



THE BANK FOR YOUR INITIATIVES

VEB Group

SUSTAINABILITY REPORT 2014



КСС

КОРПОРА
СОЦИАЛЬ
С

ПРЕМИЯ В ОБЛАСТИ
КОРПОРАТИВНОЙ СОЦИАЛЬНОЙ
ОТВЕТСТВЕННОСТИ 2015

ДИПЛОМ ПОБЕДИТЕЛЯ

В НОМИНАЦИИ
«КУЛЬТУРА»

ОАО «Банк БелВест»

Директор Фонда «Идея»

[Signature]

Наталья Куцан



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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 2014. This forth in a row report will dwell upon issues of economic, social and corporate responsibility of the Bank and its subsidiary companies.

In line with the 2014-2015 Corporate and Social Responsibility Strategy Bank BelVEB OJSC remains focused on the matters of community partnership which implies the Bank's responsibility for the effect its decisions and business may take on both the community and the environment.

Provisions of the above Strategy are consistent with the Bank's mission, strategic goals and priorities contained in the 2013-2015 Strategic Development Plan. The Bank's mission is to facilitate successful business initiatives of its customers, including joint projects of companies and self-employed entrepreneurs from Russia and Belarus. Goals of this mission are attained by means of, inter alia, implementation of the principles of corporate social responsibility in activities of Bank BelVEB OJSC.

The past year became another milestone for the Bank on the way of sustainable development as a universal credit and financial institution. The Bank was unhindered in meeting its targeted goals and fully and timely complying with all its obligations towards customers in the unfavorable economic conditions throughout the year 2014. This proves that the Bank opted for the correct development strategy and evidences the coherent team-work of the Bank's personnel.

With over a 5% share of the banking market the Bank is stably positioned among the country's five largest banks. And still the Bank managed to further improve its position in corporate and retail segments of the market and expand its client reach through constant elaboration of business processes and expansion of product lines, underpinned by prudent policy in pricing of the bank products and financial instruments.

The Bank is strongly committed to support the customers involved in the bilateral transactions under Russia-Belarus integration projects. With the projected minimum of 25% of its gross corporate loans to be on-lent under integration transactions, the year 2014 saw the Bank committing a total of 43% of its loan portfolio to this end.

Faster loan approval process and competitive loan terms allowed the Bank to live up to its plans of loan portfolio growth while maintaining the high quality of its loan book. In 2014, the Bank remained one of the top largest creditors for the companies operating in manufacturing sectors of the economy and a vehicle for state-supported programs.

In line with the priority guidelines of its Lending Policy, the Bank continued to participate in structured finance schemes under EXIAR export insurance agency cover to support Russia's exports to Belarus.

In 2014, the Bank was noticeably constrained in supporting trade finance deals (hereinafter "TF"). The Bank managed to stay second leading TF bank on the local market notwithstanding that the Bank was limited in its operational capacity by sector sanctions imposed on the state-owned Russia's banks and their affiliate companies abroad, which ensued shrinking funding base and was further aggravated by the Russian Rouble devaluation.

Tangible results were achieved by the Bank in catering for the needs of SMEs, and no smaller role here played financial support from the European Bank for Reconstruction and Development and the Development Bank of the Republic of Belarus. Summing up its annual results, the Bank can boast a 30.3% of its total loans extended to SME businesses.

A big step forward was made by the Bank in expanding its retail operations by updating retail products and improving customer servicing and selling techniques. The Bank went on improving its e-channels of delivering financial instruments and solutions. Thus the share of non-cash settlements and operations via bank cards currently makes up 75% in terms of the transactions number and 30% in terms of volume.

The Bank is also active in implementing a wide range of initiatives related to ecology, business ethics and social responsibility, including development of responsible financing, support of projects of high social and ecological significance, management of ecological effect of business activities, charity projects, etc.

In 2014, the Bank was cooperative in financing the construction of 250-rooms Radon-Alfa Health Resort employs best practices in medical treatment and offers a broad spectrum of health resort services.

In collaboration with Borisov Medical Plant, the Bank is engaged in the project targeted at constructing a plant for bioclean spill of antibiotics in line with Presidential Decree No. 174 on Specific Measures for the Development of the Pharmaceutical Industry dated 16 April 2012, 2011-2015 State Innovation Development Program of the Republic of Belarus, as well as 2012-2015 Comprehensive Enterprises Modernization Plan. The aim of the project is to build a state-of-the-art pharmaceutical factory producing a variety of high-quality healthcare products at acceptable prices.

In partnership with Dairy Plant Molochny Mir OJSC, the Bank is cooperative in the major investment project referred to as Reconstruction of the Cheese Production Line with a Capacity of 40 Tons per Day. The aim of the above project is to renovate the production process of cheese installing cutting edge high capacity equipment and to enhance production volume. The project is implemented in line with the priority guidelines of the state policy providing for the development of the national dairy industry, to increase exports, and to ensure food supply security within the country.

Guided by its charity policy, the Bank stayed committed to social security of citizens, children care efforts, development of science, education, art, culture, professional sports and implementation of environmental projects.

In 2014, Bank BelVEB OJSC and the National Library jointed their efforts to issue the first-of-a-kind facsimile books collection of the Belarusian and Eastern-Slavic book printing pioneer F. Skaryna. The project was aimed at promoting the Belarusian and Eastern-Slavic heritage from both the scientific and social perspectives and positioning the Republic of Belarus as a country with rich and deep-rooted culture closely enticed with European and Russian traditions.

In the year under review, the Bank partook in the project intended to establish Minsk Municipal Cancer Clinic to decrease mortality from malignant tumors. The Bank's gratuitous aid to this healthcare institution was earmarked for the purchase of high-performance medical equipment.

The previous year also witnessed the long-term cooperation with the National Academic Opera and Ballet Theatre within V Minsk International Christmas Opera Forum participated by well-known overseas theatres and worldwide popular opera stars from neighboring and far-abroad countries.

In an effort to ensure high motivation and professional level of its staff the Bank provided different kinds of social guarantees to its employees, maintained safe labor conditions and provided a background for appropriate recreation and maintenance of decent living standards, while respecting rights and freedom of its officers contained in the Republic of Belarus relevant legal acts.

The Bank's employees have a possibility to regularly take part in educational programs enabling to professionally develop and enjoy chances of promotion. The Bank's measures in the field of personnel policy are mainly aimed at developing its corporate culture and merit-based incentive system.

By integrating principles of corporate social responsibility into its day-to-day activities, the Bank is intent on establishing long-term relations with stakeholders, which creates a favourable external and internal environment for achieving its strategic goals.

The Bank's activities related to sustainable development are carried out with regard to the experience of Vnesheconombank and other financial institutions within the Republic of Belarus and overseas.

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 undertake to 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.



Nikolai V. Luzgin
Chairman of the Board

1

Bank Fact File



1



1.1 Management System

- 1.1.1 General Information
- 1.1.2 Governing Bodies
- 1.1.3 Organizational Structure
- 1.1.4 Improvement of Internal Control System
- 1.1.5 IT Development
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- 1.1.7 Principal Economic and Monetary Trends in Belarus in 2014
- 1.1.8 Major Events in 2014

1.1 Management System

1.1.1 General Information

The official full name of the Bank in Belarusian – Адкрытае акцыянернае таварыства «Белзнешэканамбанк», 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 12 December 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 2014, the Bank operated under the following licenses:

- General License by the National Bank of the Republic of Belarus No. 6 dated 27.12.2013.
- Special Permit (License) No. 02200/21-00884 to perform transactions with precious metals and stones, issued for a five-year term by the Ministry of Finance of the Republic of Belarus (Decision No.132 dated 23.06.2010).
- Special Permit (License) of the Ministry of Finance of the Republic of Belarus No. 02200/5200-1246-918 dd.

29.07.2002, to perform professional and stock exchange operations with securities granted subject to Decision dd. 29.07.2002, for the period of 5 years and later extended subject to Decision No. 243 dd. 13.07.2007 for the period of 5 years and by Decision No. 155 dd. 24.05.2012 for the period of 10 years.

The Bank's main activities are available at our official web site (www.belveb.by), About Us, General Information and Corporate Detail.

Bank BelVEB OJSC is one of the largest credit and financial institutions in Belarus to service large corporates in the production industries and specifically their cross-border transactions. Many a time the Bank was privileged to be assigned the capacity of the agent of the Government to enter into the countrywide projects on its behalf.

Presently the Bank has 20 branches, including five regional branches in regional centers, three Minsk branches, twelve branches in large towns across the country, twelve cash and settlement offices, nineteen retail spots, one cash outlet, and fourteen currency exchange offices.

The Bank is a member of the following international organizations:

- European Business Congress;
- International payments systems such as MasterCard Worldwide and Visa Incorporated;
- Moscow International Currency Association;
- International instant money transfer company such as Western Union Financial Services Inc.

The Bank's subsidiaries comprise Belvneshstrakh Insurance Company, International Energy Center CJSC, Vnesheconomstroy LLC, and Sivelga CJSC.

- Belvneshstrakh (the Bank holds 100% of the equity) is a universal insurance company offering a comprehensive

range of insurance services to its customers, from corporate entities to individuals.

- International Energy Center CJSC (the Bank holds 52.095 % of the equity) is an energy services company, operating heat and power-generating plants and selling the generated electric and heat power.
- Vnesheconomstroy LLC (the Bank holds 51% of the equity) is a joint venture implementing investment projects in housing construction.
- Sivelga CJSC (the Bank holds 25.002% of the equity) is a shoemaking company and vendor.

1.1 Management System

1.1.2 Governing Bodies

Shareholders (as at 1 January 2015)

413

Corporate Entities

> 43,000

Individuals

Registered shareholder capital reaches

1,174.1

BYR, billion

5th Place

among Belarusian Banks
in Terms of Equity

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 dealing with general issues of the Bank's operation;

■ Management Board – collegiate executive body.

In accordance with the Bank's Charter, Chairman of the Board is CEO.

The supervisory body of the Bank is the Internal Auditing Commission.

Supervisory Board as at January 1, 2015

Chairman of the Supervisory Board

Sergey A. Vasiliev

Deputy Chairman,
State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank),
Moscow

Deputy Chairmen of the Supervisory Board

Petr M. Fradkov

First 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

Daniil V. Algulyan

Director,
Financing and Export
Department,
State Corporation Bank
for Development
and Foreign Economic
Affairs (Vnesheconombank),
Moscow

Andrey M. Arshinov

Chairman
of the Board of Directors
of Specialized Depository
INFINITUM OJSC,
Moscow

Aleksander V. Kernozhitsky

Deputy Head,
Department of Finance
and Budget Policy
of Standing Committee
of the Common State

Segey V. Kuznetsov

Director,
Legal Department,
State Corporation Bank
for Development
and Foreign Economic
Affairs (Vnesheconombank),
Moscow

Serguey Y. Noskov

Director,
Banking Activity
Directorate,
State Corporation Bank
for Development
and Foreign Economic Affairs
(Vnesheconombank),
Moscow

Tatyana I. Polegoshko

Deputy
Department Director,
Head of Business
Administration under
Department
of Affiliate Banks,
State Corporation Bank
for Development and Foreign
Economic Affairs
(Vnesheconombank),
Moscow

Nataliya A. Rannikh

Alexandre E. Rutkovsky

Deputy Director
of Slide Plus OJSC
(Minsk)

Management Board of Bank BelVEB OJSC as of 1 January 2015

Luzgin Nikolay Vladimirovich

Chairman of the Board

Deputy Chairman of the Board

Zelenko

Serguey Petrovich

Levdansky

Dmitry Matveevich

Prohortchik

Oleg Georgievich

Member of the Board

Kornev Vasily Ivanovich

Director of Corporate Management Department

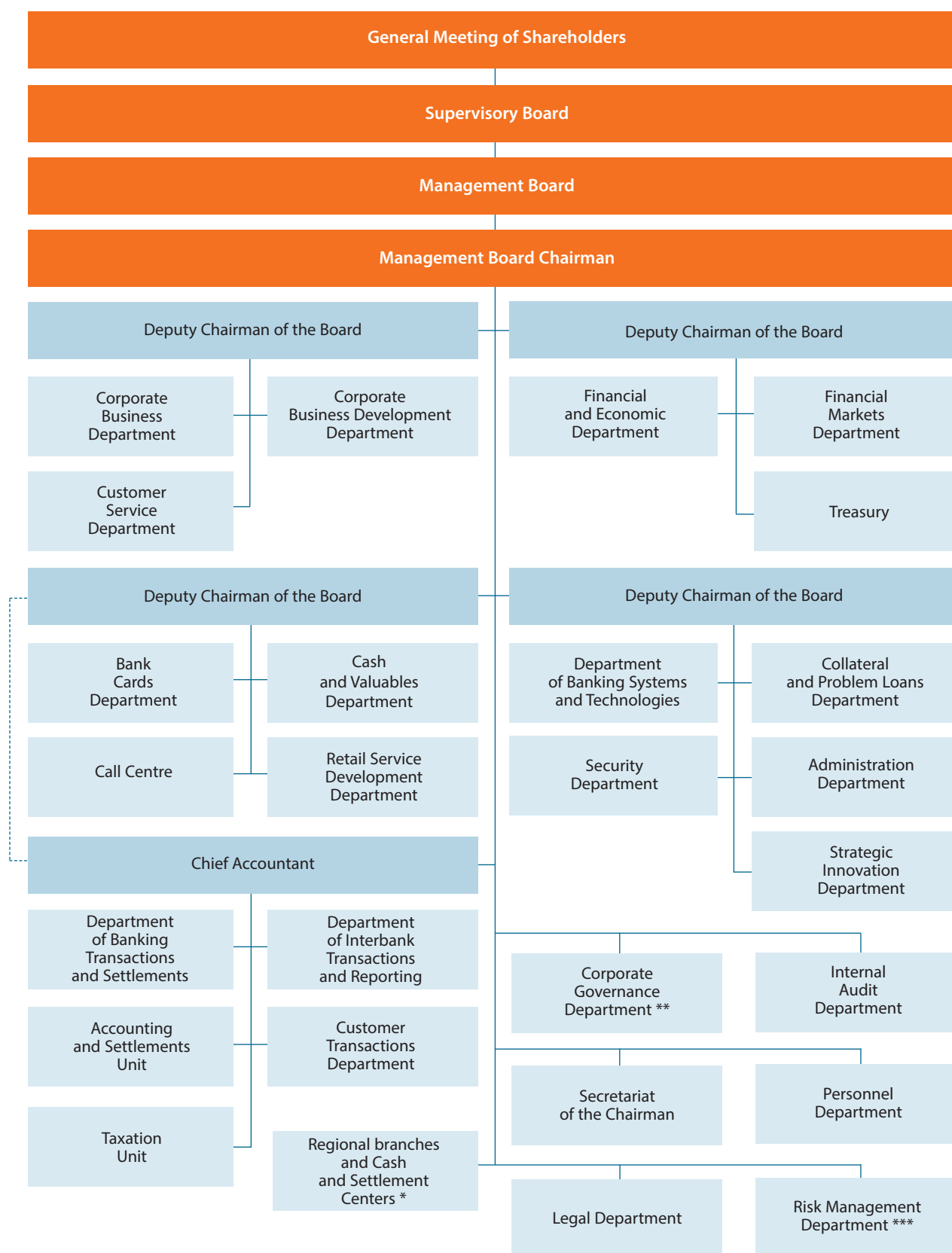
Minich Anatoly Aleksandrovich

1.1 Management System

1.1.3 Organizational Structure

The following collegiate bodies under the Management Board were operational in 2014: 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.

