cards transactions;

- introduction of a new generation blade-server subsystem forming the hardware base for development of analytical applications. This innovative solution helps create dynamic configurations of servers and increase overall reliability, controllability and scalability. It also brought about economy of time and means for configuration, its servicing and administering, monitoring of heat release and energy consumption;

- to increase the user-friendliness of cash operations the Bank developed its own software to manage electronic safe-box ('tempo-cash desk') and launched a pilot project of taking in the receipts from customers using an automated vault;

- augmented quality was added to information security by employing software and technological complex of anti-virus and anti-spam screening of e-mails, complemented by an automated system of telecommunication equipment configuration management.

The business- analysis system received the following significant upgrades:

- the budgeting and financial planning system was further developed by streamlining the processes which helped attain contracted terms of planning, increased precision of forecasts and an on-line access to the reporting;

- the introduction of an automated RM system operative within 'Asset-Liabilities Management' module, aimed at introduction of systemic approach in managing risks, aggregating assessment of exposure to key types of risks and evaluation of a gross threshold risk value the Bank is able to accept while maintaining its financial indicators and established caps on key types of risks;

- the customization of an automated reporting system under IFRS requirements;

- further improvement of an automated internal counteragent ratings assessment in relation to financial status evaluation, algorithms of counteragent ratings confirmation and exchange of data with the banking day system;

- design and implementation of an analytical ATM monitoring.

In order to improve business processes and develop a flexible business processes management the following measures were taken:

- fine-tuning of automated bank systems of an IT back-up of centralized branch network, cash desk and settlements services, retail lending, loan monitoring and files maintaining;

- development of an automated loan approving by centralizing of retail lending, lending under the European Bank for Reconstruction and Development (EBRD) facilities, implementation of a scoring model, internet-application in retail lending, centralized access to external systems inter alia to the State Credit Bureau;

- implementation of an automated remote skills upgrading and skills testing system and an automated system for inventory record-keeping using electronic chips;

- HR management system was reinforced by Life Insurance and Retirement Remuneration module, an enhanced module dealing with employees bonuses, a grading module and new grade-based job pattern and the expanded HR web-portal;

- additional capabilities were introduced into the Bank's documentation circulation and information system.

In 2013 the Bank embarked on installation of such key-important systems like automated business processes management system (BPM), system of centralized access management and unified central web-portal.

The BPM-system is based on a world leader Pegasystems platform, laying a technical groundwork for customer-centric approach in the Bank's daily operation, upgrading and segmentation of the Bank's customer data-base and a source of analytical feedback for development of tailor-made solutions for customers.

The project's objectives:

- creation of a specialized front-office application earmarked for CRM customer relations management segment;

- expanding a customer profile with the customer track record and building his/her behavioral model;

- enhancing of marketing efficiency and cross-selling of banking products to customers.

1.1

Management System

1.1.6

Implementation of 2013-2015 Development Strategy

The Bank's strategic goals are:

- to increase the proportion of Russia-Belarus investment projects in the Bank's corporate loan portfolio to at least 30 %;
- to remain among the top Belarusian banks retaining 5 % of assets in the total assets of the local banking sector.
- to boost the Bank's equity capital to secure the shareholders' prior investments into the authorized capital of Bank BelVEB OJSC.

The following principles lay the foundation for the Bank's Development Strategy:

- the Bank's strategic goals shall cohere with the provisions of 2011-2015 Social and Economic Development Program of the Republic of Belarus approved by Presidential Decree No. 136 dated April 11, 2011 (hereinafter Belarus Development Program), the parameters determined by 2011-2015 Development Strategy of Banking Sector of the Republic of Belarus No. 73 approved by Resolution of the National Bank of the Republic of Belarus dated March 3, 2011, and 2013 Guidelines of Monetary and Credit Policy of the Republic of Belarus No. 419 approved by Presidential Decree dated September 25, 2012;

- the Bank is guided by provisions of the Memorandum of Cooperation between the Government of the Republic of Belarus and Vnesheconombank dated December 20, 2008 and business arrangements determined by Investment Agreement No. 403/D dated 30 October, 2006 between the Bank for Foreign Economic Affairs of the USSR (currently the Bank of Development and Foreign Economic Affairs (Vnesheconombank)) the National Bank of the Republic of Belarus and the Open Joint Stock Company Belvnesheconombank;

- the Bank's activities conform to 2011-2015 Development Strategy of State Corporation Bank of Development and Foreign Economic Affairs (hereinafter referred to as «Vnesheconombank»).

In attaining its strategic goals a special emphasis is placed on realization of the provisions of the Memorandum providing for widening the economic cooperation between the Republic of Belarus and the Russian Federation, facilitating projects related to promotion of Russian exports into Belarus etc.

1.1

Management System

1.1.7

Macroeconomic Trends in the Reporting Period

The following trends were characteristic of the monetary and credit environment in Belarus in 2013:

1. Slow economic growth and decrease of production in key sectors of the economy. Over 2013, real GDP rose by 0.9% against 8.5% expected by the government. Industrial and agricultural production output fell by 4.8% and 4.0%, respectively, year-on-year.

2. Production and consumption imbalance. Despite output decline, retail sales continued to climb (18.2%) underpinned by high growth rate of real income of the population (15.4%) that considerably exceeded the increase in labor productivity (2.2% in January-November).

3. Inflation slowdown. The year under report witnessed an increase in consumption prices by 16.5% (year-on-year) that was lower than 21.8% in 2012 but higher than the official forecast of 12.0%.

4. Foreign trade deterioration and foreign currency inflow decrease. In 2013, based on the methodology for the balance of payments the deficit of external trade in goods and services amounted to USD 1.7 billion compared to the surplus of USD 3.0 billion in the previous year. Foreign currency cash inflow from goods and services exports diminished by USD 6.6 billion or 13.0% against 2012.

5. Growth of demand for foreign currency and devaluation acceleration in 2H2013. From July to December main participants of the domestic foreign exchange market purchased USD 2.9 billion net while individuals bought over USD 2.2 billion. In 1H2013 the opposite tendency prevailed since net supply of foreign currency totalled USD 50.0 million. The BYR depreciated against the foreign currency basket by 10.3% over July-December though it managed to strengthen by 0.6% in 1H2013. In general, the official exchange rate of the BYR depreciated against the USD by 11.0%, against the EUR by 15.3% and against the RUR by 3.0% in 2013.

6. Gold and foreign exchange reserves decline and external debt increase. Based on the IMF methodology, over the past year Belarus gold and foreign exchange reserves reduced by USD 1.4 billion or 18.0% and as at January 01, 2014 reached USD 6.6 billion that is not sufficient to cover two months' worth of imports. Gross external debt rose by USD 3.3 billion over nine months of 2013.

7. Monetary policy easing in 1H2013 and its tightening in 2H2013. During the first half of the year the regulatory authorities decreased the refinancing rate four times from 30.0% p.a. as at January 01, 2013 to 23.5% p.a. as at July 01, 2013.

In response to a growing pressure on the domestic foreign exchange market and ongoing inflation risks, the regulatory authorities tightened the country's monetary policy in August by rising reserve requirements in re-

spect of bank foreign currency borrowings from 12.0% to 14.0%. Rates for permanently available and bilateral liquidity support operations were increased to 40% p.a. and later to 45% p.a. while the refinancing rate remained unchanged. By the end of the year, the National Bank introduced a quantity limit to growth of bank loan portfolio (with a growth rate under 1.0% per month), tightened its prudential requirements and, simultaneously, reduced rates for permanently available and bilateral liquidity support operations;

8. Foreign currency lending surpassing rouble lending. High interest rates for loans in the national currency led to a shift of companies to borrowing in foreign currencies. Over the year, the foreign exchange loan portfolio grew by 27.8% and amounted to USD 13.7 billion. Amounts outstanding under loans in BYR rose by 17.3% and totalled BYR 129.1 trillion or USD 13.6 billion in the equivalent. Deposit dynamics was characterized by the opposite tendency. Due to high interest rates, the deposit portfolio in BYR increased by 15.9% and reached BYR 65.2 trillion or USD 6.9 billion in the equivalent whereas deposits in foreign currencies surged by 9.8% and amounted to USD 11.3 billion.

1.1

Management System

1.1.8

Principal Events and Achievements in 2013

In 2013, the Bank focused its efforts on efficient, robust and secure financial functioning while scaling up its operations, promoting and upgrading banking services as well as perfecting its program-and-technology infrastructure. Taking into account severe competition, insufficient liquidity, and deteriorating financial standing of customers, the Bank's competent policy, coordinated work of structural units as well as skilful management enabled to comprehensively discharge obligations in terms of customers and the National Bank in line with the assignments set forth in the Basic Guidelines of Monetary and Lending Policy.

Summarizing the results in 2013, it is worth mentioning that the Bank maintained its positions on the market in the ranking of authorized capital (4th position), assets size (5th position), and raised fund of customers (7th position).

Assets of the Bank grew by BYR 3,258.8 billion, or 19.1%, and accounted for BYR 20,348.2 billion as at 1 January, 2014.

In 2013, the Bank held itself out as one of the major creditors of the real sector enterprises, providing its customers with financing by means of various credit options (credits, leasing, factoring, banking guarantees, bills of credits, financing import transactions provided with the assistance of credit lines of foreign banks).



Customer credits composed of assets rose by BYR 2,665.7 billion, or by 23.5%, including the credit portfolio of legal persons increased by BYR 2,411.3 billion as well as the retail credit portfolio increased by BYR 258.4 billion. The securities portfolio, having exceeded its value at the beginning of 2013, made up BYR 2,218.3 billion.

Raised customer funds accrued from BYR 5,494.2 billion to BYR 6,579.4 billion (including increase in individuals' funds by BYR 891.4 billion, or by 42.5%, and in corporate customers' funds by BYR 193.8 billion, or by 5.7%).

To competitively maintain its credit and deposit proposals in the course of the year, the Bank undertook a number of steps to permanently monitor interest rates as well as facilities for raising and depositing funds of competitors on the corporate and retail business market as well as to promptly regulate its interest policy. A significant contribution was made thanks to daily measures putting a bridle on customer cash outflow to rival banks (including measures providing special conditions in connection with notice deposits).

In 2013, the regulatory capital increased by BYR 618.0 billion, having reached BYR 3,562.4 billion (as at January 1, 2014). On the other hand, the return on the regulatory capital fell by 3.5%, from 16.9 % (as at 1 January, 2013) to 13.4% (as at 1 January, 2014), compared to the planned 13.5%.

International rating agencies assigned to the Bank the following rating values:

Fitch Ratings confirmed the existing IDR at 'B-' – long-term and 'B' – short-term, viability rating at 'b-', support rating at '5'.

Standard&Poor's confirmed the Bank's ratings as follows: long-term — 'B-', short-term — 'C', stand-alone credit profile — 'b-'.

Expert RA rated the Bank as follows: according to the National Scale of the Russian Federation, A+ "exceedingly high creditworthiness level", 3 rating sublevel; according to the International Scale, BB; according to the National Scale of the Republic of Belarus, A++. The rating forecast is stable.

As at 1 January, 2014, the Bank met all the prudential guidelines specified by the National Bank of the Republic of Belarus.

Amendments to the Articles of Association of Bank BelVEB OJSC with regard to changing the Bank's domicile were registered pursuant to Resolution No. 59 of the

Management Board of the National Bank of the Republic of Belarus on January 31, 2013. The Bank's new legal address is 29, Pobediteley Ave., Minsk, Republic of Belarus.

In February 2013, the Bank acted as the title partner of the World Track Cycling Championship.

The Bank held a year-end awarding ceremony to present its corporate customers with honorary diplomas and discount vouchers for certain banking services.

An Agreement on Cooperation was signed between the Bank and the International Investment Bank (IIB) with the aim of development and promotion of mutually beneficial cooperation.

The Annual Meeting of Shareholders of Bank BelVEB OJSC took place in Gomel on March 21, 2013. During the meeting the shareholders discussed the final results of the Bank's performance in 2012, assessed the implementation of 2011-2015 Business Strategy of Bank BelVEB OJSC, elected members of the Supervisory Board of Bank BelVEB OJSC and members of the Audit Committee as well as raised other issues concerning the Bank's development.

On March 15, 2013, in Moscow Bank BelVEB OJSC and the Russia-Belarus Business Council concluded a Memorandum on Cooperation in order to foster profound and extensive trade and economic cooperation between Russia and Belarus. This Memorandum envisages the assignment of a status of a business partner of the Russia-Belarus Business Council to the Bank, exchange of project information of mutual interest along with provision of consultations to the Bank during development and implementation of programs and projects.

On April 12, 2013, the Bank's new web-site designed in compliance with modern trends was launched.

The Bank participated in the Vacation-2013, 16th International Tourism Fair, that took place on April 10-13, 2013.

On May 31, 2013, the Bank and the Eurasian Development Bank (EDB) signed a facility agreement for a five-year USD 10.0 million credit line within the Program for the Development of Trade Finance Instruments and the Enhancement of Mutual Trade between the EDB member states.

In June 2013, the Bank, acting as the title partner, supported the Jazz Saturdays at Minsk City Hall, a large-scale musical project.

In June 2013, the sculpture Dialogue was placed in front of the Bank's head office at 29, Pobediteley Ave.

This sculpture demonstrates the commitment of Bank BelVEB OJSC to a mutually beneficial cooperation with the society and customers, and embodies the idea of a customer-centric approach.

The Bank presented its second non-financial 2012 Sustainability Report outlining the contribution of Bank BelVEB OJSC and its subsidiaries to sustainable development, and included information on the Bank's care for the environment, investment activities, support of small and medium enterprises, human resources policy, charity, etc.

In July 2013, a small family child care home, built with the Bank's assistance, was opened in the town of Volozhin.

In July 2013, Bank BelVEB OJSC was awarded at AD.NAK! Forth Belarusian Advertisement and Communication Festival. The Love, the Bank's commercial, came third in the Commercial Subnomination of the Television and Movie Advertisement Nomination.

On July 29, 2013, Vnesheconombank, the Bank and Development Bank of the Republic of Belarus concluded a Memorandum on Cooperation enabling to coordinate the efforts of Vnesheconombank, Bank BelVEB OJSC and the Development Bank of the Republic of Belarus with the aim of further enhancement of competitiveness of Russian and Belarusian economies, their diversification and modernization, and business activities facilitation with the help of investment, foreign trade operations, consultations and other means.

On July 29, 2013, a Framework Agreement on General Terms of Credit Lines Opening was signed between

Vnesheconombank and the Bank. This agreement envisages general terms for extending credits by Vnesheconombank to the Bank for financing contractual purchases by Belarusian resident entities (importers) of Russia-made goods (manufactured products, works and service).

Bank BelVEB OJSC acted as the title partner of the Kamyanitsa Annual Folk Festival that took place on September 6-7, 2013 in the Belarusian State Museum of Architecture and Ethnography (Ozertso village, Minsk region).

On September 12, 2013, Bank BelVEB OJSC and the European Bank for Reconstruction and Development (EBRD) executed an agreement to open a five-year USD 10 million credit facility within the framework of the BelSEFF Belarus Sustainable Energy Finance Facility Program. Funding resources extended under this Program will be available to private companies eligible for the EBRD's requirements and undertaking energy efficiency and renewable energy projects.

Third year in a row the Bank acted as the Title Partner of the Belarusian Musical Autumn, 39th International Arts Festival, held from October 15 to November 3, 2013. Support of the projects implemented by the Belarusian State Philharmonic Society as well as other cultural projects is pivotal to the Bank's corporate social sustainability policy.

The Bank participated in the 8th specialized exhibition "Bank. Insurance. Leasing" that took place at the Republican Sports Palace from October, 31 to November 2, 2013.

On November 21-22, 2013, in Vitebsk the Bank held a seminar-presentation on Russia-Belarus cooperation in the SME sector. It was participated by representatives of Vnesheconombank, EXIAR, Sviaz-Bank, SMP Bank and Belarusian companies and business unions.

On December 5, 2013, the Bank and the Eurasian Development Bank (EDB) executed a facility agreement for a five-year USD 7.0 million credit line. The financial assistance will be extended under the EDB's program for SME support through target loans to financial institutions. Such funds are aimed at the financing of small and medium businesses in Belarus and the implementation of projects in industrial, service and trade sectors.

In December, 2013, Bank BelVEB and the National Historic Museum inaugurated the first large-scale retrospective exhibition of the Belarusian cultural and historical heritage. The joint exposition called "Bank BelVEB: New Life of National Treasures" was opened and ran in the National Historical Museum from December, 5 until February 4, 2013.

In December, 2013, the Bank acted as the Title Partner of the 4th Minsk International Christmas Opera Forum.

In December, 2013, the Bank and the National Library of the Republic of Belarus launched a national project to print the first facsimile collected edition by Francysk Skaryna.

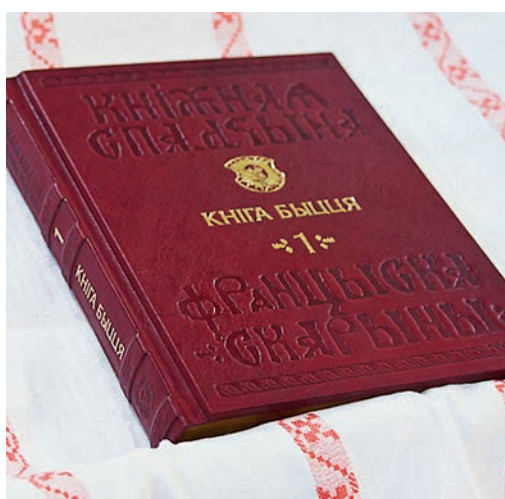
A delegation from Vnesheconombank visited Belarus on December 26-27, 2013. The meetings of representatives of Vnesheconombank's Export Finance Department

with the Ministry of Finance, the Bank and Nuclear Power Plant Construction Directorate were held during the visit. The parties discussed issues concerning preparation of the agreement on Vnesheconombank's loan to finance the advance payments for the construction of a nuclear power plant in Belarus.

The Bank continued to dynamically expand its branch network:

- on June 28, 2013, Zhlobin cash settlement centre No. 168 was opened in the city of Zhobin;
- on July 15, 2013, centre of retail services No. 580/1 was opened in the city of Borisov;
- on November 13, 2013, centre of retail services No. 680/1 was opened in the city of Orsha;
- on December 9, 2013, centre of retail services No. 770/1 was opened in the city of Rechitsa; and
- on December 18, 2013, centre of retail services No. 760/1 in the city of Lida.

The Bank was awarded a gold medal in the Republican Contest "The Brand of the Year 2013", being a winner in the nomination "Socially Responsible Brand" of the category "Public-Private Partnership".



2 INVESTMENT INTO SUSTAINABILITY

2.1

Public Relations
on Sustainability Matters

2.2

Responsible
Business
Practices

2.3

Investment
Activities



2.4

Support
for Small
and Medium
Enterprises (SMEs)

2.5

Charity



2.1

Public Relations on Sustainability Matters

2.1.1

Policy of Corporate and Social Responsibility

Being one of the key credit and financial institutions the Bank pays a great deal of attention to social partnership matters. The Bank's policy implies that the Bank is responsible for and aware of the influence of its decisions on the society and the environment and as such is implemented with the account to expectations of the Bank's customers and involved parties (IPs) and targeted to reach the goals of sustainable development.

Basic principles, goals and objectives as well as the mechanism for implementation of the Policy of Corporate and Social Responsibility (hereinafter referred to as PCSR) are outlined in the Regulation on the Policy of Corporate and Social Responsibility and Preparation of Non-Financial Reporting No. 501 approved by Resolution of the Management Board dated December 21, 2011.

Preparation of non-financial statements of the Bank prompted us to develop corporate social responsibility strategy in order to further improve the efficiency of the Bank's activities in the field of sustainable development. The Strategy of Corporate and Social Responsibility of Bank BELVEB for 2014 – 2015 (hereinafter referred to as the CSR Strategy) sets out the objectives of the Bank in the field of CSR, as well as priorities for the development of CSR. The development of the CSR Strategy is consistent with the strategic objectives and priorities of the Bank, outlined in the Strategic Development Plan.

2.1 Public Relations on Sustainability Matters

2.1.2 Cooperation with JPs and Public Events in 2013

The Bank's activities envisage close interaction with a great number of IPs including state and governing bodies, shareholders and clients (legal entities and individuals), employees of the Bank and investors. In the perspective of interacting with its key IPs, the Bank seeks to accommodate their expectations in the adoption and implementation of management decisions.

As part of implementation of the system of interaction with its key IPs, the Bank:

- takes measures to timely and accurately inform the IPs of various aspects of the Bank's activities through media and the official web site;
- provides consulting and expert support to IPs on the subject of the Bank's activities as well as facilitates access to credit-and-financial products and services;
- partakes in public dialogues (including conferences, workshops, business meetings, activities of industry and other associations, agencies, chambers, and etc.) so as to resolve specific matters, to discuss current issues, to arrange joint activities and to establish strategic partnership.

Over 2013, the Bank had been improving its cash settlement services and introducing new technologies increasing both speed and reliability of transactions. The Bank developed a unique and constantly expanding product line and a range of innovative services to attain time saving, personification, customer feedback, comfortable working conditions and constantly upgraded services.

The activities carried out to fine-tune the Bank's client-oriented business model positively affected the dynamics of services to corporate clients. While serving corporate customers, the Bank continued following the principle of loyalty to all customer segments, regardless of the industry sector and the size of business. The Bank was successful in tailoring the services to the customers' needs, exerting flexibility and efficiency by taking off-beat decisions.

In 2013, corporate customers body of the Bank increased by 3,598 (or 21%) and made up 20,883 customers as of January 1, 2014.

The Bank continued to attract efficient small and medium businesses providing to them loans for the purpose of enhancing their production capacities thus helping them implement their business initiative. In 2013, the number of small and medium enterprises using the Bank's services grew by 3,567 clients (or 21%) and totaled 20,555 customers.

During 2013, funding from corporate customers went up by 5.7% and made up BYR 3,591.1 billion.

The development of corporate business in terms of attracting corporate customers funds was accompanied by prudent fees and commissions policy as well as expanding the spectre of products and services, such as a new line of packages of services earmarked for cash settlements to entities and individual entrepreneurs, cross-services program for corporate clients, expanded range of time deposits for corporate customers. The line of deposit products for corporate customers based on market trends fully met requirements of different categories of corporate clients to establish long-term relations with them, and to simultaneously secure forming of the Bank's deposit portfolio with a predominance of long-term deposits.

A series of steps regarding operational management of the Bank's interest rate policy, including changes to interest rates for time deposits of corporate customers,

were undertaken to minimize the impact of external factors on funding from entities and entrepreneurs.

With its corporate loans market share of 5.4% (as at January 1, 2014) the Bank takes the 5th position concerning loans provided to entities and businesses.

As at January 1, 2014, the Bank's corporate loan portfolio amounted to BYR 13,937.4 billion and increased by 21.9% during 2013.

As at January 1, 2014, the number of corporate clients receiving loans from the Bank went up by 71 and reached 1,361, where 1,198, or 88%, were small and medium business (hereinafter referred to as SMEs).

The major priorities of the Bank's Credit Policy set in 2013 were to facilitate integration projects between Russian and Belarus as well as to increase credit support to SMEs.