The main function of the collegiate bodies is to facilitate management bodies in their strategic decision-making. ➔



* - subordinated to the Management Board Chairman

** - Department Directors are responsible for the Bank's internal control

*** - Department Directors are responsible for risk management within the Bank

1.1 Management System

1.1.4 Improvement of Internal Control System

In the Republic of Belarus internal control matters are subject to Instruction No. 625 on Organizing the Internal Control System within Banks, Non-Bank Financial Institutions, Banking Groups and Banking Holdings, adopted by the Management Board of the National Bank of the Republic of Belarus (hereinafter referred to as "Instruction No. 625").

As prescribed by Instruction No. 625, the Bank shall have its own internal control system.

The Bank's Internal Control System is based on multilevel distribution of responsibilities between management bodies and structural units of the Bank. The Bank's management bodies ensure daily functioning of the Internal Control System. Division of responsibilities between the Bank's Supervisory Board, Audit Committee, Management Board, Internal Audit Commission, other collegiate bodies, the officer in charge of the Internal Control System, 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 system as a part of the Bank's day-to-day activities helps the Bank to adjust to changing operational environment and avoid unreasonable spending.

With the view of improving internal control systems with regard to changes of both internal and external factors affecting banking activities, Instruction No. 625 regulates preparation of management reporting on internal control.

The year 2014 witnessed the adoption of the management reporting methodology inclusive of the algorithm for calculating the Bank's Internal Control System efficiency during the reporting period, which enables to improve the Internal Control System.

The Internal Control System regulations are amended in line with guidelines specifying the scope of competence of the officer accountable for the Bank's Internal Control System as well as requirements for organizing the Bank's posterior control.

The Audit Committee under the Bank's Supervisory Board regulations are amended and revised in line with guidelines specifying the functions of the Chairman of the Audit Committee, its members, and its secretary.

The method of assessing internal controls based on inspections is one of the key tools for estimating the efficacy of the Bank's Internal Control System in relation to specific business lines and processes.

Development of the Internal Control System forms the groundwork of the state-of-the-art system of corporate management within the Bank and contributes to the Bank's efforts to realize 2013–2015 Strategic Development Plan. In future the Internal Control System shall be developed with due consideration of its adequacy and compliance with the Bank's strategic goals and its risk profile along the following lines:

- improvement of the process model of internal controls; and
- upgrading and introduction of internal control approaches and procedures as well as internal controls efficiency assessment for formalizing unified internal controls requirements and approaches on all stages.



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 adopted by the Bank's Supervisory Board (Minutes No. 12 dated 3 June 2013) (hereinafter referred to as the "Development Strategy") 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; and
- fine-tuning its flexible system of business processes management.

With the view of upgrading the IT infrastructure, the Bank initiated the following.

We expanded the functional options of the accounting and operating system. By introducing of the 24x7 module we granted our customers a round-the-clock access to a variety of banking products and gave the go-ahead for new banking products, which enabled us to put in place the Internet-Vkl@d (English: Internet Deposit) service allowing our customers the possibility to manage their deposit accounts on-line. The adoption of the interface module enhanced the integration potential and reliability of our accounting and operating system. The analytical efforts put into the customization of a new settlement system module allowed us to start the preparation for its launching within the Bank. In order to automate the classification procedures for assets and contingent liabilities subject to credit risks, settlement transactions and special reserves management, the Bank embarked on the development and the introduction of a specific software.

The Bank's processing system significantly improved the payment cards business owing to the introduction of breakthrough software modules. Furthermore, the previous year was marked by leap-ahead advancement of the internal system integration as well as successful PCI DATA Security Standard certification.

A considerable effort was put into bringing in a data processing distribution system. Among the targets of this

project a high priority was given to system risk reduction, provision with IT resources for meeting the Bank's strategic goals, enhancement of fault and disaster tolerance of the automated banking system, ensuring of availability of banking services, and augmenting of performance of the Bank's automated systems.

The Bank realized a number of key projects aimed at creating its own business analysis system.

We put into service a hardware-software suite of the Bank's data warehouse intended to keep, to process, and to show any information obtained from various sources while exchanging data between the Bank's structural units, which laid a solid fundament for the common information space enabling to draw, to deliver, to reconcile, and to further unify initial data in line with the common classification system, as well as to keep it up to date.

Being interested in enjoying the advantages of a multi-scenario prognosis in conditions of tricky macroeconomic situations, the Bank also initiated the upgrading of its budget and financial planning system.

So as to facilitate the calculating of the expected credit risk loss and sufficient capital, the Bank extended the functionality of the automated banking risk management system.

The Bank took decisive steps to complete its customization and to upload initial archived information for the automated reporting system according to the requirements of international financial reporting standards.

We also implemented our new corporate credit risk estimation system within the automated system for the calculation of agency banks' internal ratings and put the monitoring system for the Bank's ATM network into pilot operation.

In order to set up a flexible business processes management system the Bank focused its efforts on the following.

The Bank introduced a platform for the automated BPM-system, put into pilot operation a number of banking products comprising, inter alia, customer cards, private banking accounts, private deposits, and private banking remittances, and initiated steps so as to bring in software applications for opening, transferring, and closing corporate accounts, to manage the Bank's troubled loan portfolio and instruments catalogue, to manage acquiring agreements, and to expand functional options of its contact center and CRM.

The Bank's attention was also centered on the development of the automated lending coordination system with regard to operational performance optimization, fine-tuning of banking instruments, credit facilities of the European Bank for Reconstruction and Development for corporate customers and self-employed entrepreneurs, express credits, improvement of scoring, optimization of crediting processes and risk management system for underwriting, pledge transactions automation, information for the Bank's contact center, monitoring enhancement, reports, and corporate client details.

In an effort to streamline cash transactions, we put into pilot use electronic safes at cash desk points as well as a cash intake system with an automated safe and put into use an automated cash operation system.

The Bank continued centralizing the IT-support function within its branch network, created a technological platform for the Bank's contact center, put into practice the automat-

ed system of distribution of information on credit repayment and interest for corporate customers, introduced an automated electronic signature sample system enabling to optimize its signatory authority control procedures, developed its HR-management system by an automated grade system, new bonus system, an HR-website, as well as integration into the Bank's automated system, and formed a relevant statutory framework so as to extensively use electronic digital signature tools within organizational and regulatory documents circulation.

In order to reduce the Bank's operational risks and to optimize its information access authorization procedures, we put into operation an automated module of the centralized access management system.

Facilitating our organizational and regulatory document circulation, we extended our automated information system.

We expect the year 2015 to see:

- further development of digital and remote customer service technologies;
- upgraded automated systems including, inter alia, accounting-and-operating system, business processes management, corporate data storing, planning, budgeting, material values recording, centralized access management, risk management, electronic credit application compliance system, HR-management system, and an uniform information web-site; and
- creating of an information delivery center within the Bank's processing system.

1.1 Management System

1.1.6 Implementation of 2013–2015 Development Strategy

Below are the founding principles of 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 11 April 2011 (hereinafter referred to as the "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 3 March 2011, and 2013 Guidelines of Monetary and Credit Policy of the Republic of Belarus No. 419 approved by Presidential Decree dated 25 September 2012;

■ the Bank is guided by the provisions of the Memorandum of Cooperation between the Government of the Republic of Belarus and Vnesheconombank dated 20 December 2008 (hereinafter referred to as the "Memorandum") 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 its operation in 2015 the Bank will be centered on the implementation of its 2013-2015 Strategic Development Plan and the attainment of goals set forth in its 2015 Current Plan inclusive of:

■ ensuring a 30.0% portion of Russia-Belarus integration projects in its corporate loan portfolio;

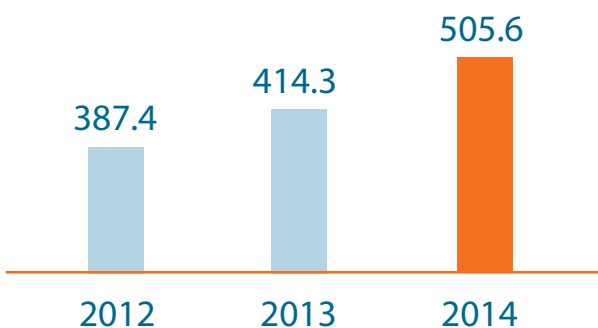
■ maintaining of not less than a 5% market share, while remaining among the largest Belarusian banks and increasing its corporate loan portfolio by at least 5%;

■ augmentation of the Bank's capital to maintain the level of the shareholder investments in the authorized capital of Bank BelVEB OJSC.

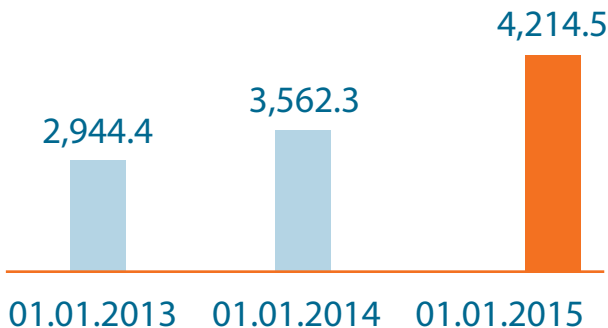
In 2014, the Bank improved its efficiency and stayed focused on preserving its financial stability through broader scope and scale of operations, introduction of new banking products, expanded reach to different customer segments, improved services standards, and the usage of updated soft and hardware products.

Bank BelVEB OJSC fully met its obligations towards customers and complied with the parameters set forth in 2014 Money and Lending Policy Guidelines notwithstanding the devaluation and inflation growth expectations of corporate businesses typical of the second half-year of 2014, fueled by financial instability in the

Profit
BYR, billion



Regulatory Capital
BYR, billion



Russian Federation, tougher competition, shortage of liquidity and overall weakness of corporates' financials.

At end-2014, the Bank remained 5th on the local market in terms of assets and own capital as well as authorized capital and 7th in terms of customer accounts.

As of 1 January 2015, nominal assets of the Bank totaled BYR 24,440.3 billion showing an increase of 4,092.1 billion or 20.1%. The Bank's return on assets (hereinafter referred to as "ROA") increased to 2.2% from 2.1% in 2013 while average market indicator stands at 1.7%.

In 2014, the Bank stayed one of the major creditors of Belarus' enterprises offering its customers a wide range of available financial tools inclusive of customer loans, factoring, letters of credit and letters of guarantee, financing of import transactions out of foreign credit lines.

The Bank's gross loan portfolio increased by 22.2% to BYR 3,171.6 billion, where corporate loans account for BYR 2,906 billion (21%) and retail loans – BYR 265.6 billion (58.5%). At 2014 year-end the Bank's securities portfolio increased by BYR 1,112.6 billion and amounted to BYR 3,330 billion (less accrued interest and outstanding balances).

Funds deposited by customers increased by 36.5% to BYR 8,797.1 billion including BYR 1,356.6 billion of retail deposits (45.4%), and BYR 997 billion in corporate deposits (28.9%).

The Bank constantly monitored interest rates and transactions terms on the market to offer to its clientele competitive corporate and retail deposits and loans. The Bank was also prompt to react and adjust its pricing to the market. In doing so and using customer-tailored solutions, the Bank was instrumental in preventing the outflow of deposits to rival banks.

In 2014, the Bank continued expanding its customer reach while stimulating its existent clients through active advertising, broader spectrum of services, customer-friendly approach and prudent fees and commissions policy.

In 2014, the Bank registered BYR 505.6 billion in profits with the rise of BYR 91.3 billion (22%) on the previous year.

The Bank's regulatory capital increased by BYR 652.2 billion to BYR 4,214.5 billion. Due to advance growth of the regulatory capital over the profits the Bank's return on capital (hereinafter referred to as "ROC") fell by 0.4% from 13.4% to 13%.

As at 1 January 2015, the Bank complied with all prudential requirements of the National Bank of the Republic of Belarus.

* – less interest accrued and fund currently in settlements

Profit for the year 2014**505.6**

BYR, billion

**Regulatory Capital
as at 1 January 2015****4,214.5**

BYR, billion

5th Placeamong Belarusian Banks
in Terms of Assets and Equity**5th Place**among Belarusian Banks
in Terms of Statutory Fund**7th Place**among Belarusian Banks
in Terms of Customer Funds**International rating agencies assigned to the Bank
the following rating values:****Fitch Ratings**

Long-Term IDR "B-", outlook "Stable".

Short-Term IDR "B"

Viability Rating "b-"

Support Rating "5"

Standard & Poor's

Long-term – B-

Short-term – C

Outlook – Stable

Stand-Alone Credit Profile – b-

Expert RA (RAEX)

Russian rating scale – A+ 'Very high credit rating', rating sub-level – 3;

International scale – BB

Belarusian rating scale – A++

Outlook – Stable

1.1 Management System

1.1.7 Principal Economic and Monetary Trends in Belarus in 2014

The following trends were characteristic of the Belarus economy in 2014:

■ weak economic growth underpinned by a slow recovery of production volumes in key economic sectors.

2014 real GDP grew by 1.6% vs. officially planned 3.3%. Industrial and agricultural production grew respectively by 1.9% and 3.1% showing downward slide by 4.9% and 4.2% on the previous year.

■ recovery of the production/consumption balance.

In 2014 a 2.9% labor efficiency growth outpaced a 0.3% growth of real wages. Weakness of the both above indicators was reflected in a slowdown in retail goods turnover which made up 6.6%.

■ higher than projected inflation ratio.

As at the end of 2014, consumer prices grew by 16.2% as measured December 2013 on December 2014, which is lower than the previous year level of 16.5% though higher than the officially projected 11%.

■ positive trends in foreign trade balance and decreased influx of foreign currencies receipts.

2014 trade balance deficit of goods and services calculated along the balance of payments methodology comprised USD 0.4 billion against USD 2.3 billion deficit in 2013. Foreign currencies receipts from exports, services,



income and transfers fell by USD 1 billion, or 2.1%, on the last year level.

■ sharp increase in foreign currencies demand in the local market in November-December 2014.

For the period from January to October 2014 business entities and individuals net selling of foreign currencies (hereinafter referred to as "FOCs") equaled USD 0.2 billion, while in November-December net FOCs demand amounted to USD 0.5 billion and USD 1.3 billion respectively. In December the Government and the National Bank of Belarus decided to impose temporary 30% tax levy on the FOCs acquisition by legal entities and individuals. Also mandatory selling of FOCs exports receipts was raised to 50%.

■ strengthened official BYR exchange rate in the 2HY 2014.

In the period from July to December 2014 Belarusian Rouble grew against the currency basket by 5.3% when in the 1HY it fell by 6%. During the year, the official exchange rate decreased vs. US Dollar by 24.6%, vs. Euro by 9.9%, and showed a 26.2% growth against Russian Rouble. As at the year-end, the tax levy on FOCs acquisition remained in place but was lowered to 20%.

■ decrease in gold and foreign currency reserves and growth of foreign debt.

Along the IMF methodology gold and foreign currency reserves of Belarus equaled USD 5.1 billion as at 1 January 2015 showing a yearly decrease of USD 1.6 billion, i.e. 23.9%. For the 9-month period of 2014, gross external debt went 2.4% up by USD 1 billion.

■ moderate easing of monetary policy through 2014.

The National Bank of the Republic of Belarus lowered the refinancing rate from 23.5% to 20% p.a. In November one-day interbank loans became available at 18.6% p.a. as compared to previously effective 28.5% p.a. rate. In effect from 1 February 2014, the regulator decreased its provisions requirement with respect to deposited foreign currencies from 14% to 13%. During the 11-month period, overnight deposit rates and the rates applied to open market liquidity withdrawal transactions decreased from 20% p.a. to 17% p.a. The rates of constantly available bilateral instruments and open market liquidity support instruments went down from 35% to 24% p.a. In December, the National Bank took a number of measures to tighten the monetary and credit policy to slow the money supply growth rate and increase the time value of money. It included recommendations to banks to freeze their BYR lending and prevent the borrowers' swapping the currency of liabilities under their current loan agreements. Already at the year-end, the rates of constantly available bilateral instruments and open market liquidity support instruments notched up 50% p.a. and those for one-day interbank loans 27.4% p.a.

1.1 Management System

1.1.8 Major Events in 2014

1st Place
among Belarusian Banks
in Terms Customer Servicing
(along the results of VoxPopuli
by infobank.by)

Brand of the Year 2013
GOLD PRIZE
Nomination
"Socially Responsible Brand"

Bank Life

On 28 January 2014, Bank BelVEB OJSC and the European Bank for Reconstruction and Development signed a USD 30 million Loan Agreement with a five-year tenor. The Loan is earmarked for financing of production, trade and services development needs of Belarusian micro-, small- and med-sized businesses.

Summing up the 2013 results, on 6 February 2014 the Bank awarded prizes to its best corporate customers. The Bank's officers established 10 nominations covering the full spectrum of cooperation with the clientele. In assigning marks to the customers, the following aspects were taken into consideration: lifespan of cooperation with the Bank, volume and scope of utilized financial tools, partnership in interrelations, loyalty to the Bank, as well as ability to compromise and seek off-beat solutions.

On 20 March 2014, a new branch office was ceremonially opened in Vitebsk. It became yet another spacious, comfortable bank facility equipped with modern technical means for servicing all customers from walk-in to individual to large corporate customers.

In March, BANKI.ru information agency named Bank BelVEB OJSC the 2013 foremost Belarusian bank in terms of quality of customer services. The winner was established upon drawing the results of Rating Populi conducted by infobank.by Internet site. This Rating is based on the visitors' comments and reflects the level of servicing and services quality in the country's banks.

Also in March the Bank embarked on the issue of Visa Gold and Visa Platinum corporate cards which fall into a separate VISA cards segment intended for the entities that value and accentuate a high social and financial status of their employees.

Built with the financial support from the Bank, Slavianskaya Hotel opened for tourists and guests amid the year. Three-star fifteen-storied Slavianskaya Hotel is a part of a large ho-



tel and dwelling houses complex in a prestigious region of Minsk City nearby the multifunctional Minsk-Arena sports center.

On 10 June 2014, the Bank launched a new project of БЕЛКАРТ-Maestro® co-badge cards – a joint product of MasterCard and БЕЛКАРТ trademarks. БЕЛКАРТ-Maestro® co-badge card product is a payment card solution for the domestic БЕЛКАРТ system with added functions of Maestro brand by MasterCard international payment system.

In October the Bank finalized the certification of issue and acquiring of MasterCard PayPass and Maestro PayPass brands and since that time cards issued by the Bank employ exclusively the PayPass technology.

In May the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), the Ministry of Finance on behalf of the Government of Belarus and Bank BelVEB OJSC concluded a Loan Agreement on extending the financing for up to USD 500 million worth of advance payments under nuclear power plant construction within the framework of an export contract between Russia-based Atomstroyexport CJSC and Belarusian Nuclear Plant Republican Unitary Enterprise. Under this facility Bank BelVEB OJSC entered into the capacity of a settlement bank

In June, Expert RA (RAEX) rating agency assigned A.rm rating (high level of risk-management) to the Bank's risk-management system. Among major positive rating drivers the agency named the Bank's high efficiency of credit risk management (as of 1 April 2014 overdue loans in the total loan portfolio accounted for a mere 0.5%), imple-

mentation of scoring models, and multilevel risk management system, comprising Credit Committee, Assets and Liabilities Management Committee and Risk Management Committee.

On 5 June 2014, during the annual Bank of the Year award ceremony dedicated to banking services and technologies, organized by Finances TUT.BY internet portal, the Bank championed in 7 nominations.

On 12 August 2014, Bank BelVEB OJSC and the Development Bank of the Republic of Belarus signed a loan facility to support micro-, small- and medzed enterprises operating in production and services sectors of the economy. The main advantages of this credit facility are the affordable cost of funds and transparency of sub-borrower eligibility criteria.

In August Bank BelVEB OJSC received a Trade Award 2013 from one of the world's largest banks Commerzbank AG for the excellent cooperation during the year. The Bank became the first Belarusian bank to be awarded this prize for intensive and efficient in trade finance business. Bank BelVEB OJSC became one of the first banks in Belarus to be distinguished by this prize.

On 29 September, Deputy Chairman of the Board of Bank BelVEB OJSC Nikolai V. Luzgin participated in a meeting with the delegation of the Standing Budget and Finance Committee of the House of Representatives of the National Assembly of the Republic of Belarus and represen-



tatives of deputies of the State Duma of the Federal Assembly of the Russian Federation. During the meeting participants discussed issues of improvement of the national banking systems of the Union State in the light of the on-going integration processes in Belarus and Russia and the development of bilateral relations between the parliaments in financial sphere.

In November, the organization structure of the Bank changed to incorporate the Department of Strategic Innovations. The department was created to implement strategic innovative solutions in digital banking under the Bank's development strategy and coordinate the efforts to create the Bank's systems raising the level and quality of services for clients.

Social Life

In January, under the Brand of the Year 2013 contest the Bank became the winner in the 'Socially Responsible Brand' nomination in the 'Public-Private Partnership' category.

The Bank publishes its Annual Sustainability Report, which comprehensively covers the issues related to the input of the Bank and its subsidiaries into the sustainable development of the country including environmental issues, investment activities, SMEs support, charity, staff policy etc.

In March, the Bank was awarded a prize for its corporate and social responsibility. One of the events - the folk music festival 'Kamianiza' – organized under the auspices of the Bank was acclaimed the best event in the nomination 'The Best Corporate and Social Event. Culture'. This prize was instituted by the International Social and Economic Fund IDEA with the aim of rewarding the best so-

cial and corporate responsibility projects, supporting charity causes, cultural initiatives, sports events, educational campaigns, healthy life undertakings, community building programs and environmental endeavors.

On 22 April, Bank BelVEB OJSC and the National Library of Belarus ceremonially presented Bytie (the Book of Genesis) - the first book of the facsimile complete set of Francysk Skaryna. Back in 2013 Bank BelVEB OJSC and the National Library jointly embarked on this project of great cultural importance to issue first books of the complete set of facsimile works by F. Skaryna. It is planned that the project will be completed by 2017. All 25 books printed by F. Skaryna in Prague and Vilno will become available in five years. On 18 June 2014, in the premises of the National Library the initial set of books was presented to foreign embassies and Minsk region libraries. The set is named 'The Printed Heritage of Francysk Skaryna' and comprises Bytie (Genesis), Iskhod (Exodus), Levit (Leviticus), Chisla (The Numbers) and Vtorozakonie (Deuteronomist).

In April Bank BelVEB OJSC and the Ancient Belarus Culture Museum of the Center of Belarusian Culture, Language and Literature Studies under the Belarusian Academy of Science completed their joint project of renovation of the unique Belarusian icon 'Ascension of Christ - Protection of the Most Holy Mother of God'.

The second year in a row the Bank sponsors large-scale city musical project 'Jazz Evenings with Bank BelVEB' conducted in Minsk on 10th to 24th of May. Popular jazz musicians from eight countries including France, Sweden, Germany, Poland, Lithuania, Great Britain, Italy and Belarus gave their concerts during the May Saturdays 10th, 17th and 24th. This year jazz musicians and the audience were hosted by the guest area of the 2014 Hockey World Championship near the Sports Palace.



In June Minsk Executive Committee Chairman Nikolay Ladutko commended the Bank's staff on their professional team work and considerable input during the preparations and conduct of 2014 Hockey World Championship in Minsk.

On 6 September, the Belarusian State Museum of the National Architecture and Household for the sixth time became home for the Annual Folk-Music Festival 'Kamianiza' and it was the fifth time when Bank BelVEB OJSC was privileged to be the general sponsor of the event. The Festival helps to revive national traditions and promote the Belarusian culture. All entry fees go to the Museum to preserve its authentic unique wood architecture specimens that date back to XVIII – XX centuries. Charity donations received during the Festival obviously help the Museum to restore its open-air exhibition of traditional wood houses.

The 'DIALOGUE' sculpture was unveiled on 14 of October near the Bank's Brest Regional Branch. This sculpture is a replica of the original sculpture placed at the Bank's Minsk Headquarters in 2013 to implement the project of aesthetical decoration of the Bank's vicinities.

Another replica of the 'DIALOGUE' sculpture was placed near the Bank's premises in Grodno City.

XL International Art Festival 'Musical Autumn in Belarus' was conducted by Belarusian State Philharmonic Society from 28th of October through 25th of November. As the general sponsor of the event Bank BelVEB OJSC has been sponsoring the Festival for four last years. Support to the 'Musical Autumn in Belarus' festival organized by the State Philharmonic Society as well as to other cultural events underpin the Bank's corporate and social strategy in the sphere of art and culture.



The 5th Christmas International Opera Forum that took place in Minsk on 12-18th of December was also financed by Bank BelVEB OJSC in the capacity of the general sponsor.

In December, the Bank was distinguished by the third republican theatre contest 'National Theatre Prize' in the 'Theatre Patron' nomination. The Bank became the first to win this newly established prize. The history of the contest goes back to 2011 and is conducted under the auspices of the Ministry of Culture of Belarus and the Minsk City Executive Committee.



2

Investment into Sustainability



- 2.1** Public Relations
- 2.2** Responsible Business Practices
- 2.3** Investment Activities
- 2.4** Support for Small- and Medium Enterprises
- 2.5** Russia-Belarus Projects
- 2.6** Charity

2.1 Public Relations

2.1.1 Policy of Corporate and Social Responsibility

In 2014, the Bank worked out 2014-2015 Strategy of Corporate and Social Responsibility of Bank BelVEB OJSC (hereinafter referred to as the CSR Strategy) approved by Resolution of the Management Board No. 165 dated 23 April 2014. This regulation sets out the objectives of the Bank in the field of CSR as well as priorities for the development of CSR and is consistent with the best practices of international financial institutions. CSR is of vital significance to the Bank as a vehicle of raising the efficiency of the Bank's activities.

In developing the CSR Strategy, the Bank was guided by the following regulatory framework:

- Decree of the President of the Republic of Belarus No. 300 dated 1 July 2005 on Provision and Use of Gratuitous (Sponsoring) Assistance (amended and revised as at 29 November 2013);

- Memorandum on Cooperation between the Government of the Republic of Belarus and State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) dated 20 December 2008;

- 2012-2015 Corporate and Social Responsibility Strategy of Vnesheconombank adopted by the Management Board of Vnesheconombank (Minutes No. 20 dated 8 February 2012);

- 2013-2015 Strategic Development Plan of Bank BelVEB OJSC adopted by the Supervisory Board of the Bank (Minutes No. 12 dated 3 June 2013);

- Instruction on Reporting in the Field of GRI Sustainable Development (version 3.0);

- 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 21 December 2011 (amended and revised by Resolution of the Management Board No. 203 date 18 April 2012);

- Regulation on Application Processing of Legal and Private Persons Regarding Provision of Gratuitous (Sponsoring) Assistance and Donation and Charity in Bank BelVEB OJSC No. 40 dated 6 February 2013; and

- other regulations of the Bank.

The objectives of the CSR Strategy of Bank BelVEB OJSC are as follows:

- to develop and maintain a reliable CSR system;
- to enhance the Bank's efficiency in terms of ecology, business ethics, and public relations;
- to form a united, socially protected, creative and economically motivated team;

- to improve labour and recreation conditions as well as labour safety in line with the breakthrough global standards;
- to maintain the status of an up-to-date, highly efficient and socially responsible financial institution;
- to make contributions for maintaining a high level of economic development and employment of the population; and
- to maintain conditions for stable development of the society.

The Bank's reliable and stable CSR system is a tool for management of sustainable development enhancing the Bank's contribution in dealing with social and economic problems, to improve living conditions of the population, and to protect the environment.

The Bank's initiatives in the field of ecology, business ethics, and public relations are implemented in a number of ways:

- development of socially responsible financing;
- support of projects of social and economic significance;
- development of mechanisms of partnership between the state and the private sector;
- management of the Bank's impact on the ecological situation; and
- implementation of charity projects and so forth.

The afore-mentioned shall help the Bank to increase its contribution to the promotion of innovations and the development of the country's infrastructure.

The embedding of the Bank's innovations in the field of CSR as well as their regular discussing with stakeholders enables to establish its reputation and to further maintain the Bank's image as a socially responsible organization re-

alizing its activities in consistence with social interests and sustainable development objectives. One of the Bank's challenges is to promote the applied CSR practice and experience in the financial sphere of the Republic of Belarus.

In an effort to promote CSR principles in the business community, in 2014 the Bank apprised the representatives among the key stakeholders, such as Vnesheconombank, the Ministry of Finance of the Republic of Belarus, the Ministry of Economy of the Republic of Belarus, the Ministry of Natural Resources and Environmental Protection of the Republic of Belarus, the Energy Efficiency Department of the Republic of Belarus, bodies of state administration, UNO/UNDP Representation in Belarus, the National Bank of the Republic of Belarus, Banking Processing Centre OJSC, Kunyavskiy Business Union of Entrepreneurs and Employers, and the Bank's major customers, of the publication of its 2013 Non-Financial Report. The Bank forwarded copies of its 2013 Sustainability Report available at the Bank's website to the key stakeholders.

In June 2014, the Bank's representatives partook in the meeting initiated by Vnesheconombank (Moscow) and dedicated to discussing the draft of 2013 Sustainability Report of Vnesheconombank Group with representatives of structural units and organizations of Vnesheconombank Group and other stakeholders. The participants of the meeting were granted copies of 2013 Sustainability Report of Bank BelVEB OJSC.

2.1 Public Relations

2.1.2 Cooperation with Stakeholders in 2014

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

While interacting with the key stakeholders, the Bank is guided by the principles of respect, confidence, honesty, justice, maintenance of reliable business relations on the basis of independence of the parties, non-admission of direct or indirect impact on decision-making of state, administrative and judicial bodies, as well as participation in resolving specific matters on the developing of regions and communities on whose territory the Bank carries out its activities via a stable public dialogue.

Customer policy remains the underpinning of the Bank's stability. Whilst on the other hand the sound financial status of Bank BelVEB OJSC forms the solid basis for, and is mutually interwound with, a robust financials and smooth operation of its customers.

Corporate business is central to the Bank's business model and greatly influences the Bank's key performance indicators. In its corporate customer policies the Bank is primarily guided by the philosophy of long-lasting coop-

eration, mutual benefit and customer-tailored approach.

Bank BelVEB OJSC currently makes available a wide choice of technologically advanced bank instruments to businesses of different scale of operation from large enterprises to small and medium companies, matching the needs of each segment group.