In 2013 the Bank executed a RUR 33,930.1 billion worth of Russia-Belarus transactions. In 2013, Russia-Belarus integration transactions accounted for 39.8% in the Bank's corporate loan portfolio vs 20% planned.

Loans to large Belarusian enterprises such as MAZ OJSC (head company of BELAVTOMAZ Holding), Belarusian Steel Works Group, Atlant CJSC, MTZ RUE, Mogilevkhimvolokno OJSC, SvetlogorskKhimvolokno OJSC, Savushkin Product OJSC, Gomselmash REU exemplify the Bank's success in cooperation with major customers to boost their export and import potential.

In structuring loans within the framework of integration projects, the Bank employs mechanisms of attracting funds from Vnesheconombank under insurance cover of Russian Export Credits and Investments Agency (EXIAR).

The Bank conducted a workshop aimed to develop partnership relations between Russia-Belarus border territories to facilitate efficient information exchange between organizations of Vnesheconombank Group as well as to expand Russia-Belarus bilateral economic partnership.

In 2013, SME loan portfolio increased by BYR 493.5 billion (or 12.2%) and made up BYR 4,524.6 billion as at January 1, 2014. As at January 1, 2014, the Bank's exposure to SMEs comprised 32.8% of the total loan portfolio.

The following steps were undertaken within the Financial Literacy Improvement Program:

- the Bank's website was supplemented by the subsection Financial Literacy ('About us' section) housing recommendations 'How to choose the right credit', a list of premises where credit reports by the National Bank of the Republic of Belarus are available, other information promoting financial literacy of existing and potential customers of the Bank;

- on March 16-21, 2013, a Week of Schoolchildren Financial Literacy was held. Employees of the Bank attended schools and gymnasiums to inform students and

teaching staff of the types and details of various banking products;

- on the International Savings Day held on October 31, 2013, the Bank posted on its website information regarding the history of the International Savings Day and other data regarding saving measures;

- workshops intended to inform customers of banking products and services were held in Moghilev City on June 11, 2013 and in Brest City on December 3, 2013.

- the Bank's employees regularly pay visits to companies and organizations in order to promote non-cash payments, improve skills of using modern payment instruments as well as to advertise the remote banking system.

Throughout 2013, the Bank constantly interacted with its shareholders. The corporate management in the Bank is implemented through participation of shareholders in the General Shareholder Meetings and representation of shareholders in the Supervisory Board and the Audit Committee of the Bank. In 2013, the Bank convened 6 General Shareholder Meetings of and 24 meetings of the Supervisory Board.

In taking strategic decisions, the Bank maintains constant contact and interaction with the main shareholder - the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

2.1

Public Relations on Sustainability Matters

2.1.3

Assessment of Customer and Partner Satisfaction

Meeting the needs of corporate clients and individual customers by using combined standard techniques and individual approach to every client is the Bank's priority. The Bank employs its personal manager service in order to control the quality of services, maintain interaction with customers, establish causes of customer dissatisfaction, analyze customer complaints and address them to maintain strong business relations.

The Bank employed Zdes i Seychas Agency to carry out the from 2011 regular Mysterious Visitor campaign of assessment of customer satisfaction. The project evaluated the corporate style compliance and the work of the Bank's customer service offices and cash transactions outlets.

The results of the assessment (i.e. the report, scorecards) were provided to the Bank's management as well as to the heads of appropriate departments.

The 2013 assessment showed a number of positive aspects. It was noted that there remained next to none elements of office design containing the outdated Bank's logo and the Bank's dress code was almost entirely complied with. There was revealed only several cases, when promotional materials containing obsolete information as well as substandard promotional materials were placed in client-access areas.

The Bank was commended for updating its website by introducing the Suitable Loan option, allowing the online loan application submission and filing of a request for on-site Bank specialists' visit to help customers in completing loan applications.

In order to further promote quality services along with the Bank's servicing standards, a representative of Zdes i Seychas highlighted the results of the assessment cam-

paigned to the meeting of managers of the Bank's branches held in January 2014.

Prompted by the recommendations in the evaluation report, the Bank required its respective structural units to permanently provide training to front-office staff, upgrading their skills to sale and cross-sale banking products and communicate with clients.

It is planned to regularly undertake such reviews at regional offices throughout the year to monitor the employees performance and to quickly correct the drawbacks.

In its interaction with the general public the Bank complies with the internal Regulation on Complaints of Individuals and Organizations in Bank BelVEB OJSC (Resolution of the Board No. 183 dated April 4, 2012, as amended and supplemented).

In the year 2013, there have been submitted 465 addresses from individuals and organizations and amongst them:

- 25 written addresses from legal entities including 1 commendation, 12 complaints and 12 applications;
- 177 written addresses from individuals, including 2 commendations, 16 complaints and 159 applications;
- 263 entries in the Complaints and Enquiries Register, including 121 commendations, 126 complaints, 8 applications and 8 comments.

Total number of addresses on 2012 went up by 24% including 154 complaints in 2013 vs 109 in 2012 and 124 commendations in 2013 vs 72 in 2012.

Below are the most frequent subject matters of the submitted addresses:

- ATM interface and malfunction of bank card equipment;
- disputes over the Bank terms and conditions under extended loans and interest on deposit instruments;
- issues connected with collection of damaged banknotes;

■ application of funds to the beneficiary and late execution of payment orders;

■ complaints regarding customer servicing.

In 2013, the Bank received more than 500 electronic addresses of citizens and legal entities. 95% of them were received through the Bank's Contact Center, related mainly to incorrect SMS messages regarding loan repayment.

More than 50 e-complaints related to delayed approval of consumer loan applications, including the applications completed in electronic form.

Furthermore, there were several applications in connection with the bank loan and deposit products, POS/ATM malfunctioning, bank card loss, cards blocking, card account balance, customer servicing, enquiries on international transfers, currency availability at cash outlets, currency exchange rates, technical failures during transfer transactions etc.

The Bank received 7 complaints by e-mail to its address office@belveb.by. The claims related to collection of damaged banknotes, customer servicing etc.

To prevent the Bank's ATM network failures, the scope of ATM-service agreement was expanded to cover the Bank's regional network. The regional ATM and POS network is serviced at the request of the branches.

The Bank increased the staff number of cash transactions office in one of the regional branches.

In an effort to ensure the comfort of customer services, the Bank installed appropriate equipment in its offices.

Additionally, the Bank's key managers have their visitor hours for customers. In 2013, the Bank registered 126 personal visits, including 8 to the Bank's Headquarters and 118 to the its regional branches. The visits were mainly connected with employment matters, on-the-job post-graduate training, cash settlements. All matters were duly reviewed and addressed.

2.1

Public Relations on Sustainability Matters

2.1.4

Provision of Information to Stakeholders

One of the main tasks of the Bank is to pursue a well-balanced prudent information policy. The Bank elaborated both the internal and the external information policies.

The Bank's management sets out the guidelines for external information policy. In 2013, the external policy was governed by the Procedure for Preparation of Information Materials for Mass Media and Media Contacts that sets forth the rules of interaction of the Bank's branches with mass media, as well as the procedure for presentation and approval of information meant for public use.

The external information policy of the Bank is based on the principles of secure use, authenticity, user friendliness and updated data. Officers and employees authorized to make official public statements on behalf of the Bank were designated.

The Bank uses all available communication channels to convey particular information intended for different user groups. Main communication means remain the Bank's website (www.bveb.by) and mass media.

In 2013, the Press Secretary, who directly reports to the Chairman of the Board and has the complete information about the company's development strategy and its ongoing activities, is responsible for information campaigns under the Bank's external information policy. It is determined that the employees of all the Bank's departments shall promptly respond to requests of Press Secretary and provide information necessary for effective operation.

The information is provided to the target groups in respect of the Bank's retail and corporate products and achievements through:

- preparation and distribution of press releases;
- organization of interviews with the Management of the Bank;
- organization and holding of press conferences, briefings, etc.;
- preparation of expert opinions and reports on the relevant issues of the state of economy in Belarus for the mass media; and
- organization of joint projects with periodicals and internet portals.

The Bank's website is one of the most important communication channels and a proactive publicity instrument of the Bank. Besides general information on the Bank's activities and services rendered to its retail and corporate customers, the website provides possibility to communicate with the advisors through the Online Assistant function in online mode, and to use loan and deposit calculators. In 2013, the number of the Bank's site visits increased by 43.4% in contrast to 2012 and totaled 1,102,545. The most popular sections included Office Situations and ATMs and Information to Individuals.

Besides, in August 2011 the Bank's Call Centre was established to enable immediate communication and provision of comprehensive information on the Bank's activities to stakeholders. Any person can contact the Bank and get the required information at (+375 17) 209-29-44 and 205 (mobile).

The Bank's contacts with mass media on a permanent basis. The Bank's Management Press regularly gives press conferences and interviews.

In 2013, 165 press-releases on changes of customer services, new technologies and instruments of the Bank, the opening of retail business centers in districts and regions, and other issues were published on the Bank News page of the website.

In 2013, Pavel Kallaour, Chairman of the Board, gave an interview to TUT.BY Internet portal and another to the Banking Bullet in a press conference dedicated to the first edition of the complete collection of Franzisk Skaryna's books as well as an international conference in BSEU. Mr. Oleg Prohortchik, Deputy Chairman of the Board, gave a series of 10 interviews to Belarus 1 First National TV Channel (TV program "Sfera Interesov"), Respublika Newspaper, BelTA News Agency and TUT.BY Internet portal. Oleg Korobiyn, Corporate Business Development Director, gave interviews to Delo, Ekonomika i Business and Director magazines and provided comments to TUT.BY and BEL.BIZ Internet portals. Media coverage was given to about a dozen of interviews and comments by Igor Romanovsky, Retail Business Development Director.

In general, the Bank's activities in 2013 were covered by Belarusian and foreign mass media including such highlights as the Bank's restyling, management of the state loan for a nuclear power plant construction as well as comments and news on the situation on the foreign currency market, loans and deposits market and bankcard services. Almost all publications regarding the Bank were positive.

The internal information policy of the Bank is aimed at informing the Bank's employees on the current state of affairs, maintaining corporate loyalty and providing the most important information from the Management to the employees.

The main instrument of the internal policy of the Bank is its internal corporate website. In 2013, activities on its enhancement and content expansion were carried out, which was intended to promote the development of the Bank's corporate culture, expeditious, fair and complete information about the Bank's activities, to create two-way communication with the employees.

Currently, activities to update the internal corporate portal in order to improve and better its content are under implementation.

2.1

Public Relations on Sustainability Matters

2.1.5

International Cooperation

Throughout its history, the Bank has been supporting and actively developing cooperation with local and foreign financial institutions. The Bank's reputation as a reliable financial partner insures high confidence in the Bank and loyalty of its counterparties.

In 2013, the Bank was focused on streamlining its international settlements to improve the efficiency of financial flows of its customers and its own operations. An extensive correspondent network helps the Bank to ensure high standards in effecting international settlements both quickly and with added value to customers.

As at the beginning of 2014, the Bank maintained correspondent relations with over 650 financial institutions in

78 countries across the world. The Bank maintains correspondent accounts in major international currencies in strategic financial centers.

For many years the Bank remains a clearing service provider processing foreign exchange transactions for domestic banks and BYR-transactions for banks of the CIS and Baltic countries.

The Bank's successful operation corroborated by the fact that leading financial institutions from near and far abroad countries established a USD 1.7 billion worth of credit lines, including credit lines for trade finance transactions in the total of over USD 940 million.

In 2013, the Bank continued expanding its trade finance segment of business. During the reporting period, the Bank opened 588 letters of credit and issued 454 guarantees amounting to USD 885 million. A USD 160 million worth of post-financing was provided under 164 letters of credit. As a result, in 2013 the portfolio of trade finance (documentary transactions and post-financing letters of credit) rose by 38% from USD 525 million to USD 727 million, including a 31.4% increase in documentary transactions from USD 442.2 million to USD 581 million. The achieved growth allowed the Bank remain among the market leaders in terms of documentary transactions portfolio.

Using different trade finance instruments, the Bank actively participated in attracting resources of foreign banks to finance purchases of raw materials and to support investment programs of upgrading production facilities of Belarusian enterprises. Financial support was provided to OJSC Minsk Motor Plant, Belvest Group, OJSC Seismotekhnika, CJSC Atlant, OJSC Grodno Tobacco Factory Neman, OJSC Milk World, OJSC Belshina etc. Increasing its trade finance portfolio, the Bank also ensures its high profitability.

The Bank's co-operation in trade finance accompanied by Export Credit Agencies (ECAs) is actively developing with Vnesheconombank, Sviaz-Bank, Novikombank, Rosselkhozbank, Promsvyazbank, OJSC Khanty-Mansiysk Bank, Commerzbank AG, WGGZ Bank, UBS AG, KBC Bank, ABC Bank, Deutsche Bank, BHF-BANK, Pohjola Bank Plc, EBRD, Eurasian Development Bank (EDB), AKA, etc.

On September 23, 2014, BelVEB OJSC and Vnesheconombank signed a USD 3.2 million loan agreement under insurance cover of Export Insurance Agency of Russia EXIAR to refinance the project of RUE Vitebskenergo.

In 2013, the Bank and the German bank AKA signed an individual loan agreement worth EUR 18.5 million under insurance cover of Hermes Export Credit Agency for the purpose of implementing an investment project at OJSC Belshina.

In 2013, the Bank continued effective co-operation with the European Bank for Reconstruction and Development (EBRD) to finance micro, small and medium- businesses (MSMEs).

In addition to the implementation of previously signed agreements to support MSMEs and the three agreements under TFP, on September 12, 2013, the Bank signed an agreement on credit arrangement worth EUR 10 million for a period of five years under the Sustainable Energy Financing Program in the Republic of Belarus (BelSEFF). Financing under this agreement is available to eligible private sector enterprises to implement projects in the field of energy efficiency and renewable energy use.

Upon receipt of the loan, free technical support for projects, involving energy audit, assessment of enterprise energy demand, efficiency of energy use, assessment of potential energy saving, consulting services for the selection of appropriate power equipment, is also rendered to the Bank's customers. Financial support for energy audit and accessory services is gratuitously provided by the Czech Republic.

The above arrangements with the EBRD will enable the Bank to get the foremost experience of lending in the energy sector, to continue providing effective support for small and medium-sized enterprises in Belarus, as well as to promote the introduction of energy-saving technologies and equipment.

On August 1, 2013, the Bank and the EBRD signed a Mandate Letter to receive another USD 30 million loan earmarked for MSMEs.

In its effort to facilitate integration within the CIS-countries and Eurasian Economic Community (EAEC),

Bank BelVEB OJSC continued to cooperate with the Eurasian Development Bank (EDB).

On May 31, 2013, the two banks executed an agreement to open a five-year credit line worth USD 10 million under the Program for the Development of Trade Finance Instruments and Enhancement of Mutual Trade between the EDB Member States.

This agreement envisages that not less than 80% of the loan shall be allocated by Bank BelVEB OJSC to support trade between the EDB member states to promote an intensified integration. The above-mentioned agreement also diversified the sources of funding available to the Bank's customers engaged in international trade.

On December 5, 2013, Bank BelVEB OJSC and the EDB concluded an agreement on a five-year credit facility worth USD 7 million, aimed to support Belarusian small and medium enterprises and help implement projects in production, services and trade sectors.

This agreement will facilitate the enhancement of mutual trade and investment arrangements of Belarus with other EDB member states, ensure sustainable development of the private sector in Belarus by means of, inter alia, financing projects to set up, update, expand and diversify goods and services output, and increase competitive production via modernization of existing production plants.

In 2013, the Bank began to finance Belgorkhimprom as part of the project of Turnkey Construction of Mining and Processing Plant of 1.4 Million Tons Yearly Capacity of Potassium Chloride on Garlyk Potash Deposit in Lebap Turkmenistan – a very important project for the Republic of Belarus. Funds were granted through financing both current and investment expenditures incurred by Belgorkhimprom in its capacity of the general contractor. The aim of the project is to develop potash industry in Turkmenistan.

During the reporting year, the company has been granted credit facilities to finance the construction worth USD 46.98 million. In addition, the Bank set limits for Belgorkhimprom's uncovered documentary transactions in the amount of USD 30 million under the LCs general agreement.

2.2 Responsible Business Practices

2.2.1 Corporate Ethics

Compliance with the principles of corporate ethics remains in the core of the Bank's corporate culture and helps strengthen mutual trust between the Bank and financial market participants. Priorities in this area include protection of rights and interests of the Bank's customers, counterparties and business partners and combating corruption.

Currently, the issues of corporate ethics are governed by the Corporate Code of Conduct of Bank BelVEB (Resolution of the Management Board No. 29 dated November 26, 2013). The document defines the main corporate banking values, moral and ethical principles, generally binding standards of professional and responsible conduct of the Bank's employees as well as rules of business etiquette.

The purpose of this document is to define the code of conduct, the main principles and standards of the Bank's activities as the underpinnings of the Bank's profitability, financial stability and efficient operation. The document was developed within the guidelines of the recommendations of the Basel Committee on Banking Supervision, the regulations of the National Bank of Belarus and internal practices of the Bank.

The Corporate Code of Conduct of Bank BelVEB envisage:

- establishing and rearing traditions and norms of corporate behavior and corporate values of the Bank, based on unconditional compliance with the requirements of the legislation of the Republic of Belarus and ethical standards of business conduct;
- maintaining and strengthening the Bank's reputation;
- determining the principles of the Bank's relations with customers, business partners, government authorities and employees;
- realizing the principles of professional ethics so as to protect interests of customers, business partners, shareholders and employees;
- strengthening the Bank's employees' awareness of their personal responsibility towards customers, shareholders and management of the Bank in execution of their duties and their pivotal role in achieving goals and objectives of the Bank.

The Bank is guided by the following corporate values:

Customer-oriented approach. Creating and developing the quality service based on deep understanding of the Bank's customers' needs. High quality services ensuring customer loyalty. Partnership philosophy as the basis of interaction with customers. Championing the reliability and efficiency for all those who interact with the Bank.

Law obedience. Strict adherence to all regulations and procedures established by the legislation of the Republic of Belarus and local regulations of the Bank.

Responsiveness and technological approach. The Bank's infrastructure allows to quickly solve working tasks regardless of their complexity. Technological means of the Bank enable to timely provide all types of services, to timely introduce new banking products and upgrade the existing applications.

Traditions. Business style based on the long and rich experience of Belarusian and foreign financial institutions combined with a constant search for ways to improve the competitiveness and efficiency of services.

Reliability. Maintaining the image of a reliable and stable bank, responsibility in dealing with funds of shareholders and clients.

Competence and flexibility. Wielding of knowledge and experience necessary for efficient work. Desire to implement best practices, perception of novelty, ability to make account for ever-changing external and internal factors in the practical work. Proactive thinking to manage uncertain situations. Combination of high professionalism and mobility to comprehend the situation and quickly respond to the customers' needs.

Honesty. Adherence to ethical standards in professional activities and appropriate response in any case misconduct.

Trustworthiness and responsibility. Open and friendly conduct with customers strengthening confidence in the Bank. Confidence in the Bank depending on the actions of each individual employee. Influence of the actions of each employee on the overall performance of the Bank, personal responsibility for the quality of services provided by the Bank.

Prudence and professionalism. Professional, accurate and well-balanced approach of the Bank's employees and dedication to work.

Initiative and creativity. Constant search for the best tools, methods and forms of doing ones job aimed at im-

proving the efficiency of the Bank. Support of the initiative and professional growth of employees of the Bank.

Openness and goodwill. Following the policy of openness and transparency in activities of the Bank in relation to its shareholders, customers, business partners, state bodies and employees through free access of stakeholders to the disclosed information on the Bank's activities. Friendly and equal treatment of all partners and clients.

Corporate spirit. Moral and psychological state of the team. A set of spiritual properties and functions supporting activities of the Bank. Ideas, values, motives, desires, and expectations that guide the Bank's employees. The employees' wish to achieve common goals and attain mutual success.

In its relations with clients, business partners, authorities and management, the Bank is guided by the principles of respect, trust, honesty and fairness, maintaining strong business arm's length relationships, preventing attempts to exert direct or indirect influence on the decisions of government, administrative and judicial bodies, discharging its obligations, minimizing any risks for customers and business partners, providing information transparency of its legal status and financial position in accordance with the established requirements.

The document defines the duties of the Bank's employees:

- to perform customer service and interact with business partners in accordance with the laws of the Republic of Belarus as well as local normative acts of the Bank;
- not to give an assessment to the client or business partner on behalf of the Bank, if it is not connected with the performance of their duties;
- not to give priority or preference to customers unless otherwise prescribed by local regulations of the Bank;
- to keep banking and other secrecy provided for by law;
- not to accept or to give presents to third parties in connection with performance of their duties, except souvenirs handed over during protocol and other official events and promotional campaigns.

The Bank's employees should be polite, friendly, patient, responsive and tolerant to incorrect behavior of customers, business partners, etc.

Bank employees should carefully consider and respond to comments, complaints and claims against the Bank, as well as take the necessary measures to eliminate the negative consequences of any misconduct.

The Bank's employees are not entitled to carry out unauthorized research and assessment of the activities of clients, business partners, their representatives, affiliates, or representatives of the government in public on behalf of the Bank or its subsidiaries and affiliated entities, unless connected with the performance of their duties.

Requirements for communication with customers, telephone etiquette and culture of business correspondence are determined by the Bank's local regulations.

Adherence to and protection of the rights of shareholders is one of the Bank's major tasks. The Bank's Management makes decisions with the aim of securing interests of shareholders, developing the Bank in accordance with the lines of business set forth by shareholders, equally treating all categories of shareholders and protecting their rights to participate in the Bank's management and obtain true information on the Bank's performance in due time, preserving, securing and enhancing the Bank's assets along with increasing their profitability and general business value, implementing the decisions made by the management bodies in good faith and in due time, and balancing the interests of major and minor shareholders with the help of the Bank's planned capitalization strategy and a reasonable dividend policy.

The Bank maintains free competition and conducts fair and open policy towards competitors based on the principles of honesty and mutual respect.

The Bank operates in strict conformity with the anti-monopoly laws of the Republic of Belarus.

Disputes and disagreements in relationship with competitors of the Bank are resolved primarily through negotiation and compromise.

The employees should be characterized as one of the most important treasures of the Bank, being a key to success.

Bank BelVEB builds relations with its employees following the principles of long-term collaboration, mutual respect and performance of obligations while eliminating political, religious, national, or other discrimination matters in respect of its employees, putting every effort in occupational health, labor and security protection of any employee and taking care of its retirees, creating all necessary conditions for professional and career advancement of the employees, increasing personal interest of the employees in the Bank's performance by directly involving them in the Bank's activities on the basis of transparency and corporate management, and fully satisfying its obligations to the employees under the applicable law, labor contracts, and agreements.

The Bank creates all the necessary conditions for professional and career development of employees, increasing personal interest in the state of affairs of the Bank, inter alia, by means of direct participation based on the principles of transparency and corporate management, strict implementation of commitments towards employees required by the applicable legislation, labor contracts and agreements of the Republic of Belarus. The Bank tends to maintain the level of salaries corresponding to the level of remuneration in the banking sector and according to the merit-based approach.