The Bank's customer base traditionally comprises leading companies in different economy sectors such as metallurgy, oil-processing and chemical production, engineering industry, construction, food processing, consumer goods industry, telecoms, trade and services.

Owing to clear targeting and efficient functioning of its organizational and management system, aimed at adopting the customer-centered model, the Bank's clientele grew by 2,270 new customers (11%) in average by 190 customers a month and at 1 January 2014 comprised 23,153 customers.



Below there is some statistical data related to the Bank's clients of which:

- 22,820 (99%) hold accounts with the Bank and use cash-desk and settlement services;
- 1,348 (5.8%) are the borrowers of the Bank;
- 814 (4%) hold deposits with the Bank;
- 15,469 (67.0%) avail of the payroll-on-your-bank-card projects;
- 12,402 (53.6%) use the Bank's 'Customer-Bank' electronic transaction system.

In 2014, the Bank successfully managed and augmented balances in current and deposit accounts of bodies corporate.

Despite adverse economic conditions in 2014, corporate account balances on the Bank's books showed steady growth which corroborates the customers' confidence in the Bank. In order to level out negative effects of the external economic factors, which put pressure on the Bank's funding out of resources from corporate and individual entrepreneurs, Bank BelVEB OJSC timely adjusted its pricing of interest rates applied to time deposits held by the above customers.

During 2014, corporates' funds with the Bank grew by 28.9% in local currency equivalent to reach an equivalent of 4,452.1 billion Belarusian Roubles, including:

- 1, 270.1 billion in Belarusian Roubles and
- an equivalent of 3,182 billion Belarusian Roubles in foreign currencies.

In 2014, the Bank continued to fine-tune its customer services system, priced its fees and commissions to competitive market levels and added new services for corporate customers, e.g.

- 'BUSINESS' cash-desk and settlements service package was supplemented by 'BUSINESS-TRANSIT' package for forwarding and transport companies;
- 'Automated Safe-Box' system was put in place, enabling corporate customers and individual entrepreneurs to independently effect cash collection on the 24/7 basis;
- a new service was implemented to enable the customers open and maintain precious metals accounts and effect buy-and-sell transactions thereon;
- to minimize the bank routine time, the Bank introduced a service of filling in and execution of the customers' payment orders and a service of verification of the customer's signature and the company's seal/stamp specimen in the premises of the customer.

The Bank's customer deposit instruments were supplemented by six new deposits tailored to the needs of various customers and earmarked to boost the local currency funding and increase the proportion of long-term deposits. This versatile deposits line favorably positions the Bank through its competitive and flexible interest rates, the possibility to deposit in major currencies from Belarusian Rouble to US Dollar, to Euro and Russian Rouble. The product line is a comprehensive set of standardized and easy-to-place deposit vehicles with an option of customer-tailored terms.

In 2015, the Bank will continue to monitor the market for the needs in new technologically advanced deposit instruments including the remote depositing of funds.

In 2014, the Bank remained the 5th largest among Belarusian banks to provide lending to local enterprises with a 5.4% market share.

The total of corporate loans to the Bank's corporate customers summed up BYR 16,714.2 billion (BYR 16,309.8 billion – less problem loans), showing a 21% (19.5% – less problem loans) increase on the year-start.

As at end-2014, the Bank extended loans to 1,348 of its customers.

In line with the adopted long-term credit strategy, the Bank continued to give priority to Russia-Belarus integration projects and the incentive financing of small and medium enterprises (hereinafter SME).

During 2014, total SME loan portfolio increased by 570.6 billion Belarusian Roubles (12.6%) and reached 5,095.4 billion in BYR equivalent, comprising a 30.5% of the total corporate loan portfolio.

Another loan agreement was concluded on 12 August 2014 with the Development Bank of the Republic of Belarus (hereinafter DBRB) to support the local small and medium businesses. During 2014, the Bank lent a BYR 37.5 billion worth of loans to 15 SME sub-borrowers. The annual total provided to sub-borrower out of the funds from the DBRB amounted to BYR 17.5 billion.

In order to foster its SME lending the Bank conducted a workshop-seminar 'Modern SME Lending and Servicing Techniques'. It took place in Gomel City on 26 June 2014 and was attended by over 40 representatives of small and medium companies from Gomel and the nearby towns including Retchitsa, Mozyr, Zhlobin and Svetlogorsk.

The year 2014 witnessed the implementation of the project 'Streamlining of Lending and Risk-Management System within Corporate Business Segment'. It resulted in a new concept and approach to lending process formalized in the Procedure of 8 Eyes Model in Corporate Lending Transactions. This Procedure provides for the rules of a simplified process in approving new or amending the conditions of the current lending transactions to lessen the operational costs of the Bank.

5th Place
among Belarusian Banks
in Terms of Corporate
Loan Portfolio



1,348 customers
use the Bank's credit products



2.1 Public Relations

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.

In an effort to control its service standards, to maintain feedback links with its customers, to analyze matters on customers' dissatisfaction, and to take steps enabling to resolve problems, the Bank is putting in place a number of assessment procedures.

Over the period from March till April 2014, the Bank initiated a public opinion poll for corporate customers. The poll was conducted by indirect communication with customers, by phone, or via e-mail subject to prior agreement with a customer. The results enabled to make general conclusions concerning the level of customer satisfaction with the Bank's service as compared with 2013.

According to the results, legal persons are generally satisfied with the quality of the Bank's products and servicing. Besides positive response, a number of the Bank's structural units were slightly criticized for inconveniences related to centralization processes within the Bank as well as insufficient number of ATMs (Gomel and Rechitsa Regional Branches).

From June till August 2014, the Bank triggered a marketing campaign targeted at analyzing the perception of brands – Bank BelVEB OJSC, Priorbank OJSC, and BPS-Sberbank OJSC. The campaign was performed by means of an opinion poll among the customers of the above banks at their offices via special forms. The campaign was aimed at identifying strong and weak sides of the Bank and its key competitors, analyzing its position according to the opinion of the target group, detecting its peculiarities, and revealing the Bank's most essential characteristics so as to range them along their significance.

According to the results of the poll, the Bank was second on the servicing level, proved to be prompt and reliable. On the other hand, a number of drawbacks in the Bank's customer servicing were also revealed.

In order to enhance corporate customer servicing standards, from June till September 2014 the Bank had been developing a system for assessing the Bank's customers' satisfaction and carried out a pilot customer poll via the aforementioned system. In future the Bank's customers' satisfaction level shall be estimated yearly which will enable to calculate satisfaction indices for each service as well as aggregate indices.

From September to October 2014, the Bank had been conducting an opinion poll among legal persons and self-employed entrepreneurs via 'Customer-Bank' and 'Internet-Bank' remote servicing systems. To this effect, the Bank developed relevant forms and polled self-employed entrepreneurs and legal persons of Group I and Group III. As a result, we made conclusions regarding the most attractive aspects of the remote servicing system for our customers.

During the period from 12 June 2014 till 29 December 2014, the Bank had been conducting the from 2011 regular 'Undercover Visitor' campaign of assessment of customer satisfaction aimed at promotion of servicing standards as well as streamlining of the Bank's customer oriented approach.

The project evaluated the corporate style compliance and the work of the Bank's customer service offices and cash transactions outlets.

According to the results of the poll, the Bank shall in future be guided as follows:

- strict compliance with the Bank's dress code, corporate philosophy, and high standards of professional relations;
- use of corporate neckties and badges;
- availability of office supplies such as pens, paper and so on;
- availability of updated marketing materials;
- monitoring of functionality of intercommunication systems;
- provision of the Bank's regional branches with automated queue management systems;
- working-out of instructions applicable for consulting on the Bank's key products containing cross-selling information and their availability in the officers' working area.

As per 2015 Marketing Plan adopted by Regulation No. 545 of the Management Board dated 20 December 2014, the year 2015 will also witness an assessment of the Bank's personnel within the 'Undercover Visitor' campaign.

In its interaction with the general public and legal persons 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 from time to time amended and supplemented) and

Regulation on Processing of Complaints of Customers in the Information and Reference Centre of the Contact Centre of Bank BelVEB OJSC No. 334 dated 27 August 2014 (Resolution No. 967 on Administering the Official Website of Bank BelVEB OJSC in the Internet dated 3 September 2014).

In the year 2014, 208 addresses from individuals and organizations were submitted. Below are the most frequent issues of complain:

- servicing quality (84 complaints);
- ATM interface and hardware malfunction (28 complaints);
- office hours of the Bank's branches and cash desks (24 complaints);
- lending terms (21 complaints);
- currency exchange (17 complaints); and
- deposit terms.

In an effort to settle the complaints, the Bank responded to 203 addresses in writing, whereas one complaint was resolved through personal visit. Three complaints remained without response because of their anonymous character.

In the period under review, addresses of SME representatives were connected with the unsatisfactory servicing. Legal entities (except for SME representatives) as well as the Bank's employees filed no complaints.

2.1 Public Relations

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.

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 key principles of the Bank's external information policies are laid down in the Code of Professional Ethics of Bank BelVEB OJSC (Minutes of the Supervisory Board of Bank BelVEB OJSC No. 23 dated 29 November 2013) and by the Bank's Management Board.

In 2014, 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 representatives with mass media, as well as the procedures for presentation and approval of information for public use (Resolution of the Chairman of the Management Board of Bank BelVEB OJSC No. 1436 dated 29 December 2014).

The Bank can communicate with mass media via the public relation officer of the Administration of the Management Board Chairman. The Members of the Bank's Supervisory Board, Management Board and persons authorized by the Chairman of the Management Board are entitled to make public appearance in mass media on the Bank's behalf in accordance with the established procedures.

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

The policy implemented by the Bank is based on openness and transparency of its activities to shareholders, customers, business partners, staff members and state management bodies by means of free access of stakeholders to information becoming public.

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

Pursuant to the Bank's external information policy, Public relation officer, who directly reports to the Chairman of the Board and has comprehensive information about the company's development strategy and its ongoing activities, is responsible for information campaigns. It is determined that the employees of the Bank's departments shall promptly respond to requests of Public relation officer and provide necessary information.

With respect to the Bank's retail and corporate products and instruments information is provided to target groups through:

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

The Bank's website is one of the most important communication channels and a proactive publicity instrument of the Bank. Along with the general information on the Bank's activities and services rendered to its retail and corporate customers, the website provides the possibility to communicate with the advisors through the 'Online

Assistant' function in an online mode, and to use loan and deposit calculators. In 2014, the number of the Bank's site visits increased by 21.2% in contrast to 2013 and totaled 1,336,383. The most popular sections included Offices and Information to Individuals.

So as to keep the information on the Bank's official website up-to-date, the Bank assigned several structural units responsible for information located in relevant sections of the website and procedures for their interaction (Resolution No. 967 on Administering the Official Website of Bank BelVEB OJSC in the Internet dated 3 September 2014).

Besides, in August 2011 the Bank's Call Centre was established to online communicate and provide comprehensive information on the Bank's activities to the general public. Any person may contact the Bank and get necessary information at (+375 17) 215-61-15 and 205 (mobile).

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

In 2014, 144 press releases on changes of customer services, new technologies and instruments of the Bank, the opening of retail business centers across the country, and other issues were published on the 'Bank's News' page of the website.

Below the are examples evidencing the Bank's openness and transparency. Mr. Oleg Prohortchik, Deputy Chairman of the Board, gave 10 interviews to, inter alia, Respublika Newspaper, BelTA News Agency, TUT.BY Internet portal, as well as other mass media. Corporate Business Development Director Mr. Oleg Korobiyn gave interviews to Delo, Ekonomika i Business, and Director magazines and provided comments to TUT.BY. Media coverage was given to over a dozen of comments made on the Bank's behalf.

In the reporting year the Bank secured the 'Open Bank (Journalists' Choice)' nomination within the 2nd annual award for banking products and technologies referred to as 'The Bank of the Year in Belarus' (Finance, TUT.BY Internet portal) which is another example of the Bank's openness. The winner was chosen according to the criteria of interaction with mass media, readiness to give comments, presence in social networks ect. The Bank won a prize in the following nominations:

- 'The Best Lending Product',
- 'Service for Legal Entities',
- 'Service for Individuals',
- 'Choice of Internet Users',
- 'The Most Charming Male Employee', and
- 'The Most Charming Female Employee'.

The Bank's Contact Centre took the 3rd position in the 1st stage of the 'Obliging Bank' competition initiated by the Association of the Banks of Belarus in 2014. The participants were estimated on the basis of such criteria as politeness, efficiency, competence, readiness to assist the customer and completeness of disclosed information.

In general, the Bank's activities in 2014 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 designed to inform the Bank's employees on the current state of affairs, maintain corporate loyalty and route the most expedient communications from the Management.

The main instrument of the internal policy of the Bank is its internal corporate website. In 2014, over 20 video addresses, nearly 25 poll results, 700 news items were published at the Bank's official website that simultaneously served as a place for organizing 4 major social competitions. In the previous year, the indicator of the average daily website visit made up 80 % of the active part of the Bank's employees, which evidences high involvement of the Bank's officers in internal communication.

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

2.1 Public Relations

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 2014, the Bank was focused on streamlining its international settlements to improve the efficiency of financial flows of its customers and its own operations. Extensive correspondent network helps the Bank to ensure high standards in effecting international settlements transacting them 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 worldwide. The Bank maintains correspondent accounts in major international currencies in the world's strategic financial centers.

In its cooperation with financial institutions residing in neighboring and far-abroad countries and domestic banks, the Bank remained focused on further strengthening its financial positions and goodwill internationally as well as in the local marketplace, improving its bank-to-bank services, providing favorable conditions for international settlements and streamlining its correspondent network.

As at 1 January 2015, the Bank has 675 local and overseas correspondent-banks in 77 countries. In maintaining its correspondent network the Bank was guided by the necessity to provide optimum conditions for settlements to its customers, business partners and its own operations.

Bank BelVEB OJSC is a clearing bank for settlements in foreign currencies for banks of the Republic of Belarus and for settlements in Belarusian Roubles for members residing in the CIS-countries and the Baltic States.

Our Bank maintains contractual relations with over 120 non-resident banks and 30 resident banks and collaborates in various fields including interbank credit market, FX transactions, banknote business, trade finance, etc.

Under contract relations with partner banks, there established fixed limits to effect transactions and successfully carry out activities in the domestic market while simultaneously dynamic participating in foreign markets deals.

In 2014, we remained actively involved in trade financing. Despite the impact of the geopolitical and economic situation on the progress of the international trade finance as well as downward trends in business activities of international companies engaged in foreign trade transactions, we managed to keep dominant positions in the trade finance market within the Republic of Belarus.

In the period under review, we opened 487 letters of credit and issued 231 bank guarantees totaling an equivalent of USD 547.9 million. In addition to the above, nearly 52% of documentary letters of credit were opened for the purpose of financing trade contracts of the Bank's customers.

In 2014, we went on implementing and financing Russia-Belarus joint projects and ensured foreign trade contract settlements with over 160 Bank's customers.

The Bank extended an equivalent of RUR 37,865.9 million under Russia integration project loans. The portion of such loans in the corporate loan portfolio made up 43.1%, outpacing the projected 25% minimum.