2.2 Responsible Business Practices

2.2.2

Participation in State Policy Formulation

Bank BelVEB is a member of the Association of the Banks of Belarus, a non-profit organization promoting the elaboration and implementation of the monetary policy and development of the banking sector in Belarus. Being members of all committees, i.e. collegiate bodies founded with the Association on main banking activities, the Bank's representatives take part in working out state banking development programs, participate in drafting normative legal acts regulating banking transactions, and put forward proposals on the implementation of the monetary policy, banking regulation, stabilization of the financial and credit markets as well as improvement of tax policy.

The Bank is a member of Kunyavskiy Business Union of Entrepreneurs and Employers, non-profit organization primarily targeted at fostering market reforms, forming and developing the private sector of economy, establishing international relations amongst Belarusian and foreign businessmen, participating in drafting and implementing the social and economic policy by means of, inter alia, consultations and partnership with state authorities and trade unions as well as international institutions. The Bank's membership in Kunyavskiy Business Union of Entrepreneurs and Employers enables the Bank to contribute to decisions made by regulatory and administrative authorities pursuant to the Constitution and the law of Belarus through its participation in conferences and clubs held by the Union.

In 2013, Pavel V. Kallaour, Management Board Chairman, together with managers of the country's leading banks, independent experts, deputies, businessmen, representatives of the Association of the Banks of Belarus, the Ministry of Finance, and the Ministry of Economy took part in the meeting of the Advisory Council under the National Bank of the Republic of Belarus, a consultative body established to provide expert, information and consulting services to the central bank while developing and implementing the monetary policy and resolving banking and payment system transaction matters.

2.2

Responsible Business Practices

2.2.3

Anti-Money Laundering and Combating the Financing of Terrorism

The Bank's AML/CFT system was developed in compliance with the Belarusian laws and local regulations that include the following:

- Banking Code of the Republic of Belarus No. 441 dated October 25, 2000 (with amendments);
- Act of the Republic of Belarus No. 426-3 on Measures Preventing Legalization of Proceeds from Crime and Terrorist Financing (with amendments) dated July 19, 2000;
- Decision of the Council of Ministers No. 367 On Approval of Special Registration Form of Financial Transactions Subject to Special Control and the Instruction on How to Fill, Transfer, Register, Record and Store Special Forms for Registration of Financial Transactions Subject to Special Control (with amendments) dated March 16, 2006;
- Decision of the Board of the National Bank of the Republic of Belarus No. 34 On Approval of Implementation of the Instruction on Measures Preventing and Detecting Financial Transactions Related to Legalization of Proceeds from Crime and Terrorist Financing by Bank and Non-Bank Financial Institutions (with amendments) dated February 28, 2008;
- Decision of the Board of the National Bank of the Republic of Belarus No. 34 On Approval of the Instruction on Suspension of Certain Financial Transactions by Banks and Non-Bank Financial Institutions (with amendments) dated March 13, 2006;
- Rules of Internal Control in Bank BelVEB OJSC Preventing the Legalization of Proceeds from Crime and Ter-

rorist Financing (Resolution of the Board of Bank BelVEB OJSC No. 88 dated June 08, 2006 (with amendments) (hereinafter referred to as the Rules);

- Order No. 14 On Implementation of the Rules of the Internal Control System in Bank BelVEB OJSC Preventing Legalization of Proceeds from Crime and Financing of Terrorism (with amendments) dated January 1, 2010;

- Order No. 170 On Users' Connection to the System of Search of Terrorists and Terrorist Organizations Plito in Bank BelVEB OJSC (with amendments dated March 28, 2011);

- Order No. 146 On the Internal Control dated February 28, 2013;

- Decision of the Board No. 264 On Organizing of Work in Connection with Implementation of Decisions, Notifications and Requests of Authorized State Bodies (Officials) in Bank BelVEB dated June 19, 2013.

The Principles of the Internal Control System preventing legalization of proceeds from crime and terrorist financing (ICS for AML / CFT) in the Bank are determined with regard to the requirements of the legislation of the Republic of Belarus in the field of AML / CFT, application of practical experience of foreign and Belarusian banks in the field of AML / CFT, features of the organizational structure, customer base, software for automating the processes providing financial services and implementing internal control procedures for AML / CFT used by the Bank.

The ICS for AML / CFT installed in the Bank adequately secures minimizing the risk of being involved in the process of legalization of proceeds of crime and terrorist

financing, compliance with the national legislation, application of international standards in this area, implementation of uniform principles of ICS for AML / CFT used by Vnesheconombank Group.

One of the main conditions for effective functioning of CRS for AML/CFT is to conduct training for the Bank's employees in terms of preventing legalization of proceeds of crime and terrorist financing. Trainings and seminars regarding AML/CFT procedures are held for the employees engaged in the Bank's Internal Control System.

Pursuant to the Rules, trainings and seminars for the Bank's employees include introduction (initial) trainings, extra (target) trainings and scheduled trainings (skills upgrading trainings). The employees of the Bank take knowledge assessment tests (written or oral). Introduction (initial) trainings include familiarization with legal acts of Belarus, information documents of state authorities and local regulations of the Bank on AML/CFT issues. The procedure for such introduction (initial) trainings is defined by the Rules.

In 2013, training events included:

- scheduled trainings attended by 265 employees of Minsk and regional branches of the Bank;
- corporate seminar on AML/CFT issues held for 46 employees of the Bank;
- 6 extra trainings attended by 285 employees of the Bank; and
- introduction trainings held for 74 employees of the Bank.

2.2

Responsible Business Practices

2.2.4

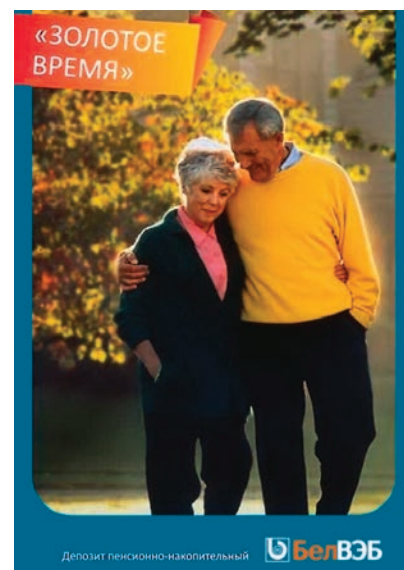
Access to Financial Products and Services

The strategy of Bank BelVEB aimed at upgrading and development of services rendered to individuals envisages the following objectives:

1. Enhancement of the Bank's market share with the help of:

■ Increasing the number of outlets offering consultations and selling products / services. In 2013, after having moved into a new office, the position of the branch in Bobruisk was significantly improved. One settlement center and 5 retail business centers were opened. New format points of sale represented by remote working places were also introduced.

■ Extension of functionality of the Internet Bank Service. The Free Transfer service envisaging payment for goods and services as well as transfer of funds to any bank account in the Republic of Belarus, the private payment system 'Blizko' using the Internet Bank Service, and online loan application were introduced, having significantly improved the Bank's transfer service. For 2 decades, 340 transfers totaling BYR 160 million were carried out. Over the course of 5 months in 2013, the Bank's customers had made transfers in the equivalent of BYR 150 million. Individual customers were granted the opportunity to receive information about loans / deposits (deadline, rate, balance), etc.



2. Improvement of customer satisfaction with the service quality and gaining their trust by means of, inter alia:

- Introduction of remote learning and testing systems for retail business departments.

- Implementation of the system for monitoring compliance of the employees' outward appearance and working places with the Bank's dress code and uniform corporate style; the Quality Control System providing consulting / services to individual customers.

- Introduction of the Contact/Call Center.

3. Product line optimization by introducing:

- The Zolotoye Vremya (Golden Time) pension-accumulative deposit (introduced in May 2013) intended to accumulate funds until the client achieves their retirement age, and to subsequently repay it in equal installments over 5 years (there are no analogues in the deposit market of the country).

- The Depersonalized Metal Account (introduced in August 2013) offered only by two banks in the retail market of the Republic of Belarus. In 2013, the Bank sold precious metals in the form of bank bullions in the amount of 2,500 grams of gold worth about BYR 1 billion for 4 months.

- The Uverenniy (Sure) deposit (introduced in November 2013) provides customers with the opportunity to earn additional income due to changes in the price of gold in the form of bank bullions). The program has also no analogues in the country.

- The Spraunaya (Substantial) bank payment card (introduced in March 2013). In 2013, 4,594 credit agreements were concluded in accordance with the program. The loan balance amounts to BYR 61 billion as of January 3, 2014.

- The Spryntar (Sprinter) express loan without references and guarantors. The loan application time is 30 minutes (introduced in November 2013). In 2013, 600 credit agreements were concluded. The loan balance amounts to BYR 8.7 billion as of January 3, 2014.

- The Dobry Pachatak (Good Start) credit program (introduced in June 2013). One of its features is a non-revolving line of credit with the right to withdraw funds under a loan and defer principal loan repayment up to one year from the date of the loan agreement. In 2013, 139 loan agreements were concluded under this program. The loan balance amounts to BYR 6.8 billion as of March 1, 2014.

- The Kvaternae Rashenne (Housing Solution) lending program for financing real estate (introduced in January 2013). In 2013, 114 contracts were concluded within this lending program. The loan balance amounts to BYR 25.1 billion as of March 1, 2014.

In addition, the Bank continuously monitors the market of bank deposits to maintain a competitive level of interest rates. During 2013, 25 meetings were held by the Bank's Assets and Liabilities Management Committee to consider proposals to change interest rates.

The growth in the deposit portfolio in 2013 amounted to more than 44%. The amount of retail funds raised was in the equivalent of BYR 3006.9 billion as of January 1, 2014. In 2013, the income received from the raised retail funds reached BYR 214,759.8 million.

During 2013, the line of credit programs for individuals was consistent with the Bank's credit policy directions and was maintained at the up-to-date and competitive level. The Bank provided competitive loan rates, including the customer segmentation. According to infobank.by, the Bank's regular rating can compete with the most attractive interest loan rates in the Republic of Belarus.

In 2013, the Bank operated a full line of retail loan programs in terms of financing of real estate, consumer loans (credit cards, refinancing of the previously obtained loans, overdrafts, car purchase loans). The basic conditions of the Bank's functioning in terms of credit line programs regarding timing, amounts, and ways to discharge loan obligations were in line with the market. Thus, our customers could choose the most suitable lending program, e.g. with or without provision of information about income, with or without sureties.

4. Development of the VIP-service system at the Bank.

5. Implementation of the BPM system in order to optimize business processes.

6. Improvement of the motivation system of employees of retail business departments / sectors.

Within the measures implemented to improve the lending process, the Bank introduced a centralized model of retail lending and improved a decision-making model by introducing a scoring model assessing the creditworthiness of borrowers. As a result, timing of loan application review was optimized, being reduced from one working day to 30 minutes in terms of retail lending programs without income references and sureties; from two working days to 2 hours in terms of retail lending programs

with income references and without sureties; from 3 working days to 1 working day for retail credit programs with income references and sureties; from 3 working days to 2 working days for automobile lending.

In 2013, the Bank assumed measures to develop distant channels of retail servicing and implemented an on-line loan application service available through the Bank's web-site and Internet-Bank Self-Service Banking System enabling customers to apply for a loan and receive preliminary decisions thereon via the Internet without visiting the Bank's offices within 1 hour.

The Specialist Onsite Visit Service regarding credit arrangements can be requested through the Bank's web-site in case the loan amount exceeds BYR 10 million. As from September 6, 2013, loan applications can be submitted to the Bank's contact center by telephone.

The retail lending conditions were improved by using a differentiated approach based on customer segmentation that allows individuals who actively use retail services get them on more favorable terms. Thus, different interest rates were established in terms of the categories of clients in 2013. Furthermore, the increase in the maximum amount provided for credit programs as well as deferring of principal repayment for VIP clients were taken into consideration. As of January 1, 2014, the number of credit agreements amounted to 22,982, being increased by 7,975 contracts over the year. The shares of customer categories were 31.9%, 65.8%, 1.3%, and 1% for "Classic", "Prestige", "Premium", and "VIP" correspondingly.

Moreover, in 2013 the Bank became a member of the Autohelp Discount Program. With the view of increasing

the attractiveness of lending programs which involve opening of a revolving credit line by means of a personal credit bank payment card, the Autohelp System Discount Card is issued in case the loan amount exceeds BYR 30 million. This discount card gives its holder the right to receive discounts upon purchase of goods (services) in trade and service organizations.

The network of Groshy Skarahody (Fast Runner Money) remittance points operating with BYR was broadened due to cash departments, which increased the number of remittance transactions in 2013 by 25% compared with 2012.

Having concluded a trust agreement with Belgostrakh Belarusian Republican Unitary Insurance Company, over the year the Bank acted as an insurance agent executing documents and collecting insurance premiums in BYR and foreign currencies from individuals under the Green Card automobile liability insurance policy plan.

Being an agent of Belvneshstrakh under the relevant agent contract, the Bank managed to carry out transactions in compliance with the following insurance policy plans for individuals:

- voluntary insurance of property;
- voluntary insurance of buildings;
- voluntary insurance of vehicles;
- voluntary insurance against accidents; and
- voluntary travel insurance.

The Bank implemented a set of measures aimed at improving financial literacy, inter alia, by introducing a special category at the Bank's website.



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Retirees were offered a possibility to open Pension current (settlement) accounts in BYR. The interest rate applied to this account amounts to 14% p.a. while the interest rate applied to a normal current (settlement) account reaches 0.5% p.a. As at January 1, 2014, the Bank handled 253 of such accounts with their balances totaling BYR 360.5 million.

In 2013, the Bank's customers were offered to open Zolotoye Vremya (Golden Time) pension-saving deposits. The program involves accumulation and payment periods. The cumulative period starts from the date of contract and lasts till the retirement age of the client. The deposit envisages higher interest rates and interest capitalization. The Bank set interest rates as follows: 34% for BYR deposits, 7.2% for deposits in foreign currency (USD/EUR), and 8.7% for RUR deposits.

After having reached their retirement age, depositors (55 years for women, and 60 years for men) receive payments within 5 years. During this period, the accumulated funds are paid on a monthly basis.

The entire amount of savings can be also received as flat payment.

Over the period of the program operation, 31 contracts totaling BYR 217.23 million were concluded as of December 30, 2013.

All the products offered to individuals in 2013 had no additional monthly charges.

In order to establish long-term favorable co-operation with individuals as well as to improve the quality of banking products, the Bank introduced training programs for employee of retail business departments / sectors by

means of the Distance Learning System (WebTutor).

Amongst 54 offices of the Bank (23 owned and 31 leased), 12 offices are additionally equipped to ensure access for people with limited mobility. The share of office space equipped to meet the needs of people with disabilities is 23.1%.

At the beginning of 2014, 2299 payment terminals were installed in trade organizations for bankcard holders servicing, which is 34% more compared with 2012.

The Bank's ATM network increased by 23% and comprised 196 ATMs. The ATM network within the Self-Service Banking System (SBS) jointly developed by the Bank and its partner banks, scored a 28% expansion and amounted to 439 units. The ATM operating load amounted to 1,752 cards per unit (in contrast to the average value for the country accounting for more than 2,850 cards per unit). Processing services provided to other banks are at the heart of the Bank's activities. Currently, the Bank's partners are Technobank OJSC, Alfa-Bank CJSC, Bank Moscow-Minsk OJSC, BSB Bank OJSC, RRB-Bank OJSC and Idea Bank OJSC. In 2013, Eurotorginvestbank OJSC was also added to the partners list.

In 2013, the Bank continued developing and modernizing the existing Internet Banking and Mobile Banking services. The mobile version of the Internet Banking service adjusted for smartphones and tablet computers was put into operation. One of the novelties of this version was an additional search function enabling to find the nearest ATM. The number of users of the Internet Banking service increased by 57% during the year and exceeded 26,000 users. The level of service penetration has reached 12%.



The SMS notification service, which became not solely a means of warning of debit transactions, was significantly improved. In April 2013, users received messages not only regarding card debit transactions but also in case of changes in the available account balance, including remittance of funds. In December 2013, the fee for the SMS notification service was charged only from the 4th month onwards. Thus, the client has the opportunity to evaluate the benefits of this service, before paying for it. The number of cards connected to the service increased by 207% compared to the previous year and reached 11 thousand items.

In the context of the increased demand for foreign currency, clients appreciated the changes in the application of foreign exchange rates on cards transactions introduced by the Bank in 2013. Now, when making a transaction in the Bank's device or service network, the Bank puts into implementation rates established by the Bank at the time of the card transaction, but not on the date when transactions are reflected on the account. This innovation significantly reduced the level of uncertainty in terms of transactions.

Working with cards, the Bank pays a great deal of attention to the security of transactions. In accordance with the requirements of the Visa International Payment System, companies having relevant international certificates perform annual audits of the Bank to meet PCI DSS international security standards. The entire network of ATMs and POS terminals was modernized and operates with EMV smart cards.

The Bank issued chipped VISA cards used in the self-service banking system (SBS). A range of new functions were introduced including, inter alia, accepting cash payments in self-service terminals, non-cash payments in the Blizko (Close) International Payment System, in the systems of Svobodny Platezh (Free Payment), Moi Deposits (My Deposits), Moi Kredity (My Loans), Zayavka na Kredit (Loan Application), and a new version of the Internet Banking Mobile Service (supporting the function of positioning the distance to the nearest ATM).

As for the reporting year, justified complaints made by individuals concerning privacy and customer data loss were not registered.

2.2

Responsible Business Practices

2.2.5

Confidentiality of Customer and Business Partner Information

The Bank endeavors to keep the information regarding its customers and partners confidential in compliance with the following local normative acts:

- Information Security Policy of Belvnesheconombank (Order of the Management Board Chairman No. 132 dated June 24, 2009);
- Rules for Using the Belvnesheconombank Automated Banking System (Order of the Management Board Chairman No. 211 dated August 30, 2010);
- Instruction on Procedures of Transmission and Reception of Documents by E-mail within the Bank (Order No. 1/08 dated January 21, 2003);
- Regulations on Users Connection to E-mail System (Order No. 134 dated June 26, 2009);
- Procedure of Belvnesheconombank for Using the Internet (Resolution of the Management Board No.106 dated May 6, 2010);
- Regulations on Access to External Input-Output Ports (Order No. 191 dated March 14, 2012).

Any frauds, customer claims registered in the records of comments and suggestions, security policy violations, and all operational risk events that resulted or may result in the Bank's losses or additional expenses pursuant to the Procedure of Keeping the Journal of Operational Risks of Bank BelVEB (Resolution of the Management Board No. 16 dated February 5, 2009, as revised by Resolution of the Management Board No. 103 dated March 7, 2012, amended by Resolution of the Management Board No. 203 dated April 15, 2012) are subject to registering in this Journal.

In compliance with Article 14 of this normative act, all employees of the Bank are engaged in detecting operational risk incidents and events. In case an employee that detected such operational risk incidents and events is not responsible for keeping the Journal of Operational Risk, he/she is obliged to notify the person responsible for keeping the Journal in a structural division for the relevant information to be registered therein.

In an effort to ensure the confidentiality of information of employees, customers and partners of the Bank in 2013, annual sessions called Information Security When Working in ABS Bank were held in accordance with the schedule in all structural units of the central office of the Bank. The results of learning reflected in the Register of Training and Testing on Information Security Matters.

So as to undertake its obligations to protect confidential information about its customers and partners, all newly-employed staff members of the Bank sign a non-disclosure agreement in regard to secrecy in banking and business as well as personal data. The Bank supervises the information transmitted through the Internet channels. Publication of confidential information is permitted only in the intra-bank network after it has been processed by means of the data protection program.

The Bank's customers can report cases to identify operational incidents or corporate fraud in writing by issuing a statement for the Bank's Management, or by calling the Contact Center. Calls are received around the clock.

2.3 Investment Activities

2.3.1 Approach to the Implementation of Investment Projects

The Bank's investment activities are of strategic importance not only for a specific single element of the banking sector but also for the country as a whole.

Increase in the effectiveness of the Bank's investment activities, which is an integral part of the banking system of the Republic of Belarus, is associated with development and growth of enterprises, improvements of living standards, social stability and economic security. A rational investment policy also provides the Bank's effective development. That is why investment activities based on the principles of corporate social responsibility are exceedingly significant to enhance the role of the banking sector in the implementation of the main directions of socio-economic development of the Republic of Belarus.

The Bank's investment activities are regulated by the following local normative acts:

- Regulations on Corporate Lending in Bank BelVEB OJSC (Resolution of the Board of Bank BelVEB OJSC No. 164 dated April 27, 2011);

- Regulations on Microcredit in Bank BelVEB OJSC (Resolution of the Board of Bank BelVEB OJSC No. 123 dated March 30, 2011)

- Regulations on Procedures for Loan Granting in Bank BelVEB OJSC for the Purposes Connected to Leasing Activities (Resolution of the Board No. 453 dated November 30, 2011)

- Order for Transactions of Financial Leasing by Belvnesheconombank Open Joint Stock Company (Resolution of the Board No. 206 dated June 1, 2011);

- Regulations on Procedures for Loan Granting of Bank BelVEB OJSC for the Purposes Connected to the Construction (Maintenance) of the Nuclear Power Plant in the Republic of Belarus (Resolution of the Board of Bank BelVEB OJSC No. 469 dated September 19, 2012, with Amendments No. 92 made by the Board dated March 13, 2013);

- Recommendations for Business Plan Development for Investment Projects Provided by Belvnesheconombank (Resolution of the Board of Belvnesheconombank No. 142 dated July 21, 2010).

The main objectives of the Bank's investment activities are presented by searching, expertise, funding and support in relation to efficient investment projects, as well as formation and management procedures for the Bank's investment portfolio, taking into account a reasonable degree of profitability and minimum risk.

The Bank's investment activities are mainly aimed to satisfy the customers' planning so as to implement reconstruction (modernization) projects or to expand the level of production.

The following factors are kept in mind when examining investment projects:

- economic efficiency of the project;
- profitability of the enterprise and prospects of its activities;
- belonging of the enterprise to sector being of strategic interest to the Bank;
- compliance with environmental requirements and environmental (energy) efficiency standards.

Investment projects are also selected in the course of advertising and marketing activities of the Bank.

2.3 Investment Activities

2.3.2

Procedures for Interacting with Investment Project Participants

The Bank constantly cooperates with its customers in order to monitor the demand for investment project financing. At the preliminary stage of consultations, the Bank gives its recommendations in respect of the project, clears up its peculiarities as well as the specifics of the client to determine the optimal conditions for project financing.

When the client has furnished a set of documents specified in the Bank's list of required documents, and the credit manager has analyzed their completeness as well as correctness, the documents are sent to the respective structural units to review the implementation of an active operation.

Further expertise of the loan application is performed by the Bank in compliance with its local normative act and includes the following:

- economic assessment provided by authorized units (individuals) responsible for taking the final decision;

- execution and delivery of a loan agreement or collateral agreement.

Loans related to leasing activities as well as micro-credits can be provided on standard and individual terms.

2.3

Investment Activities

2.3.3

Project Compliance with Environmental Protection Requirements, Environmental Efficiency Standards and Social Significance Criteria

With its loan portfolio concentrated in the industrial sector, the Bank assesses risks associated with environment and labor safety protection.

In conformity with the Rules of Drawing Up Business Plans for Investment Projects (Resolution of the Ministry of Economy No. 158 dated August 31, 2005 as revised by Resolution No. 15 dated February 29, 2012) and the Guidelines of Drawing Up Business Plans for Investment Projects Submitted to Belvnesheconombank (Resolution of the Management Board No. 142 dated June 21, 2010), any business plan shall contain an ecological project assessment, i.e. the analysis of the environmental influence of a proposed enterprise, its waste volume and places designated for waste utilization and processing. Such ecological assessment is considered during the expertise of the investment project business plan.

Environmental assessment is taken into account while examining the Bank's business plan of the investment project.

The Bank analyzes investment projects in accordance with Act of the Republic of Belarus No. 1982-XII on Protection of Environment dated November 26, 1992. This Law was developed with account of scientific and technological achievements and international environmental principles and standards, and sets forth the legal basis of environmental protection, nature management as well as preservation and rehabilitation of biological diversity, natural resources and sites.

Pursuant to Act of the Republic of Belarus No. 300-3 on Architectural and Urban Development and Construction in the Republic of Belarus dated July 5, 2004, town-planning projects of all types and reasons for construction investment are subject to state expertise as

prescribed by the Council of Ministers of the Republic of Belarus after receiving a positive assessment of the state ecological expertise. The state expertise of town-planning projects is carried out by the State Committee on Standardization of the Republic of Belarus.

Due to the execution of ecological expertise of investment projects by the state authorities, the Bank had no need to perform an in-house assessment in 2013.

The credit policy of the Bank is carried out with regard to criteria for project acceptability and limitations associated with issues related to effective interaction with the society, including bans on transactions non-complying with applicable laws of the Republic of Belarus, transactions connected to the Bank's reputational risk, transactions carried out with counterparties who are suspected of legalization of proceeds obtained from crime and terrorist financing, projects doing harm to the environment, health and safety of citizens, use of child or forced labor, production of weapons, alcohol and tobacco, and etc.

Achievements of the socio-economic effect of projects are evaluated by means of effectiveness of credit projects conducted during the quarterly credit monitoring provided for in Regulations on Corporate Lending in Bank BelVEB OJSC (Resolution of the Board of Bank BelVEB OJSC No. 164 dated April 27, 2011, with amendments). During the reporting year, assessment procedures of social and / or environmental factors were undertaken at the Bank when taking and implementing investment decisions in terms of 17 projects.

In 2013, two employees of the Bank participated in a training workshop on Analysis of Environmental and Social Risks of Investment Projects carried out by the UNEP Finance Initiative on basis of Vnesheconombank (Moscow).

In September 2013, a Loan Agreement between the Bank and the European Bank for Reconstruction and Development entered into force. In compliance with this Agreement, the Bank was given resources worth EUR 10 million for lending to companies in the private sector for a period of 5 years within the Sustainable Energy Financing Program in the Republic of Belarus (BelSEFF). Financing is intended for companies in the private business seeking to reduce energy intensity of the production process or using renewable energy technologies. The Bank carries out a set of measures to select projects meeting criteria set forth in the Loan Agreement. The BelSEFF consultants provide free technical support to Belarusian companies participating in the program as part of the above-mentioned Loan Agreement. Support is provided through consultations and on-site visits for project pre-screening. If further project examination is necessary, consultants provide free evaluation of energy efficiency and feasibility of project solutions.

The Bank and the EBRD co-operate within the framework of the Loan Agreement for the financial support of micro-, small- and medium-sized enterprises. Pursuant to the Ecological and Social Policy of Bank BelVEB (approved by Resolution of the Management Board No. 305 dated August 10, 2011), the Bank undertakes to:

- comply and take reasonable steps to ensure that corporate borrowers comply with the national law on environment and labor safety protection; and
- comply with the EBRD's requirements in regard to activities of financial institutions, i.e. Performance Requirements 2 (Labor and Working Conditions) and Performance Requirements 9 (Financial Intermediaries) dated May 12, 2008, including the Environmental and Social Exclusion List of EBRD and reference documents.

For the purposes of performance of the above obligations, the Bank:

- in the event of lending out of the EBRD's proceeds, follows the relevant procedures for ecological and social risk assessment of loan applications (hereinafter the "Procedures") in accordance with EBRD's risk assessment criteria and methods;

- appoints employees both to supervise the compliance with the Procedures and maintain public relations in regard to ecological and social issues;

- provides training for the employees of structural divisions effecting lending operations and Risk Management and Internal Audit Departments in respect of the Ecological and Social Policy and EBRD's PR2 and PR9; and

- furnishes the EBRD and its shareholders with a compliance report on the Ecological and Social Policy.

The Ecological and Social Policy is observed by all the Bank's structural divisions providing lending support to micro-, small- and medium-sized enterprises under the Loan Agreement.

Loans under this Loan Agreement are provided under to the Procedure of SME Lending of Bank BelVEB (Regulation of the Management Board No. 222 dated June 15, 2011 as revised by Resolution of the Management Board No. 148 dated March 28, 2012).

The examination of lending projects is carried out as prescribed by the EBRD's procedures and includes a compulsory assessment of ecological and social risks.

2.3 Investment Activities

2.3.4

Investment Projects Approved by the Bank

In 2013, senior collegiate bodies of the Bank approved and commenced financing of 13 large-scale investment projects (excluding documentary transactions). The projects implemented in 2013 are stated below.

2.3

Investment Activities

2.3.5

Energy Efficient and Energy Saving Projects

The following projects are carried out in this field:

1. Reconstruction of the power unit of Station No. 1 of the Branch of Lukoml State District Power Plant in terms of replacement of high-pressure heaters within the overall project referred to as Reconstruction of the Power Unit of Station No. 1 of the Branch of Lukoml State District Power Plant. The project approved by the decision of the Board also relates to the integration project concerning target financing for exports of Russian high-tech products. The project was implemented within the framework of the Memorandum of Co-operation between the Government of the Republic of Belarus and the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank). Resources were provided by Vnesheconombank. As a result of the project, 1,560 tons of equivalent fuel expressed in fuel savings from replacing worn PW (annual savings make up 1,100 tons of equivalent fuel) as well as from removing constraints on the load (460 tons of equivalent fuel) are expected to be produced. The total cost of the project accounts for USD 3,196.3 thousand provided solely by the Bank. The project is implemented in Lukoml State District Power Plant. The supplier is represented by EMAlliance OJSC (Taganrog, Russia).

2. Participation in financing the investment project referred to as Construction of a Dairy Plant in Zhitkovichi District of Gomel Region. The total investment costs of the project were in the equivalent of USD 109.3 million whereas the Bank's funding allocation accounted for USD 3.2 million. The borrower was represented by Turov Dairy Plant OJSC. The project was implemented in Turov, Zhitkovichi District, Gomel Region as part of 2010 – 2015 State Program of Socio-Economic Development and Integrated Utilization of Natural Resources in Pripyat Polesie (Presidential Decree No. 161 dated March 29, 2010).

The purpose of the project was to create a modern industrial enterprise, which will be an important link of a vertically integrated system between enterprises producing raw milk and modern retail and wholesale businesses providing high-quality dairy products to consumers. The estimated number of new jobs created in the plant makes up 230. The facility was put into operation in the 1st half of 2013. The enterprise specializes in production of soft cheese such as mozzarella, mascarpone, cream-cheese, ricotta, using an Italian technology. Most of them are sold only by foreign companies on the market of the Republic of Belarus, proving the fact that this product is characterized as an import substitution. The company intends to process 250 and 400 tons of milk daily in the 1st and the 2nd project phase respectively.

At the initial stage of the project, the most promising export market is the market of the Russian Federation (about 85% of production).

3. In the reporting year, the Bank actively participated in **financing activities of Minsk Automobile Plant OJSC which is the holding company of BELAVTOMAZ (MAZ OJSC)**. In 2013, MAZ OJSC shifted to mass production of

automobile equipment of the Euro 4 environmental class. In the reporting year, the plant produced 9,677 units of equipment fitted with Euro 4 engines, totaling BYR 4,412.6 bln.

The European environmental standards regulate the content of harmful substances (carbon dioxide, nitrogen oxide, hydrocarbons, carbon monoxide and other chemicals) in the exhaust gases of vehicles, approved by the UN European Economic Commission and intended to improve the environmental situation. Vehicles equipped with Euro-4 engines have several advantages over Euro-3 predecessors, including decrease in emissions of harmful substances by 70%, reduction in fuel consumption by 5%, the reduced engine curb weight as well as the decreased level of noise.

The Bank provided credit facilities worth USD 31.7 million, including USD 29.5 million aimed to pay for engines and materials from the Russian Federation, to purchase materials and components for the production of motor vehicles of the increased environmental class.

2.3 Investment Activities

2.3.6 Infrastructure Development

The following projects are carried out in this field:

1. Construction of an **Apartment House within the Overall Project referred to as Construction of a Public-Housing Complex on Chernyakh Avenue in Vitebsk** was implemented by the Bank's Vitebsk Regional Office. The total project value was worth RUR 174,948.7. The borrower was represented by STROYTORGSERVIS LTD. The Bank's investments made up RUR 122,464.1 thousand (70% of the total project value). The project was realized in Vitebsk. The built-up area is equal to 1,992.5 square meters, the total structural volume amounts to 30,095 cubic meters. The project represents a three-section 4-5-storey apartment house in a monolithic frame, containing 37 apartments with a total foot floor of 4,962.8 square meters (7 one-room apartment, 4 two-room apartment, 15 three-room apartments, 11 four-room apartments), 42 parking places in the underground parking garage with a total foot floor of 432.02 square meters. The construction period of the above-mentioned project is February, 2013 – August, 2014. The planned date of commissioning is the III quarter of 2014.

2. The First Stage of Construction of a Non-Luxury Multistory Apartment House with Public Objects and Multi-Level Parking Space Including Built-in and Attached Facilities of the Automobile Service Center in the block area within Dzerzhinsky Ave – Zhukov Ave – Zheleznodorozhnaya Street – Shchors Street, Start-Up Complexes 2A and 2B.

The total project value is worth USD 25.26 million. The Bank's investments make up USD 3 million. The borrower is represented by LadaGarant CJSC. The place of project implementation is Minsk. The project is realized as part of Contract No.1 on Design and Construction Right Regarding the Complex Reconstruction of the Residential Construction Block (within Dzerzhinsky Ave – Zhukov Ave – Zheleznodorozhnaya Street – Shchors Street) dated June 1, 2005, signed between LadaGarant CJSC and Minsk City Executive Committee.

The project missions are as follows:

construction of two sections of an apartment house containing 143 apartments with built-in premises (the owners' partnership, shops including Detsky Mir, Promtovary, Electronica, as well as a foodstore, a restaurant, a fur studio, office premises, storehouses) in terms of the start-up complex 2A;

construction of a multi-level parking space including built-in and attached facilities of the automobile service center (trade and exhibition hall of the automobile service center, trade hall of the auto parts store, maintenance premises and technical facilities) designed for 278 vehicles in terms of the start-up complex 2B.

The estimated date of commissioning of the sections of the apartment house as well as the car park is September, 2015.

3. The following objects are worth mentioning amongst projects related to shopping centers financed by the Bank in 2013.

3.1. The project of EVROTORG LTD referred to as Construction and Commissioning of the Shopping Center (Hypermarket) in Mogilev, Gagarin Street, 79.

The total project value is worth USD 23 million. The Bank's investments make up USD 15.5 million. The borrower is represented by EVROTORG LTD. The place of project implementation is Mogilev.

The project is implemented on the basis of Investment Agreement No. 20 concluded between the Republic of Belarus and EVROTORG LTD dated January 30, 2012.

The project is aimed at constructing and commissioning the shopping center (hypermarket) in Mogilev, Gagarin Street, 79, with a total floor space of 20 thousand square meters, an open parking space for 950 cars as well as a parking space for disabled people designed for 20 cars. The project will require 397 new working positions and start operating in September 30, 2014.

3.2. The Bank provided credit facilities to Premierizing OJSC and NTS JV Ltd. intended for reconstruction and construction of trade facilities of the Rodnaya Storona network. The copyright of the trademark referred to as Rodnaya Storona is reserved by NTS JV Ltd. being one of the major Belarusian companies offering retail technology development in the Republic of Belarus.

3.2.1. Capital repair and modernization of the real estate (shopping space) located at Pobediteley Ave, 49, Minsk.

The total project value is worth USD 1.4 million. The Bank's investments make up BYR 8,870 million.

3.2.2. The project referred to as Reconstruction of the Specialized Retail Business Center Located at Zaslavskaya Street, 23, Building 1, Minsk with Construction of an Extension.

The total project value is worth USD 3.8 million. The Bank's investments make up USD 1.55 million.

3.2.3. The project referred to as Construction and Commissioning of the Self-Service Store located at the intersection of Baghramyan Street and Bogatyrev Street in the neighborhood of Bilev-2, Vitebsk.

The total project value is worth USD 2.1 million. The Bank's investments comprise USD 1.540 million. The project is aimed to create a shopping center (self-service store) with a total foot floor of 1,180 square meters and leasehold area to accommodate a pharmacy. The project will require 44 new positions and will be commissioned on December 16, 2013.

3.2.4. The project referred to as Construction and Commissioning of the Self-Service Store with a total foot floor of 800 square meters located at the intersection of General Ivanovsky Street and Eremenko Street in the neighborhood of Bilev-2 in Vitebsk.

The total project value is worth USD 2.97 million. The Bank's investments comprise USD 1.960 million. The project is aimed to create a shopping center (self-service store) with a total foot area of 1,673 square meters of leasehold area to accommodate cafes, a pharmacy, an exchange office. The estimated number of new jobs makes up 53. The estimated date of commissioning is February, 2014.

3.3. In 2013, the Bank's Branch 4 located in Minsk and Yunifud CJSC (Almi trade brand) participated in a major investment project worth USD 9.690 million dedicated to construction of the object referred to as Multifunctional Shopping, Cultural and Entertainment Complex on Dzerzhinsky Ave, Minsk. The funding for the project was approved by the Supreme Credit Committee and the Bank's Board. Furthermore, in the reporting year the Bank completed two financing investment projects of this organization approved by the management bodies of the Bank and launched in 2012: construction of the retail business object referred to as Universam in Zhlobin and in

Borisov. USD 3.4 million of credit are intended for these projects in the reporting year.

The above-mentioned projects are aimed to improve the shopping service, to provide essential goods to all social groups in these cities as well as to create new jobs.

4. Participation in financing Construction of Radon-Alpha Sanatorium on the Territory of Dyatlovo District designed for 250 people and full service.

The total project value is worth USD 19.7 million. The Bank's investments comprise USD 16.7 million. The borrower is represented by Torvald Ltd. The place of project implementation is Borovki, Dyatlovsk District, Grodno Region.

The project is implemented on the basis of Investment Agreement dated March 5, 2012 signed between the Republic of Belarus and Torvald Ltd.

The project is aimed to construct the sanatorium referred to as Radon-Alpha providing a full range of customer services meeting up-to-date medical service requirements as well as a set of health and health-related services. The project is expected to create 150 new jobs.

The estimated date of commissioning of the object is December, 2014.



2.3 Investment Activities

2.3.7 Import Substitution and Innovation Development

In 2013, the Bank continued financing the construction of a solid form medicine plant at **Borisovskiy Zavod Medicinskikh Preparatov OJSC** for which the Bank extended a credit line totaling USD 35.3 million.

To continue implementing the project in 2013, the Bank opened a non-revolving credit line worth USD 2 million under the guarantee of the Government of the Republic of Belarus as part of Presidential Decree No. 174 On Measures for the Development of the Pharmaceutical Industry dated April 16, 2012, and a non-revolving credit line worth USD 1 million secured by the real estate.

This project is targeted at the production of modern medicine in Belarus pursuant to the Republican Program of Import Substitution and its Further Certification under the GMP standards. Credit resources will be utilized to construct a production complex and purchase its technical and technological equipment, which will create 264 working positions. The plant is equipped with pharmaceutical energy efficient machines of a new generation utilizing up-to-date methods of physical-chemical analysis and digital technologies in the production process.

The facility was put into operation in December 2013.



During the reporting year, the Bank's Brest Regional Branch continued financing **Savushkin Product** within the loan agreement signed in accordance with the decisions taken by the Bank's Management in terms of opening a non-revolving line of credit with a marginal non-recurring debt of Euro 1.410 thousand intended to pay for a thermoforming-filling-sealing equipment for packing yogurt and cottage cheese. The maturity date is May 25, 2015. The total value of the equipment (made in Germany) is worth Euro 2,350 thousand. The Bank's share in its financing amounts to 60%.

The project is aimed to increase production capacity used for packaging thick desserts, to improve the company's position in the market, as well as to substitute imported products on the market of the Republic of Belarus.

In 2013, the Bank's Mogilev Regional Branch and Mahina-TST OJSC carried out two socially significant projects approved by the Management of the Bank by opening a letter of credit for:

- Euro 244,080 to purchase a **warp knitting machine COPCENTRAHS-2-ST (Germany)**. The project will help to augment the volume as well as share of produc-

tion of export goods produced by means of an innovative technology, to enhance the share of import-substituting goods, to create new jobs, to increase foreign currency earnings as well as tax revenues into the budgets of different level. The place of project implementation is Mogilev.

- Euro 257.8 thousand to purchase looms with additional equipment (Italy). The project will help to enhance business activities and further development of high-tech production within the boundaries of Mogilev FEZ, to develop the export potential of the country in the markets of the neighboring countries and abroad, to obtain a fundamentally new type of high quality products (fabrics used for road construction, foundations for banner materials used in outdoor advertising, semfinished products for roofing PVC materials, and etc.). The place of project implementation is Mogilev. The project implementation period is from 2013 to 2016.



2.3 Investment Activities

2.3.8 Regional Investment Projects

Along with the project carried out by Borisov Plant of Medical Preparations OJSC mentioned in Section 2.3.7., the Bank's regional branches finance a number of other important investment projects that influence social and economic development of the country, resolve issues of energy efficiency and environmental protection, and facilitate a sustainable growth of regions.

In accordance with the decision taken by the Credit Committee of the Bank's Brest Regional Branch, in October 2012 the Bank acting on behalf of Brest Meat Processing Plant OJSC opened a confirmed uncovered irrevocable letter of credit worth Euro 1.398 thousand in favor of BANSS Schlacht- und Fördertechnik GmbH (Germany) to pay for processing equipment (pig slaughter line with a capacity of 200 pigs / h), providing deferred payment for a period of five years. According to the feasibility study, the need for funding resulted from modernization measures undertaken by the plant with regard to the slaughterhouse so as to replace worn-out and technologically obsolete equipment by highly productive modern facilities as well as to put into operation additional production capacity.

The acquired line corresponds to the latest international standards and hygienic requirements. The main advantage of the equipment is high quality of design elements, its compatibility with the existing equipment

as well as efficiency of energy and water consumption. Using the new line, the plant's intention is to apply a number of new technical and technological solutions that will ensure the output of higher quality due to the absence of wet processing and application of the vacuum stripping system for carcasses. The new line will allow Brest Meat Processing Plant OJSC to improve production efficiency, to enhance the quality of meat products and to expand the range goods offered.

The most significant project implemented with the participation of the Bank in Vitebsk Region is aimed to provide an investment loan to Vitebsk Oblagroservis OJSC with the aim of purchasing advanced domestic machinery and equipment intended for further financial leasing in terms of organizations acting in agribusiness pursuant to Presidential Decree No. 143 On the Amounts and Sources of Funding for Purchase of Agricultural Machinery and Equipment in 2013 dated April 2, 2013. The lending volume is worth BYR 60 billion for a period of July 1, 2021 with repayment in equal monthly installments starting from January 1, 2014, without paying interest on the loan.

A large-scale investment project referred to as Reconstruction of the Workshop Building Designed for Production of Cheese with a Daily Capacity of 40 Tons in terms of setting the overall limit for the counterparty and opening letters of credit is under implementation by the Bank's Grodno Regional Branch working in cooperation with Molochny Mir OJSC (Milky World OJSC). The project is ap-

proved by the Supreme Credit Committee of the Bank and is meant to modernize the production process by creating up-to-date cheese production, using brand-new high-performance equipment and increasing the volumes of production required in the market, which corresponds to the priority areas of the state policy worked out to develop the dairy industry, to enhance its export potential as well as to guarantee the country's food security.

The total project investments make up Euro 27 million, whereas the Bank's share in the project is 23%. The Bank opened a letter of credit worth USD 6.2 million in favor of CFI-2001 / S.L. (Corporation FIBPSA Internacional) (Spain) to carry out supply and installation of technological equipment for cheese production. The place of project implementation is Grodno. The project implementation period is 2013-2014. The full capacity output is planned for 2015.

The effect of the project will be achieved by the increased production level of finished goods, reduced costs and higher profits compared with competitors' benefits. As a result, the company will create 50 new jobs.

The Bank's Lida Regional Branch initiated an investment project approved by the Supreme Credit Committee of the Bank along with Enarg JV Ltd. as part of the loan agreement with the EBRD. The project was aimed to finance costs related to acquisition, reconstruction, repair and modernization of the real estate. The total amount of credit under the agreement made up USD 800 thousand. The place of project implementation was Lida, Grodno

Region. The credit enabled Enarg JV Ltd. to construct and to commission a three-storey trade and service center with a total foot floor of 1,020.2 square meters located in the city center. In October 2013, the building was commissioned, and its premises were lent for various commercial objects.

Bobruisk Regional Branch opened two irrevocable and uncovered letters of credit providing deferred payment conditions in favor of Bobruisk Plant of Tractor Parts and Units RUE (the client group I) within the overall limits worth USD 3.5 million for the purchase of imported equipment including a portal-milling machining center with a CNC bar (worth USD 305 thousand) and horizontal milling machining centers (worth USD 590 thousand). As provided for in the program of modernization, the equipment will enable the company to modernize its production, to improve the quality and to reduce production costs. Taking into account financial costs, the project envisages capital expenditures worth BYR 8.4 billion and increase in net working capital worth BYR 5.5 billion. The dynamic payback period is equal to 3 years and 4 months, whereas the currency return for the project accounts for 2 years and 5 months.

During the reporting year, the Bank continued cooperating with TAIM OJSC located in Bobruisk. In July 2013, the Bank set an overall limit worth USD 4,050 thousand for the enterprise and debtors associated with it (approved by the Supreme Credit Committee) and launched

an investment project referred to as Modernization of Automotive Components for MAZ Vehicles and Agriculture Equipment. The mission of the project is related to modernizing the production of components of MAZ trucks and agricultural machinery so as to manufacture brand-new competitive products meeting changing market conditions and requirements; to improve the quality of goods as well as to increase the level of production; to enhance working conditions, to efficiently use resources, to augment production output and gross added value, to optimize plant space efficiency. So as to achieve the goals ensuring the desired quality of products as well as the required level of production flexibility, the company planned to buy 15 items of equipment. The total investment value for the project made up RUR 51.46 million. The amount of necessary credit facilities amounts to RUR 38.249 million (share of the company's own funds in the total investment costs is equal to 26%). Within the above-mentioned investment project, the company was granted two non-revolving credit lines for the purchase of 5 items of equipment worth RUR 38.249 million.