The 2014 total lending to Belarus' importers of the Russian agricultural products and industrial goods made up an equivalent of 18,212.9 million Russian Roubles (48.1% of the Bank's Russo-Belarus transactions financing). Belarus' exporters to the Russian Federation received an equivalent of RUR 16,124.6 million worth of loans and financing (42.6% the Bank's Russia integration portfolio).

Transactions earmarked to finance bilateral cross-border trade with Russia are structured to draw on the resources from Vnesheconombank's Group and include insurance from EXIAR – Russia's ECA.

In May the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), the Ministry of Finance on behalf of the Government of Belarus and Bank BelVEB OJSC concluded a Loan Agreement on extending the financing for up to USD 500 million worth of advance payments under nuclear power plant construction within the framework of an export contract between Russia-based ZAO Atomstroyexport and RUP Belarusian Nuclear Plant company. Under this facility Bank BelVEB OJSC entered into the capacity of a settlement bank.

Factoring became one of the promising instrument of developing trade transactions. Under the relevant EBRD programs within 2014, we took a number of measures so as to move forward with this business line. As a result, a range of our services offered to finance trade transactions was extended.

In order to keep up to date with high customer service standards, our Bank's officers specialized in trade finance transactions partook in special trainings and were granted certificates of the International Chamber of Commerce and Industry.

In the previous year Bank BelVEB OJSC actively cooperated with its major international financial partners such as the European Bank for Reconstruction and Development as well as the Eurasian Development Bank.

In summer 2014, we reached an agreement on the enhancement of credit facilities for funding micro-, small- and medium-sized enterprises by USD 10 million and the increment of the trade finance credit line up to USD 40 million. But notwithstanding, due to the sanctions imposed the implementation of the aforementioned programs was frozen, and it is expected to be recommenced as soon as the sanctions are lifted.

Bank BelVEB OJSC and the Eurasian Development Bank (hereinafter referred to as the "EDB") took a set of measures so as to redistribute the limit for trade finance transactions in favor of the crediting of small- and medium-sized businesses as well as for the purpose of signing a new loan agreement equaling USD 5 million. As a result, the EDB limit applicable to trade finance transactions made up USD 5 million, whereas the overall amount of funds for SMEs totaled USD 12 million. Within the above program, we concluded nine loan agreements with SMEs totaling USD 7 million.

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.

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The issues of corporate ethics are governed by the Corporate Code of Conduct of Bank BelVEB OJSC (Resolution of the Supervisory Board No. 23 dated 29 November 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 Bank is guided by such corporate values as customer-oriented approach, law obedience, responsiveness and technological approach, traditions, reliability, competence and flexibility, honesty, trustworthiness and responsibility, prudence and professionalism, initiative and creativity, openness and goodwill, as well as corporate spirit.

In its relations with clients, business partners, authorities and management, the Bank is guided by the principles of respect, trust, honesty and fairness, maintenance of strong business arm's length relationships, prevention of attempts to exert direct or indirect influence on the Government decisions, 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.

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. Management of the Bank make 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, and implementing the decisions made by the management bodies in good faith and in due time.

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 antimonopoly laws of the Republic of Belarus.

The Bank's staff is deemed to be one of the core values of the Bank, being a key to business success.

Bank BelVEB OJSC builds relations with its employees by 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. The Bank puts every effort to ensure occupational health, labor and security protection of any employee and takes 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 via 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 other such agreements.

2.2 Responsible Business Practices

2.2.2 Participation in State Policy Formulation

The Bank is guided by the legislation of the Republic of Belarus setting out the guidelines for the lending policy within the state.

The Bank actively takes part in financing projects aimed at developing the national communication, energy, transport, export-oriented as well as import-substituting industries, energy-efficient technologies, and infrastructure.

In the perspective of implementing its lending policy, the Bank's key priority remains the facilitation of Russia-Belarus integration projects and increase in financing bi-lateral product supply between enterprises of Russia and Belarus as well as enterprises with Russia-owned share.

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

The Bank facilitates exports of Belarusian enterprises through mechanisms of insuring export risks in partnership with Beleximgarant Export-Import Insurance Unitary Enterprise.

The Bank continues implementing state programs enhancing efficiency of the economy by crediting enterprises and organizations according to market conditions and financing intergovernmental projects and foreign trade transactions.

One of the Bank's priorities is to expand lending transactions with effective SMEs via lending enabling them to increase their production capabilities, to facilitate business initiative, and to create new working places.

Bank BelVEB OJSC 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 whose prime task is to foster market reforms, create and develop the private sector of economy, and establish international relations with Belarusian and foreign businessmen. The Bank's membership in Kunyavskiy Business Union of Entrepreneurs and Employers enables the Bank to participate in drafting and implementing the social and economic policy, improving the credit and finance system, and developing the banking within the Republic of Belarus.

The Bank's 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, Ministry of Finance, and Ministry of Economics 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 anti-money laundering and combating the financing of terrorism system (hereinafter the AML/CFT system) was developed in compliance with the Belarusian legal framework and internal regulations that include:

- Banking Code of the Republic of Belarus No. 441 dated 25 October 2000 (as amended and revised);
- Act of the Republic of Belarus No. 426-3 on Measures Preventing Legalization of Proceeds from Crime and Terrorist Financing (as amended and revised) dated 19 July 2000;
- Act of the Republic of Belarus No. 165-3 on Measures Preventing Legalization of Proceeds from Crime, Financing of Terrorism and Proliferation of Weapons of Mass Destruction (as amended and revised) dated 30 June 2014;
- 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 dated 31 December 2014;
- 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 Terrorism Financing by Bank and Non-Bank Financial Institutions dated 28 February 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 dated 13 March 2006;
- Rules of Internal Control in Bank BelVEB OJSC Preventing the Legalization of Proceeds from Crime and Terrorist Financing (Resolution of the Board of Bank BelVEB OJSC No. 88 dated 8 June 2006 (as amended by Resolution of the Management Board of Bank BelVEB OJSC No. 532 dated 17 December 2014) (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 (as amended by Order No. 455 dated 24 June 2011, Order No. 272 dated 11 April 2012, Order No. 298 dated 18 April 2012, Order No. 584 dated 30 June 2012, Order No. 145 dated 28 February 2013, Order No. 1061 dated 25 September 2014) dated 1 January 2010;
- Order No. 170 on Users' Connection to the System of Search of Terrorists and Terrorist Organizations Plito in Bank BelVEB OJSC dated 28 March 2011 (as amended by Order No. 298 dated 18 April 2012 and Order No. 145 dated 28 February 2013 of Bank BelVEB OJSC);
- Order No. 146 on the Internal Control dated 28 February 2013 (as amended by Order No. 262 dated 11 April 2013, Order No. 972 dated 4 December 2013, Order No. 1089 dated 26 December 2013, and Order No. 1118 dated 10 December 2014);
- 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 OJSC dated 19 June 2013.

The Principles of the Internal Control System preventing legalization of proceeds from crime and terrorism 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 adequately installed in the Bank secures minimizing the risk of being involved in the process of legalization of proceeds of crime and terrorism financing, compliance with the national legislation, application of international standards in this area, and implementation of uniform principles of ICS for AML/CFT used by Vnesheconombank Group.

In 2014, the Republic of Belarus relevant authorities took a number of steps compliant with international practices in combating money laundering and financing of terrorism so as to minimize risks related to implication for the financial sector, including the banking system, stemming from financial transactions initiated by quasi-entrepreneurial entities.

As from 30 July 2014, Act No. 133-3 on Amending the Republic of Belarus Act on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism dated 24 April 2014 (hereinafter Act No. 133-3) stipulating the bank's authority to deny (or to suspend) financial transactions as well as to cease business relations with unreliable customers came into force.

In an attempt to fulfill the requirements of Act No. 133-3, based on Resolution No. 296 dated 30 July 2014 the Management Board of Bank BelVEB OJSC adopted the Rules to outline:

- signs of suspicious financial transactions allowing to suspend and (or) to deny financial transactions; as well as
- procedures for suspension and (or) denial of financial transactions (saving for transferring of the received funds to the customer account).

According to the recommendations given by the National Bank of the Republic of Belarus and departments of the Committee of State Control of the Republic of Belarus as part of implementation of measures aimed at excluding quasi-entrepreneurial structures from the banking sector, one of the most efficient methods minimizing the Bank's implication in financial transactions of the above clients is denial to make an agreement and to carry out transactions with customers being assigned a high risk level by means of the remote system of banking service as well as suspension to carry out transaction via such a system.

In 2014, a number of times the Bank denied to conclude agreements to provide remote banking services and suspended rendering such services, which evidenced the Bank's attempts to fulfill the aforementioned recommendations and to minimize reputational risks.

In order to increase effectiveness of procedures of internal control aimed at prevention of laundering of proceeds of crime and financing of terrorism activities, in 2014 the Bank implemented measures to centralize



procedures for on-going and follow-up control on the basis of Financial Monitoring Unit of Corporate Management Department.

As part of the abovementioned measures, the Bank established:

- identification of financial transactions subject to special control shall fall mainly under the responsibility of Financial Monitoring Unit of Corporate Management Department;

- sending of all special forms for registering financial transactions subject to special control by Financial Monitoring Unit of Corporate Management Department to the relevant financial monitoring body (Department of the Committee of State Control of the Republic of Belarus).

In 2014, we put into life the following measures enabling the Bank to comply with the US Foreign Account TAX Compliance Act (hereinafter FATCA):

- the Bank appointed an officer (Member of the Management Board – Director of Corporate Management Department V.I. Kornev) as well as a structural body responsible for FATCA compliance;

- registration at the web site of the US Internal Revenue Service was effected;

- a set of procedures for identifying new customers so as to reveal FATCA relevant clients was developed and adopted;

- relevant staff was trained to ensure FATCA compliance.

One of the main conditions for effective functioning of CRS for AML/CFT is to conduct training of the Bank's employees in terms of preventing legalization of proceeds of crime and terrorism 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). Thereafter the employees' knowledge is assessed in written form or via interview. Starting from 2008, the Bank holds a corporate seminar for its officers on prevention of laundering of proceeds from crime and financing of terrorism activities.

In 2014, training events included:

- scheduled trainings attended by 287 officers of Minsk and regional branches of the Bank;

- corporate seminar on AML/CFT issues held for 50 officers of the Bank;

- 7 extra trainings attended by 285 officers of the Bank;

- introduction trainings held for 80 officers of the Bank; and

- 5 technical programs on such modules as 'Customer Identification' and 'Registration and Forwarding of Special Forms' in EQUATION which were attended by 82 officers.

2.2 Responsible Business Practices

2.2.4 Access to Financial Products and Services

Enhancement of Financial Literacy among General Public

The Bank's retail business officers carry out a set of regular measures aimed at improving financial literacy Belarus' population, which, among other things, comprise lectures, welcome days, facultative activities, open lessons, presentations on advantages of banking products and features of their use for students. The Bank also provides educational support to its actual and potential customers in deepening their knowledge of new banking technologies.

The policy of Bank BelVEB OJSC in the retail business sector is aimed at boosting the Bank's share in the retail lending and deposit markets, improving service quality standards, introducing breakthrough sales technologies, and optimizing business processes.

In 2014, the Bank remained focused on the following:

Optimization of Business Processes

The Bank centralized the accounting of funds transfer operations with deposits as well as current (bank settlement) accounts transactions performed by the Bank's foreign exchange and cash offices.

Bank BelVEB OJSC centralized crediting accounts of, and direct cash payouts to, beneficiaries with respect to funds received via bank remittances in foreign currencies and BYR, including insurance indemnities.

In 2014, the Bank started the step-by-step centralization of remittance settlements made via private payment systems.

As a result of the optimization of the retail crediting business process

- credit application response time was reduced owing to the streamlined approval procedure;

- assignment of decision powers to adopt the administration of pledged property for, and on behalf of, the Bank significantly simplified the procedures of customer application processing.

Improvement of the Bank's Employee Incentive System

In 2014, the employee incentive system of the retail business was completely modified. Bonuses became more results-oriented and dependent on the amount of products sold and services rendered. The modified incentive system allows, inter alia, drawing the retail business sector employees' attention to the key problems at a particular time period.

Improvement of Customer Service Standards

So as to develop professional skills and knowledge of the employees engaged in the retail business structural units, the Bank created electronic training courses (tests) on such subjects as 'Products (Services) of Bank BelVEB OJSC', 'Cross-Selling of Bank Retail Business Products and Services', 'VIP Servicing in the Structural Units', 'Retail Business Selling Technologies', as well as 'Methods for the Identification of Customer Needs in Retail Business'.

The assessment of customer servicing standards was carried out in line with control procedures. For this purpose, the Bank resorted to the support of the independent in-

ternational company SGS (SGS Minsk LLC). Employees of the Bank's Retail Services Development Department also actively joined the process.

With a view of providing an access to comprehensive information on the situation within the retail business sector and to the analysis of turnover indicators, the Bank initiated took steps to introduce booklets containing principal information regarding retail business in each of the Bank's territorial units.

Improvement of the VIP Service System

The Bank's Retail Division officers participated in the seminar on Successful Cooperation with VIP Customers.

In order to enhance service standards as well as the Bank's customers' loyalty, in 2014 the Bank opened four VIP zones, inter alia, in Brest and Vitebsk Regional Branches, in the Customer Service Department, and in Minsk Branch 2.

Progressing of Remote Bank Customer Service

In 2014, the Bank continued refining and updating the 'Internet Banking' service. The 'Moi Deposity' (My Deposits) section enables the customers not only to look through their deposit lists and to perform additional funds transfer operations live, but also to get an insight into deposit statements, and to withdraw funds (if provided for in the deposit agreement). The new 'Internet-vkl@d' (Internet Deposit) deposit may be opened without visiting the Bank on-line. The deposit funds can be managed through the 'Internet Banking' service. At any time and place the Bank's customers using the service can transfer their

funds from one to another payment card issued by Bank BelVEB OJSC, pay for any services, transfer their funds in BYR to an account with any other Belarusian bank by means of 'Svobodny Platezh' (Free Payment) service, and instantly transfer funds locally and abroad via the 'BLIZKO' remittance system. Through the Bank's participation in Raschet' system (viz. automated data system of the common settlement and data space), our customers have an access to a broad spectrum of services which allowing, inter alia, to pay for utility services, communication services, railway and entertainment tickets, as well as 50 thousand other types of payments.

The fee for the 'Internet Banking' service is made free for one year. Therefore, the Bank's customers are granted the possibility to evaluate all the advantages of the aforementioned service before they pay for it. For the last year, the number of permanent users of the 'Internet Banking' service had increased by 44.0% and exceeded 37,000 users, which made up 14.6% of the total number of the Banks payment cards. The SMS notification service becomes increasingly popular among the Bank's customers. The number of users of the above service increased by 160% and reached 28,500 in 2014.