In Gomel Region, the Bank and Kashtan Foreign Unitary Production Enterprise united the efforts to implement an investment project referred to as Acquisition of Fixed Assets to Expand Production of Disposable Plastic Packaging worth Euro 8.6 million. Kashtan Foreign Unitary Production Enterprise registered by the administration of Gomel-Raton Free Economic Zone (parent

company is represented by CHESNUT Aktiengesellschaft, Liechtenstein, 100% foreign capital) is engaged in developing and manufacturing of plastic packaging for various products of food industry, industrial and household goods (confectionery, dairy, meat, egg products, salads, frozen berries and fruit, ice cream, and etc., including over 1,900 items of packaging containers). The products are involved in the import substitution program certified by BelST National Certification System and GOST RB. The enterprise is certified in accordance with STB ISO 9001-2009 Quality Management System. The export volume makes up 84% of the total revenue of the enterprise, including 99.7% provided by the Russian Federation. Within the project implemented with the participation of the Bank, the enterprise intends to acquire technical equipment including 10 units of thermoforming machines, 2 units of MAZ tractors with semitrailers, 3 electric stackers and 2 Toyota forklifts, which will optimize the performance of the company's warehouse. The project also envisages funds for construction and installation measures required to complete specialized stores as well as to acquire a racking system. The project implementation period is equal to 7 years. As a result of the project, the company plans to increase the volume of exports by Euro 40.8 million, to enhance revenues and profits, as well as to create 18 new jobs.

In 2013, the regional investment project called Building of the Veterinary Clinic with Administrative Support

Facilities and Related Trade Objects Located at the Intersection of Mazurova Street and Skripnikov Street was successfully completed in Minsk

This project was implemented as part of an investment agreement concluded by the Republic of Belarus represented by Minsk City Executive Committee and Vetservis-Plus CJSC. After the project had been approved by the Credit Committee of the Bank's Minsk Branch 2 in 2012, the Bank opened a non-revolving credit line worth USD 1,014 thousand in favor of Vetservis-Plus CJSC for a period of 6 years. The credit facilities were used to carry out construction and installation work. At the end of the reporting year, the facility was ceremonially opened.

The new Dr. Vet Veterinary Center located at Skripnikov Street, 39 has its office in a separate modern building. The clinic has five main reception rooms, a functional diagnostics room (equipped with the latest ECG system, ultrasound diagnosis apparatus, and etc.), a dentist room, a private laboratory, operating rooms, and etc.

The main social purpose of this project is to provide veterinary care services to animals as well as to improve skills of young professionals in the field of veterinary medicine.

2.4

Support for Small- and Medium-Sized Enterprises

2.4.1

SME Support Priorities

Bank BelVEB pursues the objectives in the sphere of SME support in accordance with its Development Strategy and Lending Policy.

One of the targets of the Development Strategy is to provide funding for cross-border supply chains and integration projects through participation in ongoing tenders initiated by Belarusian enterprises in the framework of modernization programs for supply of high-tech products and services of the Russian Federation by means of funding provided by Vnesheconombank, to develop the optimal conditions for trade finance transactions regarding cross-border supply chains as well as to implement the Loan Agreement on Financing of Micro, Small and Medium-Sized Businesses signed with EBRD in cooperation with the banks of Vnesheconombank Group.

In accordance with Clause 3.3 of its Credit Policy, the Bank's priority is to expand credit transactions in terms of efficient small and medium-sized businesses through extension of loans aimed to increase production capabilities, to develop business initiatives, and to create new working positions.

Pursuant to the provisions of the Lending Policy, the Bank focuses on financing both large-scale, small and medium-sized enterprises engaged in such economy sectors as food processing, manufacturing, trade, transportation and construction.

In December 2013, with the aim of economic development intensification and SME development facilitation in Belarus and Russia, Bank BelVEB, Kunyavskiy Business Union of Entrepreneurs and Employers, and Russian BANK FOR Small and Medium Enterprises Support signed the Agreement on Co-operation in SME Support.

2.4

Support for Small- and Medium-Sized Enterprises

2.4.2

SME Support Results in 2013

As of January 1, 2014, the amount of SME loans made up BYR 4,524.83 billion, whereas the share of loans comprised 32.77%. During the reporting year, the SME loan portfolio growth amounted to BYR 493.5 billion, whereas the growth rate accounted for 112.24%.

The Bank's resources for lending to SMEs are especially required by the branches located in Minsk and Minsk Region, since such enterprises are highly concentrated there.

The employees of Corporate Business and Customer Service Departments along with those of regional branches and branches cater for the needs of such SME customers.

Loans under the EBRD's Program can be extended in 13 micro-lending units of Grodno, Brest, Lida, Pinsk, Mogilev, Bobruisk, Vitebsk, Gomel, Mozyr, Borisov, Orsha, Baranovichi, and in Central Minsk Branch.

All officers employed in sectors of micro-lending attended trainings on the EBRD's lending procedures to extend loans to small and medium enterprises.

In 2013, 257 loan agreements were concluded as part of EBRD Program (compared with 188 in 2012). As at January 1, 2014, the fixed debt liability amounted to BYR 163.2 billion (compared to BYR 69.2 billion as at January 1, 2013).

In November 2013, the Bank held a seminar dedicated to Russian-Belarusian co-operation in the development of small and medium-sized businesses involving representatives of subsidiaries of Vnesheconombank Group, the Chamber of Commerce, EXIAR, Kuniyavskiy Business Union of Entrepreneurs and Employers, business of the Republic of Belarus as well as the Russian Federation.

The solution to the strategic objective in terms of increase in the volume of transactions with customers engaged in SMEs was found by using the following approaches and tools:

- SME customers were offered various service packages, including cash management services;
- Concentrated interaction with the client in one point of sale;
- Increase in the intensity of use of remote channels regarding SME customers;
- Improvements in the credit product line;
- Marketing activities promoting products and services provided to SME customers (ongoing promotional activities, competent and efficient branding of banking products, and etc.);
- Practical techniques of interaction with customers and improvement in the professional level of front office staff;
- Feedback from customers of the Bank including collecting and processing necessary information for further analysis in order to further improve the quality of service.

Support for Small- and Medium-Sized Enterprises

A breakdown by region of the SME loan portfolio is provided in the table below.

Region	Outstanding amounts as at January 1, 2014 (BYR, billion)	Share in the total SME portfolio as at January 1, 2014 (%)	Outstanding amounts as at January 1, 2014 (BYR, billion)	Share in the total SME portfolio as at January 1, 2014 (%)
Brest	184,5	4,07	109,5	2,7
Vitebsk	292,35	6,46	203,7	5,0
Gomel	187,3	4,14	111,3	2,8
Grodno	125,2	2,77	113,1	2,8
Mogilev	84,4	1,87	100,0	2,5
Minsk	218,15	4,82	140,0	3,5
City of Minsk	3 432,9	75,87	3 253,7	80,7
Total	4 524,8	100,0	4 031,2	100,0

A breakdown by industry of the SME loan portfolio as at January 1, 2014, is provided in the table below.

Industry	Portfolio amount as at January 1, 2014 (BYR, billion)	Share in the total SME portfolio as at January 1, 2014 (%)	Portfolio amount as at January 1, 2013 (BYR, billion)	Share in the total SME portfolio as at January 1, 2013 (%)
Agriculture, hunting, forestry	27,1	0,6	40,5	1,0
Manufacturing industry	803,3	17,75	654,8	16,2
Electric power generation, gas and water production and distribution	17,9	0,4	12,3	0,3
Construction	111,0	2,45	41,0	1,0
Trade, repairing of cars, household and personal appliances	851,1	18,8	753,2	18,7
Transportation and communication	878,2	19,4	659,9	16,4
Financial activities	317,5	7,0	507,2	12,6
Real estate operations, lease and consumer services	1 481,9	32,8	1 110,7	27,6
Other	36,8	0,8	251,6	6,2
Total	4 524,8	100,0	4 031,2	100,0

2.4

Support for Small- and Medium-Sized Enterprises

2.4.3

Financing of SME Investment Projects in 2013

In March 2013, the Bank's Brest Regional Branch opened a letter of credit worth Euro 84,230 by order of Remzhilstroy Ltd. in favor of Dosa Gran Ltd. (Russian Federation) to carry out the acquisition of equipment for a period of 3 years.

In conformity with the feasibility study on funding needs, Remzhilstroy Ltd. decided to establish wood processing production, including wood harvesting and processing as well as recycling (waste production pelletizing - production of fuel pellets), and to expand the list of items produced. The enterprise developed an investment project referred to as Creation of Production of Wood in Pelische Village of Kamenetz District. With a view to implementing the project, the Bank's Brest Regional Branch and the Brest Regional Executive Committee signed an investment contract as of May 18, 2012. The project implementation period includes May 2012 - April 2014.

The project provides a platform for raw materials, storage, support and manufacturing facilities, purchase and installation of sawmill and pelletizing line. The Company and Dosa Gran Ltd. concluded the Agreement on Supply of Process Equipment for Fuel Pellets Production.

Fuel pellets are highly energy efficient, do not require special storage and transportation conditions, keep their properties unchangeable during a long-term storage period, are rot resistant, show exceeding combustion efficiency being comparable to coal, are connected to relatively low manufacturing costs. Burning pellets produce as much CO₂ as absorbed by a plant during its growth period. Unlike other types of fuel pellets, they are not explosive and not subject to spontaneous ignition at higher temperatures. No chemicals are required in the pressing process

In September 2013, Brest Regional Branch opened an uncovered letter of credit worth Euro 219,354 with deferred payment for a 5-year period on behalf of BUGINCOM Ltd. in favor of WachTec Cleaning Technology GmbH (Germany) under the supply contract for the acquisition of equipment for a period of 3 years in accordance with the decision of the Superior Credit Committee.

According to the feasibility study, financing needs arose in connection with the investment project referred to as Construction of the Center of Trade and Services for Car Owners and implemented by BUGINCOM Ltd. The building is the object of investment activities under

the contract signed between BUGINCOM Ltd. and Brest Regional Executive Committee. The place of project implementation is Brest. The aim of the project is to improve the quality of the car wash. The car wash called Softline 40 envisages use of a patented linear control technology with microprocessor control at all stages of washing. According to the contract, the purchased conveyor car wash is equipped with purification plants and water recycling systems. The tunnel car wash has mechanical impact on car paint coating thanks to special brush segment material (expanded polypropylene) as well as up-to-date environmentally friendly and safe detergents.

One of the most essential projects implemented by Vitebsk Regional Branch as part of the Bank's work undertaken to support small and medium-sized businesses is financing of construction of a modern shopping center in Novopolotsk. The borrower is represented by Torgovy Dom Strelez Ltd. The total value of the project accounted for USD 7 million at the beginning of its implementation, whereas the Bank's investments made up USD 1 million. The project is intended to construct a shopping center with a total foot floor of 13 thousand square meters, including shops selling food and industrial goods, baby products, household appliances, a pharmacy, mobile operator centers. This project will exert a positive impact on the infrastructure of Novopolotsk, since the construction is carried out in close proximity to the new microdistrict of the city.

Borisov Regional Branch opened a non-revolving credit line worth BYR 4,652.3 million in favor of SatBor JV Ltd. for the purchase of production equipment and real

estate as part of the Agreement on Cooperation in Provision of easy Loans, Including Micro-Credits, to Small Business Enterprises of Minsk Region concluded between the Minsk Regional Executive Committee and the Bank as of February 15, 2013, and Presidential Decree No. 255 as of May 21, 2009. The credit facilities were used to organize the manufacturing process of energy-saving products made of domestic fuels (fuel wood chips) in Bolshaya Uhaloda Village, Borisov District, Minsk Region. The main consumer of fuel chips is Minskenergo RUE, Zhodinskaya Heat Station Branch. The enterprise's intention is to work out solutions in terms of export matters. The project resulted into creating 10 additional working positions.

Bobruisk Regional Branch located in Mogilev Region financed an investment project of Shinoremont OJSC referred to as Crumb Rubber Production as part of measures aimed to support small and medium businesses

Mechanical method and pyrolysis belong to the main methods of disposal of used tires and rubber waste. Due to the fact that the second method of processing is quite environmentally unfriendly (strong pungent odor, emission of harmful substances) and does not correspond to the environmental legislation of the Republic of Belarus, Shinoremont OJSC initiated tire recycling by mechanical manufacturing of rubber crumb.

In an effort to implement the project, the enterprise and Alfa-SPC Ltd. signed a contract on purchase of the line for converting worn tires with a diameter of 1200 mm into rubber crumb. The contract value accounts for RUR 8.5 million, whereas the share of the credit facilities makes up RUR 5.95 million.

2.5 Charity

The Bank's charitable activities are carried out in accordance with Presidential Decree No. 300 On Provision and Use of Gratuitous (Sponsor) Aid dated July 1, 2005, as well as other legislative acts, and are regulated by Procedures on Review of Applications of Individuals and Legal Entities Concerning Provision of Gratuitous (Sponsor) Aid, Donations and Contributions in Bank BelVEB OJSC approved by Order No. 40 of the Management Board of BelVEB OJSC dated February 6, 2013.

The Supervisory Board is entitled to take decision as to whether grant gratuitous (sponsor) assistance in accordance with the norm of funds intended for charitable purposes and approved by the General Meeting of Shareholders of the Bank BelVEB.

The priorities of charitable activities of the Bank include social support and assistance provided to children of citizens, development of science, education, arts and culture, sports of records, environmental projects.

In 2013, the Bank implemented a multi-vector policy in the field of sponsorship and charitable activities.

Thanks to the Bank's financial support in 2013, the National Library of Belarus began to implement a nationwide project aimed to prepare and issue the first facsimile edition of the complete collection of books printed by Skaryna. The project dedicated to the 500th anniversary of edition of Skaryna's first book for eastern Slavs is to be implemented during a 5-year period as part of 2011 – 2015 State Program on Culture of Belarus.

In 2013, the Bank continued collaborating with the National Academic Bolshoi Opera and Ballet Theatre of Belarus, having granted gratuitous (sponsor) assistance and acted as the General Partner of IV Minsk International Christmas Opera Forum.

Showing concern about measures preserving and promoting the national cultural heritage, the Bank took part in financing the project of the National Academic Yanka Kupala Theatre related to the premiere of Pan Tadevush held in Paris as part of the 2014 Days of Belarusian Culture in France so as to contribute to development of theatrical art.

During the reporting year, the Bank provided financial support to the Center of the Belarusian Culture, Language and Literature Research of the National Academy of Sciences of Belarus, having allocated its funds to carry out research in the field of the Belarusian easel painting of XVII - XIX centuries and to completely restore the icon referred to as Ascension of Christ - Intercession dated as late XVIII - early XIX centuries.

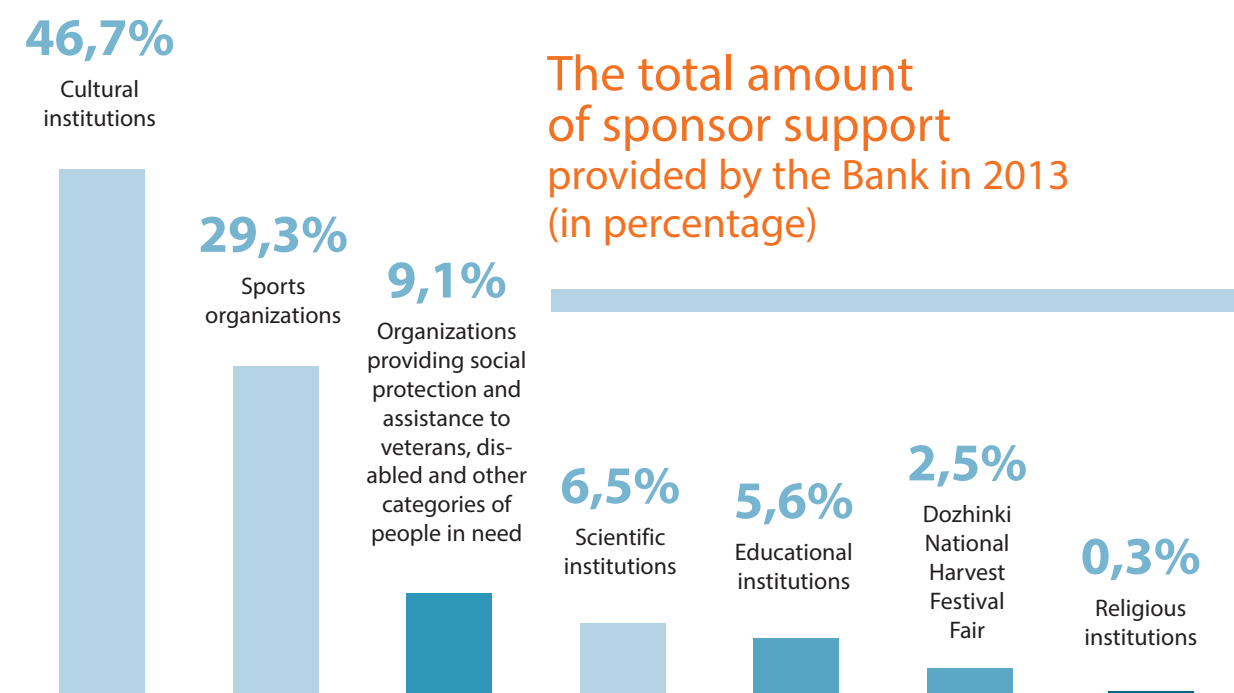
Having obtained the financial support of the Bank in 2013, the Belarusian State Academy of Music took part in the international project referred to as Days of the Belarusian State Academy of Music in the Latvian Jazep Vitol Academy of Music. The project was aimed at strengthen-

ing the international prestige of the Belarusian Academy of Music, promoting the national musical art abroad and developing new contacts between representatives of the talented young people of Belarus and Latvia.

In order to support the Olympic movement in Belarus, to contribute to holding sporting events (2013 World Cup Track Cycling) as well as to preparing athletes for 2014 Winter Olympics in Sochi, the Bank provided assistance to the Representation of the National Olympic Committee of Belarus in Minsk.

So as to contribute to conducting 2013 Dozhinki National Harvest Festival Fair in Zhlobin, the Bank provided gratuitous (sponsorship) assistance to Unicom Municipal Housing Unitary Enterprise to partially finance modernization and reconstruction measures in terms of facilities and landscaping.

Throughout 2013, the Bank supported organizations providing social protection and assistance to veterans, disabled and other categories of people in need, such as the Eleos City Charitable Foundation, the Baranavichy Muni-



pal Organization of the Belarusian Veterans Association, the Belarusian Association for Disabled Children and Young People, the Grodno Municipal Organization of the Belarusian Veterans Association, the Minsk Municipal Organization of the Public Association referred to as the Belarusian Society of Disabled People.

In the reporting year, the Bank also rendered gratuitous (sponsorship) assistance to state educational institutions, including the Belarus State Economic University, the Minsk Boarding School No. 10, the Volkovysk Secondary School No. 7, the Gomel Secondary School No. 21, the Glubokoye Children's Art School, the Volozhin Family-Type Orphanage. The Bank continued holding up such a tradition in order to create and strengthen its material and technical base.

Financial support was also provided to the parish of the Church of Holy Peter and Fevronia of Murom in Gomel and Bialynichy District Byalynitsky-Birulya Art Museum.

The total amount of sponsor support provided by the Bank in 2013 reached BYR 3,995.7 million, including:

- BYR 1,867.0 million to cultural institutions;
- BYR 1,170.0 million to sports organizations;
- BYR 364.0 million to organizations providing social protection and assistance to veterans, disabled and other categories of people in need;
- BYR 224.7 million to educational institutions;
- BYR 10.0 million to religious organizations;
- BYR 360.0 million to other organizations.

All donees submitted written reports and documents to the Bank to confirm purpose use of the funds received.

A breakdown by industry of the total amount of sponsor support rendered by the Bank in 2011 – 2013 and its planned value in 2014 is provided in the table below.

Donatees	2011		2012		2013		Planned value for 2014	
	BYR million	Share in the total amount, %	BYR million	Share in the total amount, %	BYR million	Share in the total amount, %	BYR million	Share in the total amount, %
Cultural institutions	130,0	22,4	210,0	7,5	1 867,0	46,7	2 750,0	51,9
Sports organizations	315,0	54,3	575,0	20,6	1 170,0	29,3	1 050,0	19,8
Educational institutions	57,0	9,8	1 965,0	70,4	224,7	5,6	360,0	6,8
Organizations providing social protection and assistance to veterans, disabled and other categories of people in need	70,0	12,1	-	-	364,0	9,1	410,0	7,7
Health-care organizations	8,0	1,4	-	-	-	-	430,0	8,1
Others	-	-	40,0	1,5	370,0	9,3	300,0	5,7
Total	580,0	100,0	2 790,0	100,0	3 995,7	100,0	5 300,0	100,0

3

CORPORATE LIFE OF THE BANK

3.1

HR Policy

3.2

Bank Personnel
Characteristics

3.3

Personnel Training
and Professional
Development



3.4

The Bank's
Personnel
Remuneration
and Incentive
System

3.5

Occupational
Health
and Safety

3.6

Raising
Environmental
Consciousness



3.1

HR Policy

3.1.1

Major Issues of the HR Management Strategy

The Bank's development strategy with regard to the human resources management is determined by the 2012 - 2016 HR policy of Bank BelVEB OJSC approved by Resolution of the Management Board No. 364 dated July 11, 2012.

The major strategic orientation of the Bank's personnel policy is an integral part of 2011 – 2015 Development Strategy of Bank BelVEB OJSC. This strategy determines the major aims and goals of the human resources management.

The Bank's human resources policy is based on the principles of goal orientation, formalization and efficiency corresponding to its general concept, which is considered and implemented at the strategic, operational and operating levels.

The major goals set by the Bank's human resources management strategy are:

- to arrange conditions for HR development based on contemporary and an efficient HR management system;
- to implement the system of mass training of specialists and executives of different levels;
- to strengthen requirements for the management skills and competence of executives of various levels;
- to plan career and professional development, self-improvement of the Bank's personnel during the professional life;
- to formalize and to transform the HR records management based on the state-of-the-art information technologies and automation processes;
- to provide satisfaction of the employees with their labor conditions and labor remuneration.

3.1 HR Policy

3.1.2

Significant Events in the HR Management

Pursuant to the Schedule of Measures for implementation of 2011 – 2015 Development Strategy of Bank BelVEB OJSC, in the reporting year the Bank assumed a set of measures to implement transition to the wage system based on grades, beginning from January 1, 2014. For this purpose, the Bank adopted the local regulations governing shift of the employees to another positions and assignment of respective qualifications, in particular:

- Regulations on Remuneration and Incentives in Bank BelVEB OJSC No. 23 approved by the Supervisory Board of JSC Bank BelVEB OJSC dated November 29, 2013;
- Regulations on the Grading of Posts in Bank BelVEB OJSC No. 512 approved by the Management Board dated October 16, 2013;
- Regulations on Annual Dialogue with Employees of Bank BelVEB OJSC No. 513 approved by the Management Board of Bank BelVEB OJSC dated October 16, 2013.

As at June 25, 2013, Regulations on Awarding Employees of Bank BelVEB OJSC for the Main Results of the Bank's Activities No. 163, approved by the Management Board of Bank BelVEB OJSC, dated April 18, 2013, entered into force. According to the Regulations, premium payments are made in the context of profit centers (corporate and retail units) and cost centers.

The composition of the personnel pool for promotion to executive positions, approved by Resolution of the Management Board No. 122 dated March 7, 2013, was updated.

In order to enhance centralization and further coordination of the HR activities, the functions for the staffing support to the Bank's regional divisions and branches were extended (Letter No. 15-01-29/529 dated October 28, 2013).

The Bank carried out activities on documentation of labor relations with the Bank's employees with fixed term employment contracts. As of the end of the year under report, the fixed term employment contracts were signed with 2,282 employees, or 99.5 % of the total staff (2,294 employees).

The Bank worked out a corporate competency model on employee categories including "experts", "middle managers", and "senior executives".

The Bank also developed models of managerial skills and personal effectiveness competencies of middle and senior managers, having created a profile of middle and senior managers of the Bank.

A set of measures were conducted to present models of professional competence and personal effectiveness competencies of economists of retail and corporate business. On the basis of the model, the Bank created profiles of positions in compliance with such employees categories as "economist", "I category economist", "II category economist", "leading economist", "chief economist".

The Bank developed and keeps up to date the database of assessment procedures for professionals and middle managers.

In an attempt to improve the quality of the employees filling the vacant positions, the Bank implemented testing procedures during the primary interview with the candidates.

The Bank's employees were assessed to be included in the reserve for promotion to the management as well as the Bank's key positions.

3.1 HR Policy

3.1.3 Personnel Education, Recruitment and Administration

Personnel education, recruitment and arrangement is carried out pursuant to Regulation on Personnel Recruitment and Deployment in Belvnesheconombank OJSC, approved by Resolution of the Board No. 33 dated February 26, 2009, as revised by Resolution of the Board No. 124 dated March 27, 2013.

The Regulation sets forth the procedures followed by the Bank in selection of candidates for vacant positions, approval of their employment, position change, documenting of such procedures, and determines the staff responsible for recruitment and approval of candidates for vacant positions.

The personnel selection is carried out by the Bank's Management and the management of divisions provided there arises such a need due to the establishment of new functions, increase in work load, discharge of the personnel, and etc.

The main objective of the personnel administration is to form active labor collectives based on detailed co-ordination and co-operation of all their members, their psychological compatibility ensuring efficient operation of all structural divisions of the Bank, and to create conditions for career advancement of each employee.

The personnel administration is based on rational distribution of the staff between different units, sections and

positions in conformity, on the one hand, with the system of labor division and co-operation accepted by the Bank, and, on the other hand, with abilities, physiological and business qualities of employees, meeting the requirements of the position taken.

The major personnel administration principles include:

- voluntariness, or a voluntary nature of the participation of candidates in the personnel selection and arrangement procedures;

- internal promotion priority, i.e. priority of the internal candidates along with the observance of any other criteria for the professional aptitude;

- compliance with law and ethic, i.e. the unswerving adherence to the legislation of the Republic of Belarus and ethic norms in the personnel selection and arrangement processes;

- confidentiality, i.e. disclosure of the candidates' personal information only to the Bank's officers directly engaged in the personnel selection and arrangement procedures.

The following methods are used for the personnel selection for the structural divisions of the Bank:

Using the internal information of the candidates: search of the candidates in the in-house database of the internal candidates, in the personnel pool for promotion to the executive positions; placement of the vacancy information on the Bank's internal site.

Using the external information of the candidates: search of the candidates in the in-house database of the external candidates and on the specialized Internet sites; placement of the vacancy information on the Bank's external site, in the mass media, on the message board of the ICC Bank inquiry and communications system; co-operation with educational institutions, employment agencies; participation in vacancy fairs, and etc.

The personnel arrangement is carried out with due consideration of the employees' qualification, potential and personal contribution to the development and improvement of business processes.

During 2013, over 1,000 employees of the Bank had been shifted to other positions, including 257 employees shifted to the executive positions. Such an active staff turnover was caused by significant changes in the staffing structure of the Bank in connection with the optimization of business processes.

3.1 HR Policy

3.1.4

Creation and Development of Personnel Pool, Retired Employees Adaptation

Pursuant to the Regulation of the Managerial Staff Pool of Belvnesheconombank OJSC, approved by Resolution of the Board No. 35 dated February 26, 2011 (as amended by Resolution of the Board No. 346 dated September 07, 2011), the Bank created a staff pool so as to promote its personnel to managerial positions.

The Regulation includes a list of posts formed to replace the personnel reserve; sequence of events held in the Bank during the formation of the personnel reserve, further working with it, as well as its documentation; criteria for evaluating candidates for admission to the personnel reserve; employees responsible for the formation of the personnel reserve. The personnel reserve is made up of the Bank's employees with leadership and managerial qualities, capable of managing in modern conditions, and meeting the relevant qualification requirements for the relevant decision-making positions.

The purpose of the personnel reserve is to train staff included for their further engaging in certain leadership positions, to form highly qualified management personnel, to effectively use human resources. The personnel policy related to the personnel reserve affects the efficiency of transactions carried out by the Bank.

The personnel reserve is based on an objective assessment of business and personal qualities of candidates for leadership positions of the Bank; non-discrimination on grounds of gender, ethnicity and religion. The Bank's employees can be included in the reserve with their consent only.

Candidates for the personnel reserve can be nominated by the head of the structural unit of the Bank.

The Personnel Department annually summarizes lists of candidates, works out a draft of the personnel reserve for promotion to senior positions of the Bank and submits it to the Board for approval not later than on February 25.

In 2013, 24 of 340 employees of the Bank included in the personnel reserve for executive positions were shifted to higher posts.

The tenure of employees in the personnel reserve is determined by practical expediency and prospects of their professional advancement.

When considering candidates for a vacant post included in the list of positions for the reserve personnel, preference is given to employees enrolled in the personnel reserve.

24 of 340 employees of the Bank included in the personnel reserve for executive positions engaged into higher posts in 2013.

With the purpose to adapt dismissed employees upon termination of an employment contract pursuant to paragraph 1 article 42 (liquidation of organization, winding-up of an individual entrepreneur, reduction of personnel) of the Labor Code of the Republic of Belarus, the employer is obliged to notify the employee in writing at least two months prior to the dismissal date. In case of pending

mass dismissal of employees, the employer, at least 2 months prior to such dismissal, is obliged to notify the government employment service of the fact, stating the job, profession and salary of the employees. The criteria for the mass dismissal are determined by the Government of the Republic of Belarus or an agency authorized to do so.

Pursuant to the Collective Agreement concluded between the Employer and the employees of Bank BelVEB OJSC and registered by the administration of Moskovsky District of the City of Minsk on January 6, 2011, the employee is entitled for one free day per week with payment of 50% of the average wage to arrange their self-employment with another employer within the notification period.

3.1 HR Policy

3.1.5

Social Support of Personnel

The social support of personnel is carried out pursuant to the legislation of the Republic of Belarus, Regulations on Compensation for the Employees of Belvneshconombank OJSC and Welfare Payments, the Collective Agreement signed between the Employer and employees of Bank BelVEB OJSC.

In 2013, so as to improve social support of employees, the Bank took decisions on payment of welfare to the Bank's employees:

- on the occasion of marriage – one official rate of pay (61 cases);
- on the occasion of death of close relatives - one official rate of pay, but not less than 60 basic units (69 cases);
- due to family commitments (targeted assistance to large and single-parent families, to the families bringing up disabled children, to the employees undergoing medical treatment) (164 cases);
- for purchase of tours, medical treatment, rehabilitation or domiciliary health improvement (all employees at a time) – 50 basic units (2,316 cases);
- on the occasion of festal days and memorable dates (combatants, liquidators of Chernobyl disaster) (19 cases);
- for procurement of agricultural produce (all employees at a time) – 10 basic units (2311 cases).

Financial assistance was provided in connection with:

- the 20th, 30th and the 40th anniversary of employment in the banking system (88 people),
- anniversary of employees (102 people),
- purchase of tours, medical treatment or rehabilitation on holiday (2,201 people),
- professional holidays (2,306 people),
- Christmas and New Year (2,294 people),
- the Women's Day, the Day of Defender of the Motherland (2,314 people).

One of the lines of the Bank's employee social security is the protection of parenthood and childhood. Since the employees are entitled for a month's salary bonus on the occasion of birth of a child, 109 people were granted assistance worth one basic salary. In 2013, 177 employees on a child care leave got a one-off payment in the amount of 20 basic units.

In 2013, welfare assistance was rendered to the employees with:

- children at the age from 6 to 17 years old, to the beginning of the school year (762 employees);
- children at the age up to 17 years old for health improvement of children (1,432 employees).

In December 2013, the Bank provided Christmas presents for 986 children of the employees.

In 2013, in order to provide sustainable operation of and to decrease losses due to the employees temporary incapacity for work, the Bank initiated:

- agreements signed with specialized institutions for medical care;
- immunization of 290 employees against influenza.

Employees and their children were provided vacation packages at the expense of the state social security funds. In 2013, 19 employees and 29 children improved their health in the health resorts of the Republic of Belarus and abroad. 65 children of the Bank's employees at the age of 6 to 17 had vacation in recreation camps.

One of the directions of the Bank's social policy includes welfare assistance to the retirees.

The Supervisory Council of the Bank approved the Provisions on welfare assistance to the retirees (former employees of the Bank who had worked in the Bank at least 10 years). As of January 1, 2014, the monthly welfare assistance was paid to 2,492 retirees.

So as to enhance material incentives of the employees in the improvement of personnel work results, to retain highly qualified employees, to increase social security and the scale of living upon reaching the retirement age, the Bank's Management Board approved the Provisions on voluntary insurance of the employees. The Bank signed a contract on voluntary insurance of employees of Bank BelVEB OJSC in Stravita No. 1/13 dated January 28, 2013. The insured event concerns the retirement age of the insured person in accordance with the laws of the Republic of Belarus. The premium amount depends on the position of the employee. The number of insured employees of the Bank makes up 543 as at December 31, 2013.

In 2013, bonuses were paid to the employees who:

- were put to the roll of honor for their contribution to the Bank's development;
- were awarded a Certificate of Merit for their achievements in labor and professional skills.

3.1 HR Policy

3.1.6

Trade Union Organization

The Bank has a joint trade union organization comprising the trade union organizations of the Head Office and 23 branches of the Bank.

The trade union committee coordinating activities of all subdivisions, including matters of financing the primary union organizations, arranging cultural and sporting events, policymaking and training the union's core group, was elected. The trade union conferences are held on a regular basis so as to discuss the results of fulfilling the collective bargaining agreement, the results of activities of the branches' unions and to share some positive experience.

As at January 1, 2014, the joint trade union organization comprised 2,180 members, or 95% of the bank's personnel.

The Bank's trade union is active in protecting the employees' interests and opinions. Therefore, 25 trade union groups were established, and their representatives communicate the necessary information and arrange for feedback to provide for further enhancement.

The members of the trade union may address the trade union bodies by all available means of communication, e.g. orally, in written form or by electronic means. In 2013, written requests were generally connected to rendering certain welfare benefits, compensations or privileges. All such requests were honored provided good reasons and supporting documents had been presented.



Labor and social relations between the employer and the Bank's employees are governed by the Collective Bargaining Agreement. Pursuant to the labor law, the term of such an Agreement shall not exceed 3 years. The Agreement is binding for the employer and all employees engaged under the terms of the labor contract.

Under the Collective Bargaining Agreement, the employer can establish all necessary legal, economic, personnel and organizational conditions and guarantees for professional formation of the employees and for contribution to their spiritual, cultural and physical development.

The Collective Bargaining Agreement determines the periods for notification of employees of material changes in the Bank's activities, regulations on amounts, procedures and time of payment of salary and bonuses, measures for improvement of social protection of the employees and advancement in their living standards. In particular, in case of liquidation or reorganization of the Bank resulting in job cuts or deterioration in labor conditions, the trade union shall be notified at least 3 months in advance in order to enter into negotiations on the protection of rights and interests of the employees.

The Collective Bargaining Agreement makes provisions for a labor disputes commission, which shall be created on a parity basis of equal number of representatives of the trade union and the employer. In 2013, the commission held no meetings.

In summer the children of the employees may rest in recreation camps. In the year under report, 130 children got free rehabilitation at health resorts. In addition, 30 members of the union were partially recompensed for the cost of health resort vouchers.

In 2013, such major social events as the tourist gathering, the Winter Olympics, the Great Family Ice Sports Fest, attended by more than a thousand of the employees, were held. The Bank's futsal, Russian billiards and volleyball teams took part in city and interbank tournaments. In the year under report, for the first time the Bank's team took part in the Vnesheconombank Group Olympics and won a Chairman Cup. Besides, for the first time the Trade Union Committee organized and held active business games as part of team-building training for members of the Bank's trade union.



Notwithstanding the absence of a sports base of its own, the Bank created all conditions for health promotion and going into sports. The members of the trade union are entitled for discounts on tickets to the city fitness centers. Annually the Bank signs an agreement with the World of Fitness Sporting Complex and rents gyms for team sports.

Within the framework of the healthy lifestyle promotion, the Bank organized visiting of sporting events of different levels, including football and hockey games, sport tournaments and competitions.

Throughout the year, the Bank arranged tours to Berlin, Budapest, Kiev, Grodno, Turov, Narach, Mir and other places of interest. The employees of the Head Office attended 7 excursions. The total number of participants amounted to 350 people.

The trade union members have the possibility to attend certain cultural events at a discounted price.



3.2 Bank Personnel Characteristics

As at the end of the year, the actual number of the Bank's staff amounted to 2,294 people, including 3 part-time employees. As compared to 2012, the actual headcount increased by 17 people.

The average age of the employees is 37.5 years. The share of females is 69.1%, whereas the share of males makes up 30.9%. The ratio of employees at the age under 30 is 31.1% (689 employees), from 31 to 50 years old – 57.1% (1,311 employees), from 51 and over – 12.8% (294 employees) respectively.

The core of the Bank's staff includes specialists with higher and specialized secondary education making up 92.8% of the total headcount.

In 2013, the turnover ratio of dismissed employees, calculated as the ratio of the total number of the employees dismissed to the average headcount, was 15.8%, the number of the employees dismissed in 2012 made up 17.3%.

The personnel lapse factor calculated as the ratio of the employees dismissed for truancy and other labor discipline violations to the employees dismissed of their free will in the year under report amounted to 6.2 % (compared to 7.4% in 2012).

The table below describes the total number of the Bank's employees by age groups, sex and regions, and the number and share of dismissed employees to the total headcount as at the end of the reporting year.

In 2013, the labor contracts with the Bank's employees were terminated for the following reasons:

- for reasons beyond the parties' control – 2 people;
- due to recruitment by another employer – 10 people;
- at instigation of the employee (of own free will, including due to retirement, disability) – 12 people;

■ upon expiration of the employment contract – 155 people;

■ upon agreement of the parties – 129 people;

■ at instigation of the employer – 27 people.

Item	Number of Employees	Number of Dismissed Employees	Percentage of Dismissed Employees to the Total Headcount, %
Total including:	2 294	335	14,6
up to 30 y.o.	689	111	16,1
from 31 to 50 y.o.	1 311	135	10,3
above 51 y.o.	294	89	30,3
Sex			
male	708	101	14,3
female	1 586	234	14,8
Head Office and Regional Branches			
Head Office	1 522	125	8,2
Branches and Cash Settlements Centers in Minsk and Minsk Region, total	247	85	34,0
Brest Regional Branch, branches and Cash Settlements Centers in Brest Region, total	119	25	21,0
Vitebsk Regional Branch, branches and Cash Settlements Centers in Vitebsk Region, total	113	32	28,3
Gomel Regional branches and Cash Settlements Centers in Gomel Region, total	121	27	22,3
Grodno Regional Branch and branches in Grodno Region, total	93	16	17,2
Mogilev Regional Branch and a branch in Bobruisk	79	25	31,6

3.3 Personnel Training and Professional Development

3.3.1 Personnel Training Process and Objectives

The Bank's personnel training process is governed by the Regulation on Personnel Training in Belvnesheconombank OJSC, approved by Resolution of the Board No. 459 dated November 30, 2011 (as amended by Resolutions No. 203 dated April 18, 2014, and No. 44 dated February 06, 2013).

Training of the Bank's employees is aimed to provide:

- efficient performance of structural divisions;
- training of managers and specialists with a high level of professional skills and competence;
- satisfaction of the employees' needs in professional promotion.

Directions of the short-term professional training of the Bank's employees include:

- advanced training of the managers and specialists;
- participation in seminars, trainings, courses, forums, conferences and other training events held by financial, consulting and other companies located on the territory of the Republic of Belarus and abroad;
- training at the Bank within the framework of topical seminars and trainings; and self-education.



3.3

Personnel Training and Professional Development

3.3.2

Scope and Modes of Personnel Training in 2013

The Bank annually makes an assessment of the need in the employees training.

Generally, short-term courses were available to 1,855 of the employees in 2013.

During the reporting year, the Bank introduced a system of distance learning. About 200 employees engaged in retail banking attended three distance e-learning courses dedicated to basic banking products.

In 2013, 68 training sessions were held, in which participated 1,234 employees (235 representatives of the Head Office, 999 representatives of regional offices (branches)).

621 employees attended training courses provided by external organizations locally and abroad, including 501 employees of the Head Office and 120 representatives from regional branches.

156 employees participated in seminars, conferences, forums and other training events, including in Russia – 65 employees, in Ukraine – 45, in Austria – 16, in France – 3, in Greece – 3.

Within the framework of foreign events, the Bank employees had an opportunity to get new knowledge and to exchange experience with the leading specialists of the foreign financial institutions, including the Bank for Development and Foreign Economic Affairs (Vnesheconombank) State Corporation, the European Bank for Reconstruction and Development, Commerzbank AG, the Association of Banks in Central and Eastern Europe, the Moscow International Currency Association, the International Banking Systems (Misys), the Association of Regional Banks of Russia Non-Profit Organization, the European Business Congress, the Business Centre of CIS Economic Development, Prominvestbank PJSC, MasterCard Europe, ICC Austria, VISA, KBC Bank Brussels, Deutsche Bank Trust Company Americas.

During the year under report, 24 employees participated in English language courses.

Category	Number	Total training hours	The average training hours per employee/year, by category
Managers	495	12 675	25,6
Specialists	1 711	13 677	8,0
Workers	88	-	-

3.3 Personnel Training and Professional Development

3.3.3

Incentives
in the area
of education
of young people

In 2013, the Bank continued its cooperation with higher and specialized secondary educational institutions of the country in training of specialists for the banking system. 232 students (213 from higher and 19 from specialized secondary educational institutions) were trained in different divisions of the Head Office.



3.4

The Bank's Personnel Remuneration and Incentive System

The Bank ensures its employees remuneration at a level not lower than the minimal compensation rate provided for by the legislation of the Republic of Belarus. At the end of 2013, the minimal compensation set forth in the Republic of Belarus amounted to BYR 1,532,230. The salary of the initial level specialists of the Bank is 2.3 times higher than the minimal compensation rate.

In general, the current remuneration rate for the Bank's employees is at a level of the average market indicators in the financial sector.

The existing Regulations on Belvnesheconombank OJSC Personnel Remuneration and Social Payments were approved by the Supervisory Board of the Bank on December 28, 2010, and became effective on January 1, 2011.

The elements of the Bank's employee remuneration and incentive system are described in the table.

Pursuant to the Labor Code of the Republic of Belarus, labor discrimination, including in terms of remuneration matters, is prohibited and, therefore, the wages cannot depend on the gender employees. The ratio of male and female base salaries in all categories of employees is 1:1.

Base salary	Established when employment contract is executed within the range of base salaries and adjusted for the employee qualifications and experience, the complexity of work performed.
Incentives	The incentives include: performance bonus; special bonuses (for assignments of special importance (urgent), for development and implementation of new banking products, effective performance of tasks for improvement of major economic indicators, improvement of certain operational procedures, following the results of competitions, including The Best in Trade, etc.); year-end performance bonus.
Welfare Benefits	Access to additional paid leaves (for solving social and household problems, marriage, death of close relatives).
Compensation payments	Made in accordance with the laws of the Republic of Belarus. The following types of compensation payments apply to: all types of extra pay and compensation payments provided for by the legislation of the Republic of Belarus; entitlement to an additional leave for irregular working hours; extra pay for special characteristics of work and working conditions.

3.5

Occupational Health and Safety

3.5.1

Major Personnel Health and Safety Risk Factors in 2013

The uniform system of organization of labor protection is defined in the Regulations on the Organization of Labor Protection in Belvnesheconombank OJSC, approved by Chairman of the Management Board dated July 25, 2011.

The Regulations stipulate duties of officials to ensure healthy and safe working conditions for employees. The overall labor protection management is carried out by the Chairman of the Board.

The Deputy Chairman of the Board assumes accountability for organizing the labor process.

Direct management of the organization of labor protection is performed by the Director of the Administration Department who fulfills obligations of the Chairman of the Commission for Verification of Knowledge of Employees on Labor Safety Matters. Occupational Safety and Health Division of the Administration Department is responsible for developing and implementing occupational safety procedures and enforcing the occupational safety legislation.

Responsibility for the organization and the state of labor protection at the Bank is taken by heads of structural units.

The main risks related to health and safety of the staff of the Bank and risk management measures are defined in the annex to the OSH Management System of Bank BelVEB OJSC in the context of structural units and staff positions.

Activities related to health and safety in the Bank shall be carried out in co-operation with the state regulatory bodies, the Trade Union Committee and other public organizations.

3.5 Occupational Health and Safety

3.5.2 Personnel Health and Safety Protection in 2013

In an effort to provide for normal personnel working conditions in 2013, the Bank undertook measures under the 2013 Schedule of Measures for Occupational Safety in Belvneshconombank OJSC approved by the trade union in Belvneshconombank OJSC.

The criteria for normal working conditions were set forth in the Regulations on Assessment of Work Places by Working Conditions, approved by Resolution of the Council of Ministers No. 253 dated February 22, 2008, and the Guidelines for Assessment of Labor Conditions in Assessment of Work Places by Working Conditions, approved by Resolution of the Ministry of Labor and Social Protection of the Republic of Belarus No. 35 dated February 22, 2008.

In 2013, in order to improve the working conditions of employees, the Bank renovated its offices, carried out a phased replacement of outdated computers by new-generation equipment, installed air conditioning equipment in the offices, and acquired the necessary appliances as well as furniture.

In 2013, the Bank spent:

BYR 2,786.6 million to upgrade the hardware;

BYR 141,229.7 million to improve the labor conditions, to reduce the exposure to hazardous occupational factors and to install air conditioners;

BYR 2771.5 million to purchase new vehicles.