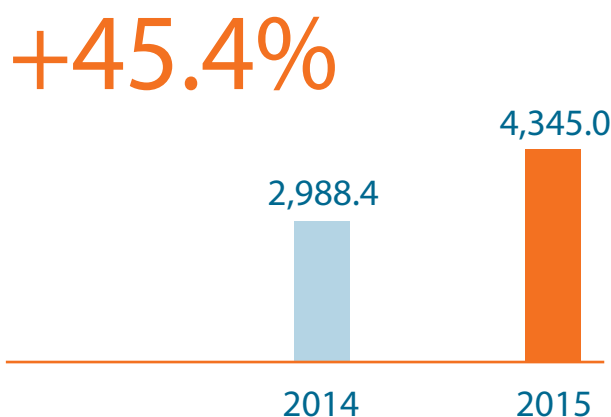
Extension of the Retail Business Product Line

In an effort to extend both the funding and the number of clients, as well as to maintain its competitive position in the deposit market, in 2014 the Bank developed and launched the below banking products:

- the 'Persona' deposit which strengthened the Bank's position in the affluent clientele segment;

■ Funds from Individuals

BYR, billion



■ the 'Internet Vkl@d' (Internet Deposit) deposit which boosts the loyalty of the most promising customer segment who give weight to the Bank's mobility and the functionality of its remote service system. As at 1 January 2015, the Bank has 917 ongoing contracts worth an equivalent of BYR 47.4 billion.

■ the 'Uverenny+' (Sure+) deposit which additional yield is based on the exchange rates between Rouble and US Dollar.

In 2014, the scope and scale of new services were significantly expanded:

The Bank started implementing the execution of standing payment orders with conversion.

Along with Sedmaya Liniya (7th Line) Unitary Insurance Company, the Bank concluded a contract to transfer BYR-denominated funds (insurance indemnities) to private current (bank settlement) accounts opened with the Bank.

The Bank concluded a contract with Belvneshstrah Unitary Insurance Company to pay out cash funds in favor of private persons.

The amount of the private funds raised in 2014 scaled up from BYR 2,988.4 billion to BYR 4,345.0 billion. As at 1 January 2015, the growth made 45.4%.

In the perspective of reaching its strategic goals aimed to augment both the lending portfolio and the customer base, as well as to improve its competitive position in the lending market, in 2014 the Bank created a great variety of its lending products offered to private persons and updated the automated processes in the retail lending sector.

The spectrum of the ongoing lending programs was refreshed by new ones. As at 1 January 2015, the Bank has 15 lending programs for different purposes pursuant to the terms and conditions meeting our customers' requirements, which, among other things, includes property loans, transport vehicles loans, and consumer loans.

The Bank embedded a breakthrough customer-centric season lending program named 'Zimivaya Kazka' (Winter Fairy Tale).

2014 was marked by the recommencement and conclusion of contractual relations earmarked for promotion of retail and corporate lending inclusive of lending for suppliers of goods, work, services, and for self-employed entrepreneurs. As at the reporting date, the Bank has 15 partnership agreements.

So as to maintain our customers' loyalty, we optimized our customer segmentation approaches.



With the aim of increasing the efficiency of retail lending and automation of business processes, the following steps were taken in 2014:

■ The Bank updated its software, which made it possible to reduce the time of processing credit applications from private persons as well as to cut down operating costs, and developed the mechanism automatically regulating quality control and the completeness of its execution, excluding the possibility of operating errors and reducing the application processing time.

■ The Bank's relevant units technically refined accounting and operating systems, which enabled to optimize time-consuming processes while carrying out credit transactions with private persons and to increase the profitability of the Bank's credit products (viz. the automatically adjusted termination of credit deals – loan termination – as well as the option of the automatic withholding of overdraft credit commission fees).

As a result, in 2014 the Bank's retail lending portfolio rose by BYR 265.6 billion, or 58.5%.

In 2014, excluding credit cards, retail lending totaled BYR 304.5 billion which involved, inter alia, BYR 12.1 billion in real estate purchase loans, and BYR 292.4 billion in private consumer loans. In 2014, the Bank concluded 13,247 lending agreements including, inter alia, 5,601 lending agreements (42.0%) under lending programs comprising credit cards issuance.

The Bank pioneered in introduction of bank cards-based payment system in the Republic of Belarus, and is continuingly taking leading positions in this sector among other banks within the country.

The formula for our success is based mainly on quality standards, a broad variety of services rendered to the participants of the bank settlement system inclusive of bank card holders and partner banks, and long-term relations founded on good faith and respect for mutual interests.

At present Bank BelVEB OJSC is the principal member of such international payment systems as Visa International, MasterCard WorldWide, and BELCART. The Bank has relevant licenses enabling to issue cards, to carry out acquiring transactions, and to assume the responsibility of a sponsor bank for partner banks in the payment systems named.

For the last year the number of bank payment cards issued by the Bank went up by 15.1% and reached 253,000 items. The Bank was among the trailblazers in the country who started issuing the co-branded BELCART-Maestro bank payment card comprising BELCART and MasterCard WorldWide trademarks, thanks to which BELCART entered the international arena, and the holders of BELCART-Maestro bank payment cards can carry out transactions in Belarus and abroad.

Bank BelVEB OJSC provides its customers with products using breakthrough technologies. In 2014, we crossed over to the issuing of smart cards of MasterCard. Since October 2014, the Bank has been issuing MasterCard and Maestro bank payment cards only on the basis of the MasterCard PayPass contactless technology.

In the period under review the infrastructure of the bank payment card service was dynamically developing.

At the beginning of 2015, 3,118 POS terminals were installed in the premises of retail trade companies and consumer services entities for the convenience of the Bank's payment cards holders. In contrast to 2013 the number of POS terminals went up by 36%.

The Bank's ATM network totals 245 terminals. The ATM network of Bank BelVEB OJSC along with its partner banks went up by 14% and climbed to over 500 terminals, which is 11% of the total number of ATMs in Belarus.

High priority is given to processing services for other banks. At present Technobank OJSC, Alfa-Bank CJSC, Bank Mosva-Minsk OJSC, BSB-BANK CJSC, RRB-Bank CJSC, Idea-Bank CJSC, and Eurotorginvestbank CJSC are among the Bank's partners.

Special attention in the bank payment cards business is paid to the transactions security. According to the requirements of Visa International the activities of Bank BelVEB OJSC shall be verified for the compliance with the PCI DSS standards by the companies having relevant international certificates on an annual basis. Our ATM and bank payment terminal network is upgraded so as to service EMV micro-processing cards.

2.2 Responsible Business Practices

2.2.5 Confidentiality of Customer and Business Partner Information

The principal approach to information protection and selection of technical and organizational means is stipulated by the Conception of Information Protection in Bank BelVEB OJSC (hereinafter referred to as the "Conception") adopted by the Bank's Management Board (Resolution No. 60 dated 2 April 2009). The Conception forms the basis for shaping and implementing a uniform information protection policy. The document was worked out in accordance with the applicable legislation of the Republic of Belarus setting out information protection matters with regard to the current situation, the Bank's development strategy, objectives, rules and regulations for systems and functional modes, as well as an analysis of threats of information security to all kinds of assets subject to protection.

The Conception lays down principles, objectives, as well as organizational and technical aspects of information security in the automated banking system within Bank BelVEB OJSC.

The Conception is fundamental to the Policy of Information Security setting forth rules, requirements, as well as principles applicable to information security within Bank BelVEB OJSC (Resolution of the Management Board Chairman No. 132 dated 24 June 2009).

The Policy of Information Security is aimed at protecting the Bank against attempts of penetration into its information and telecommunication networks, information

pilfering, unauthorized access to systems and data, illegal use of information, insider threats related to information leaks and garbling of data as well as forgery of documents, and technical threats related to breach of confidentiality, availability and integrity of information as a result of hardware and software faults and line-outs in the automated banking system.

The Policy of Information Security was shaped with reference to the relevant national and international standards, information security rules and regulations, as well as regulatory and administrative documents.

The key objects of information security system within the Bank are as follows:

- information technologies, regulations and procedures for collection, storage and transfer of data, technical and operational personnel;
- information resources constituting commercial and banking secrecy, other information resources sensitive to causal and unauthorized exposure, including information presented in the form of documents and files available in the public domain without regard to the form and type of its presentation; and
- information infrastructure, including the system of processing and analysis as well as hardware for its processing, delivery and presentation.



The Policy of Information Security of the Bank implies development of a number of normative and administrative documents setting forth procedures for information protection, management and control of information security within the Bank, and requirements for implementing the aforementioned procedures.

Such documents involve particular information security policies formed on the basis of the requirements and objectives of information security stipulated by the Bank's Policy of Information Security with regard to their application to the Bank's specific technological processes and assets, as well as regulations, instructions, procedures, and other documents.

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

- Policy of Information Security by Antivirus Protection of Belvnesheconombank OJSC (Decision of the Management Board Chairman dated 22 June 2009);
- Rules for Access of the Personnel to the Belvnesheconombank Automated Banking System (Decision of the Management Board Chairman No. 390 as of 25 July 2012 amended by Decision of the Management Board of Bank BelVEB OJSC No. 520 dated 23 October 2013);
- Response Plan for Information Security Incidents of the Processing System Segment of Bank BelVEB OJSC (Decision of the Management Board Chairman No. 21-05/919 dated 31 December 2013);
- Rules for Using the Belvnesheconombank Automated Banking System (Decision of the Management Board Chairman No. 211 dated 30 August 2010);
- Decision on Monitoring of Information Security, Regulations of Monitoring of Information Security in Bank

BelVEB OJSC (Decision of the Management Board Chairman No. 591 dated 19 July 2013);

- Instruction on Procedures of Transmission and Reception of Documents by E-mail within the Bank (Decision No. 21/08 dated 21 January 2003);
- Regulations on Users Connection to E-mail System (Order No. 134 dated 26 June 2009);
- Regulations on Access to External Input-Output Ports (Order No. 191 dated 14 March 2012);
- Procedure of Belvnesheconombank for Using the Internet (Resolution of the Management Board No.106 dated 6 May 2010).

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 OJSC (Resolution of the Management Board No. 16 dated 5 February 2009, as revised by Resolution of the Management Board No. 103 dated 7 March 2012, amended by Resolution of the Management Board No. 203 dated 18 April, No. 296 dated 26 June 2013, No. 120 dated 26 March 2014, and No. 513 dated 10 December 2014) are subject to registering in this Journal.

In order 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 with 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 a 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.

The effective Act of the Republic of Belarus No. 16-3 on Commercial Confidentiality dated 5 January 2013 and Resolution of the Council of Ministers of the Republic of Belarus No. 783 on Confidential Information made changes to the mechanism of protecting commercial secrets and documents containing confidential information.

The current legislation implies more serious obligations of the employer for creating necessary conditions for its employees, enabling to comply with confidentiality, as well as stricter responsibilities of employees for non-disclosure of commercial secrets of their employer. The Commercial Secret Act sets forth a number of measures reinforcing commercial information security, including control of access, recording of officers having an access, appointing of officers accountable for confidential data subject to commercial secrecy.

In the year under review, the Bank adopted Resolution on Confidential Information in Bank BelVEB OJSC (Resolution of the Management Board of Bank BelVEB OJSC No. 418 dated 15 October 2014) listing sensitive information, procedures dealing with sensitive information, access of the Bank's officers to sensitive information, procedures for introduction and cancellation of the mode of commercial secrecy, as well as other matters related to the Bank's protection of sensitive information.

The Bank also developed a remote training course for its officers 'Rules for Operating with Data Falling under Sensitive Information' as well as 'Information Security in the Automated Banking System'.

In 2014, we also developed a test related to information security within the remote training program.



2.3 Investment Activities

2.3.1 Approach to the Implementation of Investment Projects

The Lending Policy of Bank BeVEB OJSC (Resolution of the Management Board of Belvnesheconombank OJSC No. 20 dated 25 January 2012 and amended by Resolution of the Management Board of Bank BelVEB No. 23 dated 22) (hereinafter Lending Policy) was developed in conformity with the major strategic goals, business profile, mission, and corporate values stipulated by the Strategic Development Plan.

While developing its Lending Policy, the Bank took into account:

- external economic factors, including macroeconomic situation, macroeconomic policy, trends in particular industries, conditions for cooperation with the European Bank for Reconstruction and Development as well as the Eurasian Development Bank, joint projects within Vnesheconombank Group, and

- internal factors such as regulatory capital and its increase, the value and structure of its funding base, and the Bank's customers.

According to its Lending Policy, the Bank prioritizes such economic branches as chemical industry including pharmacy, fuel industry including petrochemicals, food industry, machinery, trade, as well as electricity, gas, and water supply.

In the perspective of implementing its lending policy, the Bank's key priority remains the facilitation of Russia-Belarus integration projects and increase in financing bilateral product supply between enterprises of Russia and Belarus as well as enterprises with Russia-owned share.

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

The Bank facilitates exports of Belarussian enterprises through mechanisms of insurance of export risks in partnership with Beleximgarant Export-Import Insurance Unitary Enterprise.

The Bank continues in implementing state programs enhancing efficiency of the economy by crediting enterprises and organizations according to market conditions and financing intergovernmental projects and foreign trade transactions.

The Bank continues in implementing state programs enhancing efficiency of the economy by crediting enterprises and organizations according to market conditions and financing intergovernmental projects and foreign trade transactions.

One of the Bank's priorities is to expand lending transactions with effectively working SME subjects via lending which enables to increase their industrial capabilities, to facilitate business initiative, and to create new working positions.

According to the CSR Strategy, one of the Bank's priorities is to implement socially and ecologically significant projects targeted at improving the environment and living standards of the population. The Bank's social and ecological initiatives are put into place in different fields and have a high degree of impact. Before making and implementing its decisions, the Bank takes into consideration the impact they can exert on both society and

environment, which makes it possible to stimulate positive changes and to prevent negative consequences.

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 27 April 2011 and amended by Resolution of the Management Board of Bank BelVEB OJSC No. 428, Resolution of the Management Board No. 90 dated 13 March 2013, No. 387 dated 7 August 2013, No. 176 dated 7 May 2014, and No. 387 dated 24 September 2014);

Regulations on Microcredit in Bank BelVEB OJSC (Resolution of the Board of Bank BelVEB OJSC No. 123 dated 30 March 2011 and amended by Resolution of the Management Board of Bank BelVEB OJSC No. 387 dated 24 September 2014);

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

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

Regulations on Procedure 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 19 September 2012, with Amendments No. 92 and No. 142 made by the Board dated 13 March 2013 and 9 October 2013 respectively);

Recommendations for Business Plan Development for Investment Projects Provided by Belvnesheconombank (Resolution of the Board of Belvnesheconombank OJSC No. 142 dated 21 July 2010 and amended by Resolution of the Management Board No. 267 dated 9 July 2014).

The Bank's investment activities are mainly aimed at satisfying 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;
- sector where the enterprise operates shall be of strategic importance to the Bank; and
- 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 Instruction on Corporate Lending in Bank BelVEB OJSC (Resolution of the Management Board of Bank BelVEB OJSC No. 164 dated 27 April 2011 and amended by Resolution of the Management Board of Bank BelVEB OJSC No. 428 dated 22 August 2012, Resolution of the Management Board of Bank BelVEB OJSC No. 90 dated 13 March 2013, Resolution of the Management Board of Bank BelVEB OJSC No. 387 dated 7 August 2013, Resolution of the Management Board of Bank BelVEB OJSC No. 176 dated 7 May 2014, and Resolution of the Management Board of Bank BelVEB OJSC No. 387 dated 24 September 2014) setting out the Bank's general conditions and procedures for provision (use) of funds to corporate customers in the form of a loan or as repayment was developed in accordance with the Banking Code of the Republic of Belarus and Instruction on Procedures for Provision (Use) of Funds by the Banks in the Form of a Loan and as Repayment No. 226 dated 30 December 2013 as from time to time amended by the legislation of the Republic of Belarus and the Charters of Bank BelVEB OJSC.