In compliance with Decision of the Ministry of Health of the Republic of Belarus No. 59 On Approval of Sanitary Norms and Requirements for Working with Video Display Terminals and Electronic Computers dated June 28, 2013, as well as the hygienic standard referred to as Limits of Normalized Parameters for Working with Video Display Terminals and Electronic Computers as of 2013, Ekoventnaladka Ltd. carried out measurements of occupational hazards in the Bank's working area including electrostatic field, electromagnetic field, microclimate, light and air.

As a result of the measurements carried out in the Bank, it is stated that the concentration levels of analyte in the Bank's workplaces comply with the maximum permissible norms.

Regular measurements of the impact of harmful factors in the workplace are held every year in the Bank. In the event of violation incidents of sanitary norms and rules, appropriate steps are undertaken to immediately remedy the causes.

The Bank continuously carries out activities on prevention of occupational injuries and diseases by personal interviews, compulsory instructions, training as well as quizzes on occupational safety.

The Bank performs a regular test to assess its employees' knowledge on labor safety matters.

In 2013, there were no violation incidents registered in the field of labor.

In 2013, there were no letters, statements, or complaints received in connection with occupational safety.

During the year under report, 322 new employees participated in an introductory briefing. 13 employees passed a mandatory medical examination.

Pursuant to the Occupational Safety Program in 2013, the Bank held 2 seminars on the Occupational Safety Legislation and Labor Protection in Structural Divisions amongst the employees of regional departments. The seminars were attended by 60 employees.

The Bank carried out a monitoring of female and underage employees as prescribed by the applicable law. In 2013, the Occupational Safety Unit received no complaints on the breach of this legislation.

The specialists employed by the Bank shall undergo an introduction training on occupational and fire safety at the Occupational Safety Unit.

3.5 Occupational Health and Safety

3.5.3 Civil Defense, Emergency Prevention and Response

In 2013, the training on civil defense and emergency prevention was governed by:

- Decree of the Chairman of the Board of Belvnesheconombank No. 286 on Organization of Civil Defence and Emergency Prevention (as amended by Decree of Belvnesheconombank OJSC No. 524 dated July 08, 2011, No. 298 dated April 18, 2012, and No. 565 dated June 27, 2012) dated December 29, 2009; and

- Decree of the Chairman of the Board of Belvnesheconombank No. 32 on Organization of Training on the Civil Defense and Emergency Prevention for the Training Year 2012 dated January 18, 2012.

In 2013, the activities related to the civil defense, natural and man-made emergency prevention were held pursuant to 2013 Schedule of Basic Measures for Operation of Belvnesheconombank OJSC of Minsk City Subsystem of the State System for Prevention and Relief of Emergency Situations (hereinafter – the Schedule) approved by the Chairman of the Board as at December 27, 2012.

In an attempt to advance activities on the civil defense and emergency prevention, the Commission on Emergency Situations, consisting of 6 employees, and the Evacuation Commission, consisting of 11 employees, were organized and are operating in the Bank.

The Bank also has free-lance civil defense components in place, including a group for protection of public order, a volunteer fire brigade, a radiation and chemical observation station, and a personal protective equipment issuing point with the total staff of 39 employees.

Pursuant to the Schedule, the following activities were carried out in the year under review:

1. The Bank initiated orientation and practical classes for the heads of training groups on organization and procedures of the 2013 training (February 14, 2013); for the personnel of the duty team of the Regime and Technical

Protection Unit of the Security Department on the subject of Practical Actions of the Service in Case of Warning Signals at Different Time of the Day and From Different Sources of Information (October 17, 2013). The classes were attended by 55 employees of the Bank.

2. The Bank carried out a practical training for the team responsible for maintaining facilities of the civil defense and the employees of the Bank on the subject of Procedures for Preparing and Completing the Civil Defense Protective Structure in Response to Relevant Civil Defense Signals (October 24, 2013).

3. The Bank put into practice complex civil defense training on the procedures in terms of the alert for the management bodies and organization of the personnel and customer protection in emergency situations to check both alert and gathering of the executive and command personnel of the Bank during off hours (November 24, 2013), in which 71 employees took part.

4. In 2013, the civil defense training of the Bank's managers and personnel was carried out pursuant to Decree on Organization of Civil Defense and Emergency Prevention, and the following classes were held:

- 15 hours in two groups of managers (department directors and their deputies);

- 15 hours in five groups of personnel of the civil defense components;

- 12 hours in thirty-two groups of the Bank's employees (all departments), not included in the civil defense components.

In an effort to provide for a self-training, guidance materials, slides and educational films on all topics of 2013 Training Schedule were placed on the Intranet site under the Civil Defense section.

In accordance with institutional guidelines on the preparation of government bodies as well as the Minsk State Emergency Service and Civil Defense Subsystem in 2013 and the recommendations of the Central District Department of the Emergency Management, amendments in terms of the training in the field of civil defense and protection in emergencies were made to the guidelines to prepare the Bank's employees in the field of civil defense and protection from natural and man-made emergencies during the year under report.

3.6

Raising Environmental Consciousness

3.6.1

Resource Consumption Metering

The major resources consumed by the Bank for office administration purposes are electricity, heat and cold water.

Resource consumption is metered at all real estate objects irrespective of whether it is the Bank's property or rented one.

At the real estate objects owned by the Bank, heat, electricity and water consumption is registered with meters. At the rented premises, actual consumption is registered by means of specific instruments, and in case of their absence by calculation method according to the terms of tenancy contracts and requirements determined in the normative technical documents.

3.6

Raising Environmental Consciousness

3.6.2

Energy Efficiency Activities

Pursuant to Directive of the President of the Republic of Belarus No. 3 dated June 14, 2007, referred to as Saving and Economy as the Major Attributes of Economic Security of the State, the Bank annually adopts the Program on Energy Saving. The Program determines measures for energy saving, in particular, in terms of replacing the outdated equipment by energy-efficient appliances so as to decrease electric and heat energy consumption.

Notwithstanding the measures taken to decrease electric energy consumption, in 2013 there was increase in consumption as compared to 2012 due to the installation of new energy-consuming equipment so as to create comfortable conditions for the Bank's employees and customers, as well as to provide for customer service, safety and status improvement. Commissioning of the new Bank building also affected energy resources consumption.

In 2013, the enclosing parts of the Bank's premises located in 32 Myasnikova St. were partially renovated in terms of its thermal system. These measures resulted in saving 408 GJ of the heat and electric energy as compared to 2012. The Bank's specialists make timely repairs of stop valves and plumbing fixtures and replace outdated equipment by technologically advanced one. As a consequence, in 2013 the water saving amounted to 2% as compared to the previous year.

For all the objects of the Bank located on the territory of the Republic of Belarus, the value of electricity consumption amounted to 4,397,186 kWh, which corresponds to 15,830 GJ; the value of thermal energy consumption amounted to 4,352 Gcal, or 18,221 GJ; the value of water consumption amounted to 24,895 cubic meters. (Figures are given for the buildings as a whole, excluding reimbursement of expenses for resources consumed by tenants).

Dynamics of electric energy and water consumption in the Head Office is shown in the table below.

No.	Indicator	2012	2013	Dynamics	Reasons for Consumption Growth/Decline
1	Electricity, total for the HO, GJ	6 536	7 840	+1 034	Consumption growth was caused by installation of new energy-consuming equipment to create comfortable conditions for the customers and employees of the Bank, improvement of the customers servicing, security and trustworthiness of the Bank and commissioning of the new building.
	32 Myasnikova St.	3 484	3 702	+218	
	10 Zaslavskaya St.	1 265	1 438	+173	
	13 Moskovskaya St.	288	291	+3	
	6 Skryganova St.	1 110	1 124	+14	
	29 Pobediteley Ave.	389	1 285	+896	
2	Heat, GJ	8 313	8 834	+521	Increase in consumption as compared to 2012 is due to the lower outside air temperatures and commissioning of the new building.
	32 Myasnikova St.	2 889	2 382	-507	
	10 Zaslavskaya St.	1 251	1 146	-105	
	13 Moskovskaya St.	686	761	+75	
	6 Skryganova St.	2 504	2 331	-173	
	29 Pobediteley Ave.	984	2214	+1 230	
3	Water, cubic meters	15 132	14 850	-282	Decrease in water consumption was achieved due to water resources saving measures.
	32 Myasnikova St.	10 693	6 568	- 4 125	
	10 Zaslavskaya St.	1 222	953	-269	
	13 Moskovskaya St.	584	588	+4	
	6 Skryganova St.	2 488	3 628	+1 140	
	29 Pobediteley Ave.	145	3 113	+2 968	

3.6 Raising Environmental Consciousness

3.6.3 Responsible Consumption

In order to provide for the non-consumptive use of paper, the Bank's Instruction On Materials Allowances No. 698 dated December 23, 2011, sets forth the norms of consumption for all divisions, limiting the excess consumption of paper products.

So as to decrease paper consumption, the automated organizational/management system of document and information circulation was implemented under the order of the Chairman of the Board No. 950 on Pilot Operation of the Automated System dated December 16, 2011.

The Bank mainly consumes the following paper: A4, perforated paper, and roll stationery. The paper is purchased in exchange trading.

Purchasing paper in 2013, the Bank took into consideration availability of certificates, expert opinions on compliance with the Uniform State Sanitary and Epidemiological and Hygienic Requirements for the Goods Subject to the Sanitary and Epidemiological Surveillance No. 299 dated May 5, 2012, approved by the Commission of the Customs Union.

Therefore, the following certificates should have been presented: A4 paper of Smarton Ltd. – Compliance Certificate issued by the Federal Agency for Technical Control and Metrology No. POCC RU.ДМ12.Н01140 dated December 30, 2012 (Russia), perforated paper of VELPAT plus PUE – an expert opinion of the Federal Agency for Consumer Rights Protection and Human Welfare under the Center for Hygiene and Epidemiology for Sverdlovsk Region (Russia) No. 18-14-02-243 dated December 20, 2011, perforated paper of SADAS Super-added Liability Company – an expert opinion of the Federal Institution 736 Centre for the State Sanitary and Epidemiological Surveillance under the Ministry of Defense of the Russian Federation No. 1243-12-Э3 dated December 22, 2011.

Information on paper consumption in 2012-2013 is presented in the table below.

In contrast to 2012, decrease in paper consumption in 2013 was due to the measures taken by rationing consumption of paper products, the introduction of electronic document circulation, use double-sided printing, and etc.

Indicator	2012	2013	Dynamics
Paper, MT	174,2	132,6	- 41,6

3.6 Raising Environmental Consciousness

3.6.4

Transport Kilometrage and Fuel Consumption

The Bank owns only mobile sources emitting hazardous elements (pollutants) to the atmosphere. On a monthly basis, the Intrabank Transactions and Reporting Department prepare a report on the fuel actually consumed by each vehicle pursuant to the kilometrage recorded in the trip tickets.

Total transport kilometrage, fuel consumption and CO₂ emission are shown in the table below.

In comparison with the previous year, increase in total motor fuel consumption was caused by increase in total vehicle kilometrage, fuel for the generator as well as for lawn mowers and snow equipment. (In 2012, similar data were not taken into account).

No.	Indicator	2012	2013	Dynamics
1	Total kilometrage, thousand km	2 347,7	2 444,8	+97,1
2	Total fuel consumption, thousand liters, total	283,5	300,25	+16,75
	including: AI-95	230,0	241,47	
	AI-92	12,1	8,76	
	DF	41,4	50,02	
	Head Office, total	159,7	182,92	+23,22
	including AI-95	125,6	141,57	
	AI-92	6,0	7,54	
	DF	28,1	33,81	
	Branches, total	123,8	117,33	-6,47
	including AI-95	104,4	99,9	
	AI-92	6,1	1,22	
	DF	13,3	16,21	
3	CO ₂ emission, tons/year	645,0	736,14	+91,14

3.6

Raising Environmental Consciousness

3.6.5

Waste Disposal and Activities Aimed at Reducing Environmental Impact of the Bank's Transactions

The aggregate amount of waste produced by the Bank in 2013 was 178 tons compared with 155 tons produced in 2012.

The aggregate amount of waste produced by the Bank in 2013 was 178 tons compared with 155 tons produced in 2012.

The household waste was duly utilized by a specialized utility company thanks to waste burial. As compared to 2012, Increase in the aggregate amount of waste by 23 tons was due to the commissioning of the new Bank building located in 29, Pobediteley Ave.

At the moment, the limits for waste removal and disposal are not subject for approval, and waste is removed under a permission of the Minsk State Committee for Natural Resources and Environmental Protection issued for five years.

Aggregate amount of waste is shown in the table below.

Waste Disposal and Activities Aimed at Reducing Environmental Impact of the Bank's Transactions

Hazardous waste is utilized only by specialized entities under proper agreements.

Waste similar to bio waste is passed to Ecores UE for its further disposal at landfills.

Other waste is passed for processing to the following specialized companies:

- used luminous tubes – Postup Ltd.;
- nonferrous scrap, lead batteries – Beltsvetmet UE;
- scrap iron – Minsk Plant Vtorchermet RUE;
- used tires with metal cord – procurement agencies;
- scrap containing precious metals – BelVTI RUE or Unidragmet BGU UE;
- paper and cardboard waste – procurement agencies of Belcoopsoyuz.

In 2012-2013, in an effort to reduce the impact carried out by the Bank on the environment, the Bank:

- purchased vehicles complying at least with the Euro 4 environmental standard;
- carried out measures envisaged by 2012 Program on Saving Light Oil (optimization of traffic routes;
- adequate organization of application of fuel and lubricants consumption rates;
- upkeep of vehicles in technically sound state;
- correct exploitation of tires;
- training of drivers on compliance with fuel consumption rates;
- timely maintenance;
- compliance with kilometrage limits;
- compliance with fuel consumption rates;
- payment of bonuses for fuel saving).

Waste Type	2012	2013
Extra-hazardous (hazard class I)		
Mercury-containing waste (fluorescent tubes, pcs.)	918	543
Moderately hazardous (hazard class III)		
Copying-duplicating machines and computers (pcs.)	3 copying machines	12 copying machines
Spent cartridges (pcs.)	0	0
Slightly hazardous (hazard class IV)		
Household waste (tons)	155	178
Practically nonhazardous (hazard class V)		
Paper waste (documents, tons)	2,93	6,85

4 THE BANK'S SUBSIDIARIES

4.1

Subsidiaries
Management

4.2

Belvneshstrakh
Unitary Insurance
Enterprise (UIE)

4.3

Vnesheconomstroy
Commercial Joint
Organisation, LLC



4.4

International Energy Center CJSC



4.1

Subsidiaries Management

4.1.1

Principles and Mechanisms of Interaction with Subsidiaries

One of the major principles of the Bank's policy for interaction with the subsidiaries is a combination of the companies' independence with a centralized control of their activities exercised by the Bank. The Bank's shareholder rights in the subsidiaries are realized through a participation of authorized representatives in the shareholders' general meetings, supervisory boards and check-up committees of the subsidiaries.

The Bank's participation in the authorized funds and interaction between the Bank and legal entities with the Bank's interest is governed by Regulations on Long-Term Financial Investments into Authorized Funds of Legal Entities, approved by the Banks Supervisory Board on June 15, 2005 (as amended by Minutes No. 5 dated March 27, 2012).

This document states that the Bank makes long-term investments into authorized funds of legal entities based either on in-house segment marketing or upon consideration of investment offers received from external applicants.

The analysis related to investment offers of market participants using a share of the Bank's capital is carried out with due consideration of the following risks:

- a sovereign risk – possible loss related to placement of funds and investments in a country with an unstable social and economic status;
- an industry risk – a risk related to changes in a certain industry in the result of development cyclicity, economy reorientation, depletion of certain resources, shift in demand and other factors;
- a regional risk – a risk of loss resulting from a labile state of the economy of the investment region;
- financial and market risk – is a risk of loss due to the incorrect determination of the investment period, seasonal and cyclical fluctuations; risk of loss in realization of an investment project due to changes in the assessment of its investment quality; risk of loss of funds or loss by the investment object of its original quality and value due to non-performance by an issuer, borrower or its guarantor; and
- operations risk – a risk related to disturbance in the investment transaction techniques, failure of computer information processing systems, etc.

The Bank's Supervisory Board is authorized to decide

on establishment of other legal entities, participation and withdrawal from them, on participation in and withdrawal from legal entities' and individual entrepreneurs' associations established in the forms determined by the legal acts.

The matters of the general results of activities carried out by the legal entities, to whose authorized funds the Bank has made long-term financial investments, are monitored by the Chairman of the Board and at the meeting of the Management Board not later than on the first day of July of the year following the year under report.

In accordance with the Strategic Development Plan, the basic purpose of the Bank's holding is to implement a highly efficient system of organizations that aim at promoting the Bank's transactions, providing customers with banking products along with a number of other high-quality business products and services (insurance, investment projects in real estate, and etc.)

Taking into account the established and maintained development plans, the Bank's cooperation with its subsidiaries and affiliated companies will aim at ensuring their effectiveness and achievements in terms of stable economic performance by 2016, high profitability, earnings, and sustainable development.

4.1 Subsidiaries Management

4.1.2

The Bank's Control Over Performance of Plans and Decisions made by the Subsidiaries

The internal control system of the bank holding, with the Bank as the parent organization governing the subsidiaries and an affiliated company, is governed by the respective Regulations approved by the Board.

The internal control system in the bank holding is intended:

- to increase the Bank's transactions efficiency including the results of transactions carried out by the Bank's holding members;
- to increase efficiency of transactions between the Bank's holding members;
- to prevent transactions (operations) between the Bank's holding members aimed at corrupting the Bank's operation results, including at the overstatement (understatement) of its regulatory capital, value of assets, profit, understatement of the credit as well as at some exposure to other risks;
- to ensure accuracy, completeness, fairness and expediency of information on transactions, increase in efficiency of information flows and information security prepared and presented by the Bank to its holding members;
- to let the bank holding members and their employees comply with the requirements of the legislation of the Republic of Belarus and local normative acts; and
- to prevent the bank holding members from being involved in illegal financial transactions, including measures intended to prevent and suppress actions related to money laundering and terrorist activity financing.

The Bank effects coordination between its holding members, controls interaction between them and analyses financial and economic results of transactions carried out by its holdings.

4.2

Belvneshstrakh Unitary Insurance Enterprise

4.2.1

Belvneshstrakh UIE Priority Activity and Development Strategy

Belvneshstrakh Unitary Insurance Enterprise (Belvneshstrakh UIE) has been the Bank's subsidiary since 1991. The Bank's share in its authorized fund is 100%.

Belvneshstrakh UIE is active in insurance, investment activities and also in the insurance risk and damage assessment, assessment and examination of movable and real property in relation to the insurance.

According to the results achieved in 2013, Belvneshstrakh UIE ranked the 3th in terms of its net profit and the 6th by insurance premiums collected amongst 14 private insurance organizations of the Republic of Belarus. The total amount of insurance contributions for 2013 amounted to BYR 70,809 million, or by 72.7% more than in 2012. In contrast to 2012, the company's net profit increased by 2.1 and amounted to BYR 5,152 million.

The major allowances for the level and dynamics of the basic economic and financial growth indicators determined in the business plan were met. Thus, in the previous year the company's core capital increased by 20.5%, whereas the planned growth rate made up 3%. The value of insurance contributions collected grew by 72.7%, while the planned growth rate accounted for 35%. The net profit grew by 106.3% compared to 22.1% of the planned value.



Certain performance indicators of Belvneshstrakh UIE are represented in the table below.

Pursuant to the business plan, in 2013 Belvneshstrakh UIE:

- implemented a set of measures to increase insurance premiums collection as well as profit due to expansion of the range of insurance services and sales channels, improvement of activities regarding increase in the customer base, reduction in insurance losses by enhancing the underwriting and risk management systems;

- provided for the increased efficiency of interaction with the Bank in the sphere of the credit risk insurance, leased and collateralized property insurance, insurance of foreign exchange assets and cash counters, expansion of the insurance services range and development and implementation of a new insurance product – insurance of the bank plastic cards holders;

- increased participation in the Bank's programs for lending to the retail customers in the part of insurance of the Bank's credit risk and the borrowers' property risks, in particular, the company had finished off technique and principles for co-operation with the Bank in provision to the borrowers accidents and health insurance;

- regularly held an internal and external training of the employees to improve their skills and qualification as pertains to the insurance, reinsurance, bookkeeping, claim handling;

- implemented all necessary measures for incentive, development of labor productivity and efficiency of the management system; and

- ensured positive promotion of the company by provision of high quality services, holding marketing campaigns with a strong image element, respective PR events, increase in the information presence of the company on the Internet, in local and foreign media.

Year established	1994
Authorized capital as at January 1, 2014, BYR million	26 757,9
The Bank's equity share in the authorized capital as at January 1, 2013, %	100
Financial results for 2013, BYR million	5 152
Actual staff headcount at the end of the reporting period, persons	100

4.2

Belvneshstrakh Unitary Insurance Enterprise

4.2.2

Cooperation with Stakeholders

The major stakeholders of Belvneshstrakh UIE are: Central Administration of Insurance Supervision under the Ministry of Finance of the Republic of Belarus – a government body governing the insurance activities, the Bank, as the owner of the company, customers and the employees.

In 2013, Belvneshstrakh UIE constantly interacted with the Central Administration of Insurance Supervision under the Ministry of Finance of the Republic of Belarus.

Co-operation with the Bank promoted collection of the insurance premiums. Thus, in the year under report the amount of insurance premiums collected under agreements with Belvneshstrakh UIE was worth BYR 10,920 million - a 16,1% increase as compared to 2012. The share of the Bank's insurance contributions in the amount of the insurance premiums amounted to 15.4%, and 92% of the Bank's insurance contributions were the payments under credit risk insurance. In its turn, the company deposited with the Bank 69.11% of its total cash funds – the authorized capital and a part of policy reserves totaling BYR 34,595.1 billion.

In an effort to improve co-operation with the customers in 2013, the management of Belvneshstrakh UIE took measures to further develop mutually beneficial co-operation with the longstanding partners, including Lida Beer, Macdonald's Restaurants, Milavitsa, Koltso Trade World, the leasing companies Stroyinvestleasing, Premier Leasing, Stroydormashleasing, transportation and shipping groups Intertransavto, Yarav Trading House, Emons-Shipping, Genty, Transocean-Bel, as well as to establish business relations with new customers, including Inertia FREIGHT Ltd., Condor Ltd., Heifer Ltd., Custom Service Ltd., Belvillesden, and etc., which contributed to the positive financial dynamics.

The concept, aim and principles of the company's policy in the sphere of the HR management are governed by the Personnel Management Policy of Belvneshstrakh UIE.

The actual headcount as at the end of the reporting period was 100 employees, including 60 regular employees and 40 employees engaged in work on civil contracts. As compared to 2012, the staff increased by 1.7%.

The number of employees with the higher and the specialized secondary education was 57, or 95% of the total headcount. In 2013, the turnover ratio of dismissed employees was 8.3%, the number of resigned employees made up 5. The average age of the employees is 38 years old.

As for the HR structure by gender, the share of women was 57% of the actual headcount and the share of men was 43% as at the end of the reporting period. The number of employees (except part-time employees) under 30 was 6 (10%), from 31 to 50 – 38 (63%), older than 51 – 16 (27%).

In 2013, Belvneshstrakh UIE terminated 5 labor contracts, including due to shift to another employer – 1, upon agreement of the parties – 4.

The number of employees by age and sex in the structure of the resigned in 2013.

Item		Total Number of Employees	Number of Dismissed Employees	Percentage of Dismissed Employees to the Total Headcount, %
Age Group	Up to 30	6	4	66,7
	From 31	38	0	0
	From 51	16	1	6,25
Sex	male	26	2	7,7
	female	34	3	8,8
TOTAL	Minsk	50	4	8
	regions	10	1	10

4.2

Belvneshstrakh Unitary Insurance Enterprise

4.2.3

Personnel Health and Safety Protection, Personnel Satisfaction Assessment

In 2013, Belvneshstrakh UIE developed labor safety regulations, assigned between respective employees responsibilities for control over safe labor conditions at work, and checked the labor safety knowledge of the officers.

So as to eliminate sources of occupational traumatism and diseases, the company informed its employees of the labor safety regulations as well as held trainings and briefings on the prevention of accidents at work and the labor safety legislation on a regular basis.

Owing to the measures taken, there were no accidents in the year under report.

In 2013, the authorized officers of the company from time to time checked basic knowledge on the matters of labor protection and fire safety. No violations were revealed.

In the year under report, the employees sent no notices and complaints pertaining to the matters of labor protection and fire safety to the company's management and regulating agencies.

To provide for an ergonomic work space, the company expanded the working area and supplied every work desk pursuant to the norms required by the legislation in force.

4.3

Vnesheconomstroy Commercial Joint Organization, Limited Liability Company

4.3.1

Vnesheconomstroy's Priority Activities and Development Strategy

The major activities of Vnesheconomstroy are to carry out the function of an ordering party in construction of real estate, to render engineering services, to prepare sale of real property.

In 2013, the Company entered into an investment agreement dated January 1, 2013, with the Minsk City Executive Committee to implement an investment project referred to as Construction of an Apartment House according to the General Plan No. 12 in Lebyazhiy Residential Area. Acting as a customer for the construction of the facility as of November 1, 2013, Vnesheconomstroy Ltd. signed a contract with the General Contractor referred to as Tehstroyresurs Plus Ltd.

In the reporting year Vnesheconomstroy rendered engineering services to Belinterrosinvest Ltd. under an agreement on complex management in terms of the project referred to as Construction of a Hotel and Residential Estate in the City of Minsk in Lebyazhiy Residential Area and to the building society called Dom 2011 under an investment project referred to as Construction of a Dwelling House under the General Agreement No.18 in Lebyazhy Residential Area in Minsk. The object was put into use as of March 2014.

The company continued implementing the projects on the finished property located in Pobediteley Ave, 27. As a result, in 2013 it concluded contracts in terms of 69 apartments, 89 parking spaces, and 1 office. In total, BYR 141,929.1 million were received in 2013. As at January 1, 2014, 30.56% of construction of real estate was not implemented, including 29.97% of apartments, 41.47% garages, 26.36% of commercial real estate.

In the reporting year the company shall also lend commercial real estate.

Certain performance indicators of Vnesheconomstroy are represented in the table below.

Year established	2004
Authorized capital as at January 1, 2014, BYR million	1 197 275
The Bank's equity share in the authorized capital as at January 1, 2013, %	51
Financial results for 2013, BYR million	41 578
Actual staff headcount at the end of the reporting period, persons	24

4.3

Vnesheconomstroy Commercial Joint Organization, Limited Liability Company

4.3.2

Co-operation with Stakeholders, Personnel and Personnel Turnover in 2013

The stakeholders of Vnesheconomstroy are represented by government agencies, customers and buyers, subcontractors, members and employees of the company.

The actual headcount as at the end of the reporting year made up 24 employees, including 3 employees under the independent-work contracts. As compared to 2012, the headcount decreased by 1 person.

The number of employees with the higher and the specialized secondary education was 96% of the total number of employees. In 2013, the turnover ratio of dismissed employees, calculated as the ration of the total number of the employees dismissed to the average headcount, was 4%. The number of resigned employees accounted for 1 person. The average age of the employees is 43 years old.

In the HR structure by gender, as at the end of the reporting period the share of men was 58.3% (14 people) and the share of women was 41.7% (10 people) respectively.

16.7% of the personnel (4 employees) are under 30 years old, 50% (12 employees) are from 31 to 50 years old, and 33.3% (8 employees) are 51 and older.

In 2013, the company terminated 1 labor contract upon agreement of the parties.

The number of employees by age and sex in the structure of the resigned in 2013.

Item		Total Number of Employees	Number of Dismissed Employees	Percentage of Dismissed Employees to the Total Headcount, %
Age Group	Up to 30	4	-	-
	From 31	12	-	-
	From 51	8	1	12,5
Sex	Male	14	-	-
	Female	10	1	10
TOTAL		24	1	4,2

4 THE BANK'S SUBSIDIARIES

Vnesheconomstroy Commercial Joint
Organization, Limited Liability Company

4.3

Vnesheconomstroy Commercial Joint Organization, Limited Liability Company

4.3.3

Social Support of Personnel, Reduction of Environmental Impact in 2013

The social support of the employees is carried out pursuant to the legislation of the Republic of Belarus in force and the Regulation on Labor Remuneration approved by the General Meeting of Members of Vnesheconomstroy Commercial Joint Organization, Limited Liability Society on July 07, 2009. In 2013, decisions were taken to extend welfare assistance to the employees on the occasion of marriage, birth of a child, death of cloth relatives.

In terms of personnel management, the organization carries out activities aimed at improving the competence of employees (employees participated in six training seminars and refresher courses).

In 2013, there were no cases of employment injuries. Activities preventing occupational injuries were organized by the general contractor.

Compliance with the environmental legislation is the responsibility of the subcontracting organizations pursuant to the subcontracting agreements. Control over observance of the environmental regulations during the installation and construction work is carried out by the Minsk City Committee for Natural Resources and Environment Protection.

In order to ensure fire safety in the office building, the company developed and deployed fire evacuation schemes.



4.4

International Energy Center CJSC

4.4.1

IEC's Priority Activities and Development Strategy

International Energy Center CJSC is a commercial organization with foreign investments.

The Bank's share in the authorized capital of International Energy Center CJSC (hereinafter IEC) amounts to 52.095%.

The company specializes in electric and heat power production and sale. Currently, it operates a cogeneration mini-plant commissioned at Krasnoselskstroyaterialy OJSC built in February, 2009. Since then the cogeneration mini-plant has generated 157.5 million kWh of electric energy, including 31 million kWh in 2012 and 35.2 million kWh in 2013, and 243.4 thousand Gcal of heat energy, including 45 million Gcal in 2012 and 59 thousand Gcal of power in 2013.

Main performance indicators of IEC are stated in the table below.

Year established	2010
Authorized capital as at January 1, 201, BYR million	565,3
The Bank's equity share in the authorized capital as at January 1, 2014, %	52,095
Financial results for 2013, BYR million	-2 234,0
Actual staff headcount at the end of the reporting period, persons	25

4.4

International Energy Center CJSC

4.4.2

Co-operation with Stakeholders; Number, Structure and Turnover of Personnel in 2013

IEC cooperates with such related parties as the Energy Efficiency Department of the State Committee on Standardization, state authorities governing production activities, the company's stakeholders as well as its customers and employees.

IEC revised its Regulations on Bonus Payment Basing on Performance of Employees and amended its Regulations on Salaries and Social Benefits of Employees in order to develop and improve the company's compensation practices, increase the employees' interest in their performance and enhance labor and workplace discipline.

Employees that received university and special education amount to 92% of the total number of employees. In 2013, the ratio of employees that left the company calculated as a ratio of the total number of fired employees to the average number of employees reached 4% (1 out of 25 was fired, and 1 was hired).

The company's employee's age is about 41 years on average. By the end of the reviewed period, the personnel structure included 72% and 28% of male and female employees, accordingly.

IEC employs 3 people of under 30 years (12% of the actual number), 14 employees between 31 and 50 years (56%) and 8 employees over 51 years (32%).

In 2013, IEC terminated 1 labour contract due to the expiry of the term.

The number of employees by age and sex in the structure of the resigned in 2013.

Item		Total Number of Employees	Number of Dismissed Employees	Percentage of Dismissed Employees to the Total Headcount, %
Age Group	Up to 30	3	-	-
	From 31	14	1	7
	From 51	8	-	-
Sex	Male	18	1	5,6
	Female	7	-	-
TOTAL	Minsk	11	1	9,1
	regions	14	-	-

4.4

International Energy Center CJSC

4.4.3

Social Support of Personnel

Over the reviewed period, 3 employees of IEC attended refresher courses.

The company complies with the Civil Defense Emergency Plan for 2013 that is integrated with the same plan of Krasnoselskstroyaterialy where IEC's cogeneration mini-plant is located.

The plan for continuous operation in an emergency situation is developed in accordance with that of Krasnoselskstroyaterialy.

For the purpose of industrial injury and sickness prevention, IEC plans to hold labor safety training for the management and to purchase individual protective equipment.

In 2013, there were no injuries on the premises of IEC and no violations of the laws and regulations in the field of labor and fire safety registered by the company.

Besides, the employees filed no claims or complaints regarding labor and fire safety or management to the controlling authorities in 2013.



4.4

International Energy Center CJSC

4.4.4

Reduction of Environmental Impact

Chief approaches to energy and resources consumption for the maintenance of the premises are governed by the lease agreement with BeIEZ RUE.

Consumption of electric energy, heat energy, water and fuel is recorded by IEC by means of commercial and technical tools installed at the mini-plant while paper consumption is recorded through accounting tools.

During 2013, IEC produced 35,180 thousand kWh of electric power (compared to 31,975 thousand kWh) and 58,970 Gcal (50 300 Gcal of heat power), including 2,360 kWh (compared to 930 kWh and 4,575 Gcal) consumed by the company itself. Growth in consumption of electricity and lack of thermal energy consumption for its own needs as compared to the year 2012 is related to the change in the methodology for calculating the norms of energy resources.

With the aim of rational paper consumption, IEC installed information and communication technologies, introduced e-document flow and formed a corporate computer network and the Internet.

In 2013, the amount of solid household waste totaled 85 kilos (compared to 55 kilo in 2012).

The waste is discarded on the spoil disposal under the relevant agreement with Krasnoselskstroimaterialy.

In 2013, the company consumed 4,432 liters of fuel (compared to 4,040 liters consumed in 2012). Growth in fuel consumption is associated with the increased number of trips during the repair at the Mini-CHP. Besides, the company consumed 835 cubic meters of natural gas (compared to 12,037 cubic meters of natural gas consumed in 2012) in connection with the lease of the car within 4 months for operational needs.

In accordance with the relevant laws on the protection of the environment, the company checks the volume of polluting substances emitted by the mini-plant on a regular basis.

To save electric and heat power, cold running water and paper, rates for consumption of resources in the office were estimated.

The Energy Efficient Department of the State Committee on Standardization of the Republic of Belarus approved the rates for fuel and energy resources used to produce heat and electric power at the mini-plant in compliance with which it will facilitate the minimization of environmental impact for the next 1-3 years.

When purchasing equipment, paper, furniture, etc., IEC prefers to cooperate with those suppliers who have ecological requirements conformity certificates.

Actual wastes of IEC amounted to:

Substance name	Code	Hazard class	Authorized release, tons per year
Nitrogen dioxide	25,940	21,02317714	18,88323107
Nitrogen oxide	4,215	3,416266285	3,068525049
Carbon monoxide	12,539	10,42245495	9,46428423
Benzpyrene	0,000002	0,00000188	0,00000141
TOTAL	42,694002	34,86190025	31,416039829

5 ABOUT THE REPORT

5.1 REPORT PARAMETERS

5.1.1

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5.1 Report Parameters

5.1.1 Report Content

This 2013 Sustainability Report (hereinafter the “Report”) is the Bank’s second non-financial report containing information as of January 1, 2014.

The Report was prepared in accordance with GRI’s Sustainability Reporting Guidelines (Version 3.0) and Financial Services Sector Supplement and covers the major issues relating to the economic, environmental and social impacts of the Bank. The Report contains information which, in the Bank’s opinion, may be of interest for the majority of stakeholders.

5.1.2 Report Preparation

Preparation of this Report was effected in compliance with the procedure and periods for preparation, coordination and approval set forth by the Regulations on Corporate Social Responsibility Policy and Non-Financial Reporting of Belvnesheconombank OJSC approved by Resolution of the Board No. 501 dated December 21, 2011 (as amended by Resolution of the Board No. 203 dated April 18, 2012).

To identify the Bank's key stakeholders, a questionnaire survey was performed within the framework of the seminar referred to as Corporate Social Responsibility: A New Business Philosophy held on November 23, 2011, in Minsk for the managers and employees of the Bank.

Preparation of the Report was based on:

- the strategic document -The National Strategy for Sustainable Development of the Republic of Belarus approved by the Resolution of the Council of Ministers dated March 27, 1997;

- analysis of internal regulatory documents of the Bank concerning economic, environmental and social performance;

- review of publications in mass media covering the activities of the Bank;

- interview of members of the CSR and non-financial reporting working group;

- non-financial reporting of banks;

- information request prepared and sent to the structural divisions of the Bank.

The Report was prepared in consultation with Regional Personnel Training and Social Development Unit of HR and Documentation Support of State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

The Bank's priority for the near future is to create the system of the stakeholders' engagement, specifically with a view to adjusting the Report and the Bank's sustainability activities.

The accuracy of the information provided in the Report is ensured through specifying the data measurement and calculation methods, as well as references to sources confirming the reporting data. References to other information sources provided in the text and in the table The Report Compliance with GRI Guidelines.

The Bank intends to publish its sustainability reports on an annual basis.

All details and examples contained in this Report reflect the activities performed by the Bank during the calendar year 2013. However, it also includes brief information on the most significant post-reporting-period events.

The Report excludes information on indicators EN3, EN6, EN8-EN15, EN19, EN23-EN25, EN27, as they are not applicable to the Bank. Indicators PR1-PR3 are not applicable as the financial services rendered by the Bank do not affect health and safety of the consumers. Indicator PR4 is not applicable as the Bank does not manufacture products and does not render services subject to marking.

The Report 2013 was approved by the Management Board of the Bank on June 4, 2014.

5.1.3

Scope of the Report

The Report covers most issues concerning the Bank's contribution to sustainability, including information on the Bank's investment activities. Financial performance is given in the bank's Annual Report 2013. Additional data on the Bank's activities are available on its website at: www.bveb.by.

5.1.4

Reporting Principles

In preparing this Report, the Bank was guided by the following principles:

- materiality and completeness of the information provided in the Report;
- sustainability context;
- responding to the needs of the stakeholders;
- balance;
- credibility.

5.1.5

Report Boundaries

The second Sustainability Report was expanded due to inclusion of information on the subsidiaries.

5.1.6

GRI Application Level

The Bank self-declares a "C" GRI Application Level.

In addition to self-declaration, the Internal Audit Department of the Bank performed analysis to verify and prove qualitative and quantitative data presented in the Report.

In the future, it is planned to arrange public hearings to engage the stakeholders in the report preparation.

5.1.7

Contact information

29 Pobediteley Ave., 220004,
Minsk, Republic of Belarus.

5.1

Report Parameters

5.1.8

The Report Compliance with GRI Guidelines Table

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
1.1	Statement from the most senior decision-maker of the reporting organization about the relevance of sustainability for the organization	P. 6-7
1.2	Description of key impacts, risks and opportunities	P. 22-23 <i>See 2013-2015 Strategic Development Plan of Bank BelVEB OJSC</i> http://www.bveb.by/download_files/documents/razvitie.pdf <i>See Annual Report</i> http://www.bveb.by/download_files/flash2011/page.php
2.1	Name of the organisation	P. 10-11
2.2	Primary brands, types of products and/or services	P. 10-11 <i>See 2013 Annual Report</i> http://www.bveb.by/download_files/flash2011/page.php
2.3	Operational structure of the organisation	P. 14-15
2.4	Location of the organisation's headquarters	P. 10, 128
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Republic of Belarus
2.6	Nature of ownership and legal form	P. 10

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
2.7	Markets served	P. 21, 38-39 <i>See 2013 Annual Report:</i> http://www.bveb.by/download_files/flash2011/page.php
2.8	Scale of the reporting organisation	P. 10-11, 24-27, 38-39, 88-89 <i>See 2013 Annual Report:</i> http://www.bveb.by/download_files/flash2011/page.php
2.9	Significant changes during the reporting period regarding size, structure, or ownership	P. 6-7, 24-27 <i>See 2013 Annual Report:</i> http://www.bveb.by/download_files/flash2011/page.php
2.10	Awards received in the reporting period	P. 26 <i>See 2013 Annual Report:</i> http://www.bveb.by/download_files/flash2011/page.php
3.1	Reporting period for information provided	P. 126
3.2	Date of most recent previous report	06.05.2013
3.3	Reporting cycle	P. 127
3.4	Contact point for questions regarding the report or its contents	P. 128
3.5	Process for defining the report content	P. 126-127
3.6	Boundary of the report	P. 128
3.7	Any specific limitations on the scope or boundary of the report	P. 128
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	P. 108-109, 128
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report	P. 126-127
3.10	Explanations of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	P. 126-127
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	P. 128
3.12	Table identifying the location of the Standard Disclosures in the report	P. 129-135

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
3.13	Policy and current practice with regard to seeking external assurance for the report	P. 128
4.1	Governance structure of the organization, including the principal committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	P. 12-15
4.2	Indicate whether the Chair of the highest governance body is also an executive officer of the company	No
4.3	For organizations that have a unitary board, state the number of members of the highest governance body that are independent and/or non-executive members	Not applicable as the Bank's Articles of Association do not provide for a unitary board
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	P. 31-33
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	Decision on compensation for members of the Board is made by the Supervisory Board of the Bank based on performance under the Current Plan for profit and the share of bad assets exposed to credit risk
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	P. 40-42
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	P. 12-13 High level of qualifications and expertise of the members of the Bank's Supervisory Board, including is confirmed by the Regulation on the Supervisory board approved by the Shareholders' General Meeting on May 20, 2011, Minutes No. 4
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their practical implementation	P. 40-42, 54-56
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	P. 30
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	P. 31-33 The highest governance body of the Bank is the Shareholders' General Meeting which competence is determined by the Law of the republic of Belarus On Business Entities of December 09, 1992 No. 2020-XII (as amended on July 15, 2010) and Articles of Association of the Bank

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	The Bank does not directly address the precautionary principle to its activities. Approach to the risk management is described in the Annual Report. See 2013 Annual Report: http://www.bveb.by/download_files/flash2011/page.php
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	P. 39, 54-56, 69
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	P. 11, 43 See 2013 Annual Report: http://www.bveb.by/download_files/flash2011/page.php
4.14	List of stakeholder groups engaged by the organisation	P. 31
4.15	Basis for identification and selection of stakeholders with whom to engage	P. 31-33
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	P. 32-33, 34-35, 36-37
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	P. 36-37
GRI FINANCIAL SERVICES SECTOR SUPPLEMENT		
FS1	Policies with specific environmental and social components applied to business lines	P. 21, 30, 34-35, 44-45, 46-50, 51, 52, 54-56, 78, 100
FS2	Procedures for assessing and screening environmental and social risks in business lines	P. 34-35, 53, 54-56
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P. 54-56
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	P. 69-70
FS8	Monetary value of special products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 57-58, 64-67, 71-72, 119
FS14	Initiatives to improve access to financial services for disadvantaged people	P. 46-50
FS16	Initiatives to enhance financial literacy by type of beneficiary	P. 33, 34-35, 36-37 See 2013 Annual Report: http://www.bveb.by/download_files/flash2011/page.php

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
ECONOMIC PERFORMANCE INDICATORS		
	Management Approach	P. 21
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	P. 93
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	P. 80
EC8	Development and impact of infrastructure investments and services provided primarily of public benefit through commercial, in-kind, or pro bono engagement	P. 59-61, 73-75
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	P. 18-20, 46-50, 62-63, 64-67
ENVIRONMENTAL PERFORMANCE INDICATORS		
	Management Approach	P. 99, 100, 102
EN1	Materials used by weight or volume	P. 102, 103
EN2	Percentage of materials used that are recycled input materials	The Bank does not use any recycled input materials
EN4	Indirect energy consumption by primary source	P. 101
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P. 100-101
EN22	Total weight of waste by type and disposal method	P. 105
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	P. 100, 102, 104-105
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	In the reporting year, no significant fines and nonmonetary sanction were imposed on the Bank for non-compliance with environmental laws and regulations. 2013 did not witness any court proceedings related to non-compliance with environmental laws
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	P. 103
LABOUR PRACTICES PERFORMANCE INDICATORS		
	Management Approach	P. 78-87
LA1	Total workforce by employment type, employment contract, and region	P. 88-89, 114, 117, 120

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
LA2	Total number and rate of employee turnover by age group, gender, and region	P. 88-89, 114, 117, 120
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	To improve social protection of employees and their living standards, to provide for normal, healthy working and recreation conditions, the regulation on compensation to the employees of Belvnesheconombank OJSC and welfare payments define welfare payments and compensation to the employees, except part-time and temporary employees
LA4	Percentage of employees covered by collective bargaining agreements	P. 86
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	P. 86
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	P. 95-96
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	P. 95-96
LA9	Health and safety topics covered in formal agreements with trade unions	P. 86
LA10	Average hours of training per annum per employee, by employee category	P. 91
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P. 81-82, 90, 91
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	P. 88-89, 114, 117, 120
LA14	Ratio of basic salary of men to women by employee category	P. 93
HUMAN RIGHTS PERFORMANCE INDICATORS		
	Management Approach	In the reporting year, the Bank in its activities strictly adhered to and strictly comply with international standards of human rights
HR4	Total number of incidents of discrimination and actions taken	Cases of discrimination against employees on the grounds of gender, ethnicity, race were not revealed in the practice of the Bank
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	The Bank is not involved in any activities, in which the right to exercise freedom of associations bargaining and collective bargaining may be at limited

Disclosure/GRI Performance Indicator		Page/Comments and Additional Information/References to Other Sources
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	The Bank does not engage in any activities which may have significant risk for incidents of child labor
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	The Bank does not engage in any activities which may have significant risk for incidents of forced or compulsory labour
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	The Bank does not engage in any activities which may have significant risk for incidents of violations involving rights of indigenous people
SOCIETY PERFORMANCE INDICATORS		
	Management Approach	P. 31-33, 73
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	P. 45
SO4	Actions taken in response to incidents of corruption	During 2013, there was no court litigation on incidents of corruption
SO5	Public policy positions and participation in public policy development and lobbying	P. 43
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	The Bank does not make any contributions to political parties, politicians, and related institutions
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	During 2013, there was no court litigation for anticompetitive behavior
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	In the reporting year, the Bank was not liable to any significant fines or non-monetary sanctions for noncompliance
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS		
	Management Approach	P. 31-33, 41, 46-50, 54-56
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	P. 34-35, 46-50, 51
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	There were no recorded complaints regarding breaches of the Bank's customer privacy and losses of customer data
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	In the reporting year, the Bank was not liable to any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Sustainability Report 2013



VNESHECONOMBANK
GROUP

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