While implementing its lending policy, the Bank applies a customer-tailored approach to each corporate customer and carries out an analysis of its operational and fi-

nancial activities with regard to peculiarities of business.

When lending for the purposes of building and flow of long-term assets and constructing of real estate items intended for sale outside state, regional and branch-oriented programs, the Bank requires that the applicant (borrower) should use its own or investors' funds for financing at least 30% of the value of an investment project. Otherwise, the Bank's Management Board is entitled to take a decision on whether or not to provide lending resources.

Applying for lending facilities for investing purposes, the applicant shall provide its business plan worked out in conformity with the requirements of the current legislation of the Republic of Belarus and (or) the Bank's local normative acts setting forth procedures for developing business plans of investment projects in the cases as follows:

- implementation of investment projects within a state program adopted by the President of the Republic of Belarus or the Council of Ministers of the Republic of Belarus;

- implementation of investment projects within regional or branch-oriented programs;
- lending intended for construction (extension, modernization, reconstruction, or overhaul);
- lending in the amount of an equivalent of USD 500 thousand for sale of shares of other legal entities (shares in the authorized capital); and
- lending via foreign credit lines.

Business plans of investment projects totaling an equivalent of over USD 500 thousand are subject to expertise of Corporate Business Development Department.

Business plans of investment projects are not required in case of lending resources:

- for the purposes of acquiring agricultural machinery according to the Republic of Belarus legal acts setting out terms and conditions for lending and repayment date;
- to SMEs within state SME support programs;
- provided that the project value does not exceed 15,000 basic values stipulated by the Republic of Belarus legislation as at the application date.

In the event that according to the requirements of the Instruction the customer is obliged to submit a business plan of its investment project, the Bank's Corporate Business Development Department shall analyze it and examine the real estate market, relevance of the

construction within the project, possibility of implementation of the project within the time limits prescribed, start of business, purchasers (leaseholder) of the construction, selling markets and demand for the projected goods and services, production and selling plan, the possibility of the projected price and production volumes, basic data for economic calculations, prime cost of new goods, credit repayment within the planned time limits, calculations of economic efficiency and payback period of the project, possible risks, and other matters related to the project.

The key indicators of efficiency of an investment project are as follows:

- net present value;
- internal rate of return;
- dynamic and currency payback period;
- profitability index;
- debit coverage ratio;
- breakeven point; and
- financial and economic indicators (profitability of investment capital, product profitability, profitability of sales, working capital ratio etc.)

Within lending programs the Bank constantly monitors construction, compliance with terms of equipment supply, in-service date of objects, construction costs contained in accounting records of the borrower, attraction

of co-investors, compliance with legal acts setting out investment activities, fulfillment of treaty obligations, implementation of the business plan, and execution of constitutive documents for a real estate object.

In order to detect problems, to forecast risks related to investment projects, and to control achievement of goals set within investment projects at the stage of implementation, the Bank developed and adopted the Procedures for Monitoring and Administering of Investment Projects in Bank BelVEB OJSC (Resolution of the Management Board of Bank BelVEB OJSC No. 35 dated 30 January 2015) which entered into force as from 2 February 2015 and covers investment projects within loan agreements concluded as from 1 July 2014.

The procedures stipulate arrangement of work as well as responsibilities of the Bank's business units while monitoring and administering investment projects. The Bank developed forms of reporting for quarterly monitoring.

Procedures within the monitoring and administration of investment projects are mainly intended:

- to analyze the fulfillment of obligations taken by the participants;
- to timely detect factors which can negatively affect the investment project;
- to draft quarterly electronic reports containing details and conclusions as to of the investment project and submit them to the Bank's Management Board and appropriate business units.

The monitoring of investment projects includes:

- information on core results of the investment project envisaged by the business plan;
- accountability by the executor of the investment project;
- schedule compliance; and
- factors negatively affecting the timely implementation of the investment project.

Monitoring and administration the investment project and shall be performed on the basis of the following parameters:

- investment flows at any stage of investing;
- fulfillment of obligations taken by the executor of the investment project;
- compliance with the business plan; and
- general progress of the investment project.

The above procedures apply to investment projects exceeding USD 500 thousand, excepting loans granted for the purposes related to leasing. The Bank's Unit of Expertise of Investment Projects subordinated to Corporate Business Development Department is responsible for monitoring and administration of investment projects..

2.3 Investment Activities

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

In line with the environmental protection measures outlined in the CSR Strategy, the Bank is bent on assessing the compliance of investment projects with the requirements of environmental protection and criteria of social significance within the Loan Agreement concluded with the European Bank for Reconstruction and Development. The Bank's Ecological and Social Policy is put into place by all structural units accountable for SME lending.

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

Environmental audit is taken into account in assessment of a business plan of the investment project.

Environmental assessment is contained in business plans subject to the Bank's expertise according to the Republic of Belarus legislation, including State Environmental Assessment Act No. 54-3 dated 9 November 2009 (as revised as at 14 July 2011) and Resolution of the Council of Ministers of the Republic of Belarus on Some Measures to Implement State Environmental Assessment Act No. 755 dated 19 May 2010 (as revised 29 March 2013).

The Bank analyzes investment projects in accordance with Act of the Republic of Belarus No. 1982-XII on Protection of Environment dated 26 November 1992 (as amended and revised as at 16 June 2014 and 30 December 2014). The 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 5 July 2004 (as revised as at 31 December 2014), 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 Standardization Committee of the Republic of Belarus.

Owing to the execution of ecological expertise of investment projects by the state authorities, the Bank had no



need to perform an in-house assessment of investment projects related to construction in 2014.

The Bank's Lending Policy is implemented 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 suspected of legalization of proceeds obtained from crime and terrorist financing, projects potentially hazardous to the environment, health and safety of citizens, use of child or forced labor, production of weapons, alcohol and tobacco, etc.

Achievements of the socio-economic effect of projects are evaluated by means of effectiveness of credit projects through quarterly monitoring as provided for in Regulations on Corporate Lending in Bank BelVEB OJSC (Resolution of the Board of Bank BelVEB OJSC No. 164 dated 27 April 2011 and revised by Resolution of the Management Board of Bank BelVEB OJSC No. 428 dated 22 August 2012, No. 90 dated 13 March 2013, No. 387 dated 7 August 2013, No. 176 dated 7 May 2014, and No. 387 dated 24 September 2014). During the reporting year, assessment procedures of social and/or environmental factors were undertaken in the Bank when taking and implementing investment decisions in terms of 17 projects.

The procedures for interaction between structural units while conducting active operations with corporate customers are stipulated by the Regulations adopted by Resolution of the Management Board of Belvnesheconombank OJSC No. 163 dated 27 April 2011 and amended by Resolution No. 266 dated 9 July 2014 and Resolution No. 387 dated 24 September 2014.

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 midsize enterprises. Cooperation with the EBRD offers new opportunities to develop enterprises of the above segment of the economy, to apply necessary ecological and social lending procedures of the EBRD, and to get experience in the field of compliance with ecological and social requirements while conducting active operations. Pursuant to the Ecological and Social Policy of Bank BelVEB OJSC (adopted by Resolution of the Management Board No. 305 dated 10 August 2011 as revised by Resolution No. 181 dated 2 May 2013), 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 with regard to activities of financial institutions, i.e. Performance Requirements 2 (Labor and Working Conditions) and Performance Requirements 9 (Financial Intermediaries) dated 12 May 2008, including the Environmental and Social Exclusion List of the EBRD and reference documents.

In cases when the Bank finances the project out of the EBRD's facility the Bank:

- follows relevant procedures for ecological and social risk assessment of loan applications (hereinafter Procedures) in accordance with EBRD's risk assessment criteria and methods;

■ appoints employees to supervise the compliance with the Procedures and maintain public relations with 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

■ reports on the Ecological and Social Policy compliance.

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

Loans under this Loan Agreement are provided subject to the Procedure of SME Lending of Bank BelVEB OJSC (Regulation of the Management Board No. 222 dated 15 June 2011 as revised by Resolution of the Management Board No. 401 dated 1 October 2014).

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

In 2014, the procedures for assessing social and/or ecological factors were put into life while taking decisions on 10 investment projects.

In the year under review, 76 officers of the Bank's business units conducting active operations with corporate customers participated in trainings on social and/or ecological risk management and responsible financing (2 semesters).

Within seminars, a consultancy manager (KPMG Ltd.) organized a lecture on Possibilities to Provide Loans for the Purposes of Energy Efficiency and Enhancing Energy Efficient Manufacturing under the Belarus Sustainable Energy Finance Facility Program (BelSEFF).

2.3 Investment Activities

2.3.4 Investment Projects Approved by the Bank

In 2014, the senior collegiate bodies of the Bank approved and commenced the financing of 14 large-scale investment projects (excluding documentary transactions). The projects implemented in 2014 are stated below.



2.3 Investment Activities

2.3.5 Increasing of Efficient Use of Natural Resources and Energy Efficiency

In 2014, the Bank partook in the following projects under the Belarus Sustainable Energy Finance Facility Program (BelSEFF).

FlexoForce CJSC. Acquisition of reel-cutting machinery «PROSLIT COMPACT 2» for printing. The total value of the project: RUR 14.08 million. The Bank's share: RUR 11.91 million. The amount of private investments attracted under the project: RUR 11.91 million.

In April 2014 FlexoForce CJSC finished the investment project referred to as Construction of FlexoForce CJSC (Printing Enterprise) located at Selitsky Street, Shabany (Minsk). The enterprise acquired brand-new equipment so as to enhance efficiency of manufacturing and to modernize production facilities.

FlexoForce CJSC signed a contract on acquisition of manufacturing machinery (reel-cutting machinery «PROSLIT COMPACT 2») with COMEXI GROUP INDUSTRIES S.A.U. (the Kingdom of Spain). This machinery falls under breakthrough equipment intended for work with a wide range of plastic foil and laminated material. Its acquisition enables to expand the assortment of end products and to decrease energy consumption in the manufacturing process.

The project was checked for compliance with applicable criteria. After having analyzed its technical and financial feasibility, the consultants took positive decisions on financing the project under the Belarus Sustainable Energy Finance Facility Programme (BelSEFF).

Lending resources were provided with regard to the pay-back period of the project for 5 years. The customer was granted a one-and-a-half year grace period. The loan shall be repaid quarterly on a pro-rate basis in the course of the remaining 3.5 years.

Information on the projected budgetary effect and the planned number of new positions is not given while applying for lending resources under the programme.

West-Holders Ltd. Acquisition of cogeneration machinery for its subsequent leasing. The total value of the project: RUR 13.52 million. The Bank's share: RUR 10.81 million. The amount of private investments attracted under the project: RUR 10.81 million.

West-Holders Ltd (Brest) acquired 5-tonnes-per-hour equipment for its boiler room under terms and conditions of financial leasing for Lesohomik OJSC (Minsk Region, Borisov) fitting into BELLESBUMPROM.

The supplier of the module boiler facility is represented by EUROPLAST Ltd. The facility for the block-module boiler room includes:

- automated boiler Vapoprex HVR 2500/12 produced by Ferroli, Italy (2 items);
- gaseous masout modulating burner Multiflan 300.1 produced by Ecoflam, Italy (2 items); and
- water-treatment module (deaerator) VRD 5000 produced by Ferroli, Italy (1 item).

This equipment enables to decrease costs for generating thermal energy. The planned project period is 12 months. The project started in October 2014.

2.3 Investment Activities

2.3.6 Infrastructure Development

The following projects are carried out in this field:

1 Construction of a Block of Flats in Bilevo 2 Located at the Address 12, Bagramyan Street, Vitebsk.

The total value of the project made up USD 8,795,985. The Bank's investments amounted to USD 6,157,190 (70%). The borrower is represented by Strytorgservice LLC (70%).

The project is implemented in Vitebsk. The object is characterized as a 16-storeyed monolithic block of flats with integrated premises for public use. It comprises 146 flats with a total area of 8,272.46 square meters, including 58 one-room flats, 60 two-room flats, and 28 three-room flats. The construction will be finished in August 2015. The in-service date is projected for III quarter 2015.

2 Construction of a Hotel and Residential Estate in Narochanskaya Street of Lebyazhiy Area.

The total value of the project made up USD 46.5 million, whereas the Bank's investments accounted for USD 25 million. In 2014, USD 4.64 million of lending resources were disbursed.

In 2014, Bank BelVEB OJSC continued financing the investment project of Belinterrosinvest FLLC referred to as Construction of a Hotel and Residential Estate in the City

of Minsk in Narochanskaya Street of Lebyazhiy Residential Area. The construction was initiated in preparation for 2014 IIHF World Championship under Investment Agreement No.14 dated 24 June 2014 concluded between the enterprise and the Republic of Belarus.

The mission of the project was to build a modern hotel and residential complex including a 3-star hotel and blocks of flats with premises for public use.

The complex comprises 3 single-sectional 22-storeyed blocks of flats, a 120-room hotel, as well as service and trade areas. The total value of the project made up USD 46.5 million, whereas the Bank's investments accounted for USD 25 million. In 2014, USD 4.64 million of lending resources were disbursed.

The construction was finished according to the terms prescribed by the investment agreement. Blocks No. 2.3, 2.2, and 2.1 were put into use as at 15 May 2013, 9 September 2013, and 24 January 2014 respectively. The hotel was officially opened as at 28 March 2014. The Slavyanskaya Hotel has been in service since 11 April 2014.

Social effect of the project:

■ 99 new working places; and

■ 3-star hotel accommodated guests of the 2014 Ice Hockey World Championship.





3 Multifunctional Shopping, Cultural and Entertainment Complex No. 1 and 7 (according to the General Plan) as Part of the Student Residential Area in Dzerzhinsky Ave, Minsk

The Bank's investments amounted to USD 9,690 thousand.

Since June 2013, Bank BelVEB OJSC had been active in a Yunifud CJSC construction. The loan covered construction and installation costs including construction materials, equipment, customs charges and transport costs. The Bank's investments amounted to USD 9,690 thousand. The project was implemented in Minsk.

The project envisaged the construction of a multifunctional efficient and functional trade and entertainment complex equipped with state-of-the-art telecommunication means in a new student campus. The complex includes a supermarket under ALMI trade brand (anchor object), a fast food restaurant, a cinema, as well as a day spa.

The project is aimed at:

- attracting investments in new objects constructing combining both trade and entertainment in one of the populated dwelling areas of Minsk;
- developing national retail chains;
- creating new working places;

■ increasing turnover, economic activity as well as competitiveness of the national economy; and

■ promotion of domestically produced goods.

From a long-term perspective, the project is intended for creating an object complying with the highest European technological and quality standards so as to meet the needs of the population residing in Malinovka-1, Brilevichy, and Druzhba micro districts. The project created 199 working positions and was planned to be put into operation as at 1 May 2014.

4 Construction of a Trade Centre (Supermarket) in Mogilev at Gagarin Street, 70

The total value of the project – BYR 296,537.53 million, whereas the Bank's investments – USD 15.5 million.

The borrower is represented by EVROTORG LLC.

The project venue is Mogilev City.

The project is implemented by virtue of Investment Agreement No. 20 dated 30 January 2012 and concluded between the Republic of Belarus and EVROTORG LLC.



The project is aimed at constructing and putting into use a trade center (supermarket) at, Gagarin Street, 79:

- area of 20,000 square meters;
- open parking place for 950 cars;
- parking for disabled people intended for 20 cars.

The object was projected to be put into use as at 11 September 2014 (Phase 1) and 1 February 2015 (Phase 2). Community benefitted from 396 new working places.

The project was implemented on the basis of Investment Agreement No. 51 dated 5 March 2012, signed between the Republic of Belarus and TORVALD LLC

The project is aimed at constructing the Radon-Alpha Sanatorium offering full-service and modern medical services. Balneology forms the basis for medical treatment and includes radon baths, therapeutic mud baths, hydrotherapy, medical procedures and consulting. The sanatorium is also equipped with a recreation center, sauna, gym, and a swimming pool. Upon completion of the project 150 new working positions will appear. Opening is scheduled for March 2015.

5 Construction of the Radon-Alpha Sanatorium on the Territory of Dyatlovo District Designed for 250 Persons and Full Service.

The total value of the project – USD 29.4 million. The Bank's investments – USD 24.3 million.

The borrower is represented by TORVALD LLC.

The project venue – Boroviki, Grodno Region, Dyatlovsky District.

6 Designing and Constructing of a Multifunctional Public Complex at the Intersection of Dzerzhinsky Ave. and Lyubimov Ave. in Minsk.

The total value of the project makes up USD 10,167.8 thousand which is an equivalent of BYR 120,488.4 million according to the currency rate of the National Bank of the Republic of Belarus as at 31 December 2014.



The Bank's share in the project equals USD 1,500 thousand which is an equivalent of BYR 17,775 million according to currency rate of the National Bank of the Republic of Belarus as at 31 December 2014.

The borrower is represented by Viranes LLC. The projected multifunctional complex is planned to be located in a separate 2-storeyed building with a basement and includes a food shop covering a shopping floor space of 1150 square meters, rented space for pavilions offering manufactured goods, a slot hall, a pizzeria for 100 visitors, a pharmacy of the 5th category, bathrooms, and a coffee bar.

The construction site is situated on the territory of Moscovsky District of the City of Minsk, at the interception of Dzerzhinsky Ave. and Lyubimov Ave. The site is undeveloped.

Viranes LLC is an enterprise with a vast experience in the Belarusian market and specializing in constructing commercial (trade) objects as both a contractor and an investor. Viranes LLC is an active investor having an experience in implementing such projects and using its own as well as borrowed funds.

Under the project it is planned to construct a parking place intended for 271 private vehicles as well as 6 vehicles of the disabled in the front part of the premises.

According to the project the construction will be equipped with road approaches to public transport stops and a parking place.

The General Plan was developed in conformity with best practices of territory planning.

Providing the city with infrastructure, the project is socially significant for the population. The in-service date was projected for I quarter of 2015.

7 Reconstruction of the Store Located on Bazovaya Street, 16 in Pinsk into a Hardware Store.

The borrower is represented by Pinskaya Mezhrayonnaya Torgovaya Baza (Pinsk Inter-District Trade Base) Private Unitary Enterprise.

Pinskaya Mezhrayonnaya Torgovaya Baza Private Unitary Enterprise specializes in wholesale and retail trade as well as renting of real estate.

The project is aimed at reconstructing a one-storeyed building with a semi-basement into a hardware store covering 806.7 square meters. The total value of the project makes up BYR 8,289.3 million, whereas the Bank's share accounted for BYR 5,000.0 million. The implementation date was projected for III quarter of 2013 while the in-service date is planned for 3rd quarter of 2014.

The project complies with 2011-2015 Program of Economic and Social Development of Pinsk District intended to increase retail turnover. The store will offer a variety of products for installation, reparation or refurbishing of power supply, heat supply, water supply, and sewage systems. The project enables to create 14 new working positions.

2.3 Investment Activities

2.3.7 Import Substitution and Innovation Development

1 Design of Antibiotic Sterile Production

The total value of the project makes up USD 24,800 thousand, whereas the Bank's share accounted for USD 11,500 thousand.

The investment project is put into life by Borisovskiy Zavod Medicinskikh Preparatov OJSC (Borisov Medical Plant) according to Presidential Decree No. 174 on Some Measures for Developing Pharmaceutical Industry, 2011-2015 State Innovation Development Program of the Republic of Belarus, and 2011-2015 Comprehensive Modernization Plan for Enterprises.

The project is aimed at constructing a new production building equipped with innovative technologies for manufacturing solid form medicine for injections with a capacity of 50 million bottles per year. The projected manufacturing buildings will comply with GMP standards (Good Manufacturing Practice).

The technological solutions applicable under the project will enable:

- to create efficient production of medical drugs meeting best international standards;
- to manufacture necessary products packed in accordance with up-to-date standards;
- to modernize both the plant and its equipment;
- to enhance production capacity;
- to create 91 new working positions; and
- to improve working conditions.

The project is compliant with STB ISO 14001-2005 standards of environment management and STB 18001-2009 standards of Safety Management System. In June 2013, the plant's certificates were validated in accordance with Occupational Health and Safety Assessment System.

The project implementation will enhance the current production of drugs and is socially significant. As a result 91 new working positions will appear and budget payments will increase by BYR 329.8 billion.

2 Belarusneft-Osobino Republican Subsidiary Agricultural Unitary Enterprise. Construction of a Poultry Processing Plant with a Capacity of 9,000 broiler fowl per hour.

The total value of the project made up EUR 47,535.9 thousand while the Bank's share accounted for EUR 7,410 thousand.

Viability of the project was internally assessed by Investment Project Expertise Unit of Corporate Business Development Department and Belarusneft-Osobino Republican Subsidiary Agricultural Unitary Enterprise at the stage of implementation.

The project is put into life in accordance with Presidential Decree No. 256 on Additional Measures on Implementing the State Agriculture Program dated 20 June 2011 and amended by the Decree dated 30 May 2013.

The analysis of social and ecological factors shows that poultry enterprises fall under allergy dangerous production of II and III grade. All activities are carried out by specially trained staff and imply mandatory use of overalls and protection appliances.

So as to prevent environmental contamination, it is projected to process inedible material obtained from slaughter and gutting of broilers, including industrial waste water, into waste flour for animals and poultry. Waste is utilized in compliance with agreements concluded with specialized companies.

Belarusneft-Osobino Republican Subsidiary Agricultural Unitary Enterprise has its own veterinary laboratory responsible for compliance with requirements for poultry operation.

The quality of products is controlled by the Department of Veterinary and Commodity Control of the Ministry of Agriculture of the Republic of Belarus and Rosselkhoz-nadzor Federal Service for Veterinary and Phytosanitary Control.

In 2014, the Bank opened an uncovered letter of credit in favor of Servolux (UK) Limited (Great Britain) for acquiring equipment totaling EUR 7,410,000.

3 In the period under review Brest Regional Branch was involved in the investment project 'Construction of a Soft and Cottage Cheese Production Plant and a Sales Place in Savushkin Product OJSC' under the investment agreement concluded with the Brest Region Executive Committee.

The project is aimed at expanding manufacturing area and increasing production capacities of the enterprise. The total investments made up an equivalent of EUR 52 million, whereas the Bank's shares (acquisition of equipment) under a letter of credit agreement totaled EUR 10,177,500.

According to the project, the manufacturing buildings under construction will be provided with equipment for processing waste products of dairy manufacturing. New waste-free technologies enable to enhance capacities, to expand the assortment of dairy products, and to strengthen exports potential.

The total value of the project equals to EUR 11,146,330.73 while the Bank's share makes up EUR 8,182,500.

Taking into account further expansion of manufacturing areas, the project is aimed at constructing additional warehouse premises with modern equipment to achieve a new level of logistics.

Warehouse equipment costs total EUR 2,850,000, whereas the Bank's share equals to EUR 1,995,000.

2.3 Investment Activities

2.3.8 Regional Investment Projects

Along with the project of Borisovskiy Zavod Medicinskikh Preparatov OJSC mentioned in Section 2.3.7, the Bank's regional branches are involved in financing a number of other investment projects having a great impact upon regional social-economic development, energy efficiency, environmental protection, and sustainable development.

The most significant project implemented with the participation of the Bank in Vitebsk Region is targeted at providing 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. 108 on the Amounts and Sources of Funding for Purchase of Agricultural Machinery and Equipment in 2014 dated 3 March 2014. The project is worth BYR 20 billion (interest payments grace period – till 30 July 2021).

Grodno Regional Branch and **Molochny Mir OJSC (Milky World OJSC)** embarked upon 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. The project is approved by the Supreme Credit Committee of the Bank 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.

In 2014 the Bank opened 2 letters of credit under the contract concluded with OBRAM Sp., zo.o.o. (Poland) to purchase and

install cheese production equipment. The total value of the project makes up EUR 5,400,000. The total investment costs of the project amounts to EUR 27 million. The Bank's share equals 43%. The project was implemented in Grodno within the period from 2013 till 2014 and is aimed at enhancing product output, lowering costs, and increasing profits. As a result, the enterprise created 50 new working positions.

During the reporting year, the Bank continued its cooperation with Bobruisk-based **TAIM OJSC**.

Besides mastering the production under import substitution programs, the mission of the project is related to manufacturing new components for MAZ buses and trucks, spare parts for automotive equipment maintenance plants within the Republic of Belarus and neighboring countries, motor car parks, car service centers, and agricultural machinery plants.

The enterprise launched an investment project referred to as Modernization of Automotive Components for MAZ Vehicles and Agriculture Equipment pursuant to the business plan adopted by Investment Project Expertise Unit of Corporate Business Development Department. 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, to increase the level of production, to enhance working conditions, to efficiently use resources, to augment production output and gross added value, and to optimize plant space efficiency. The total investment value for the project made up EUR 814.1 thousand worth an equivalent of BYR 11,039,196 thousand. Within the above-mentioned invest-

ment project, Victor Taichung Machinery works Co., Ltd (Taiwan) was granted two non-revolving credit lines totaling EUR 310,357 (BYR 4,208,440.9 in the equivalent) and EUR 114,898 (BYR 1,558,016.9 thousand in the equivalent). The participation share of internal funds makes up 47.8%, whereas the Bank's share amounts to 52.2% totaling EUR 425,255 (BYR 5,766,457.8 thousand in the equivalent). The project is targeted at creating new highly efficient working positions, enhancing labour conditions, modernizing the manufacturing of components for MAZ and agricultural machinery, and expanding production and capital funds with high-performance equipment.

The Bank acted as a participant of the investment project of **Krasniy Pischevick OJSC**. So as to technologically reequip the production enabling to expand in-demand product line, according to the delivery contract concluded with TAURAS-ZAPAD LLC (official dealer of TAURAS-FENIKS LLC) the Bank acquired innovative, high-performance wrapping equipment meeting the latest European standards and totaling BYR 1,795 million, and leased it out to Krasniy Pischevik OJSC for a period of 15 months. The Bank's share in the project made up 100%.

Along with **Mozyrsol OJSC** the Bank is involved in the investment projects as follows:

Acquisition of Austrian Equipment for Salt Pellets Packaging and Increase Automation

The investment costs of the project make up EUR 870 thousand. The Bank opened an uncovered letter of credit totaling EUR 609 thousand. The acquired equipment enables to decrease costs owing to increased automation.

Acquisition of an Austrian Fluidbed Multiple Facility for Drying Salt

The investment costs of the project make up EUR 1,166 thousand. The Bank opened an uncovered letter of credit

totaling EUR 699.6 thousand. The acquired equipment enables to accelerate the drying process.

The aforementioned equipment will help to increase sales proceeds by BYR 90.9 billion, whereas net profit will go up by BYR 13.7 billion over the period from 2014 till 2017.

The Bank's cooperation with **Spartak JV JSC** in Gomel Region will result in an investment project enabling to modernize waffle production.

The total value of the project amounts to EUR 10,000, whereas the Bank's share makes up EUR 5,990 thousand (59.9%).

In June 2014, the Bank opened an uncovered letter of credit totaling EUR 5,990,000 for acquiring equipment of Norbert Schaller Ges.m.b.H (Austria).

Thanks to the investment project, the enterprise will be able to produce new confectionary goods, to introduce breakthrough manufacturing technologies, and to increase the share of competitive products meeting the highest quality standards. Spartak JV JSC plans to put into use natural high-quality ingredients, which will set their products apart from imported goods produced with substitutes.

The Bank supported **Contact ALC** in its effort to acquire isolated premises for food retail trade covering 329.7 square meters and located at the address 32-50, Kirov Street, Gomel. The total value of the project makes up USD 344,828. The Bank's share in the project comprised of the EBRD resources amounts to USD 200,000. The project is intended for meeting needs of the population.

2.4 Support for Small- and Medium Enterprises

2.4.1 SME Support Priorities

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 under 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 Businesses signed with EBRD in cooperation with the banks of Vnesheconombank Group.

In accordance with its Lending Policy, the Bank's priority is to expand credit transactions in terms of efficient small- and mid-sized businesses through extension of loans aimed at increasing production capabilities, developing business initiatives, and creating new working positions.

In 2014, the Bank was actively involved in the following SME programs:

Loans under the EBRD Facility

Under the Loan Agreement concluded with the EBRD, the Bank grants credits to SMEs pursuant to the Regulations on Lending of SME representatives in Bank BelVEB OJSC adopted by Decision of the Management Board No. 222 dated 15 June 2011 and amended by Decision of the Management Board No. 148 dated 28 March 2012.

According to the Regulations, the Bank offers the following lending products:

- express loan;
- small loan;

- loan for a green-field business;
- medium loan;
- loan for purchasing a vehicle; and
- overdrafts on the account.

Under the EBRD program, Bank BelVEB OJSC offers a number of lending products with a maximum amount in the equivalent of USD 1 million to self-employed entrepreneurs and legal persons. Loans can be granted either in USD and EUR or in RUR.

Applications are processed according to the simplified procedures. The loans bear no additional commission and fees.

Furthermore, Bank BelVEB OJSC successfully cooperates with the EBRD as both the issuing bank of, and a confirming bank under, the Trade Financing Program. Bank BelVEB OJSC is also one of the participating banks under Sustainable Energy Financing Program in the Republic of Belarus (BelSEFF).

According to Presidential Decree No. 255 on Some Measures to Support Small Business dated 21 May 2009, **concessional loans** are granted to self-employed entrepreneurs and legal entities registered in the City of Minsk and implementing investment as well as business projects including, inter alia, construction, acquisition of permanent structures as well as isolated buildings, repairing or reconstructing of the latter, acquisition of equipment, vehicles, special devices, components, and materials for its own manufacturing purposes or with the aim of rendering services.

The Bank's priorities are as follows:

- to create, to develop, and to expand the scope of products as well as services;
- to organize and to develop the manufacturing of export-led and import-substituting products;
- to facilitate the manufacturing using energy efficient technologies; and
- to put into life breakthrough technologies.

Lending terms and conditions:

- Interest rate: 0.5 of the refinancing rate set by the National Bank of the Republic of Belarus applicable as at the date of the decision made by the Bank and increased by 3 percentage points;
- Amount: the minimum amount is not set; the maximum amount is estimated according to the business project containing specific information on the purposes of lending, relevant business lines, types and volumes of the projected products and services, the expected revenue, and solvency of the applicant.
- Loan period: not exceeding 3 years.
- Currency: BYR.

Lending under the Program of SME Financing of the OJSC Development Bank of the Republic of Belarus

Under the Program of the Development Bank, Bank BelVEB offers SMEs financing for business development. The participants of the Program are eligible self-employed entrepreneurs, micro-companies, small- and mid-sized enterprises.

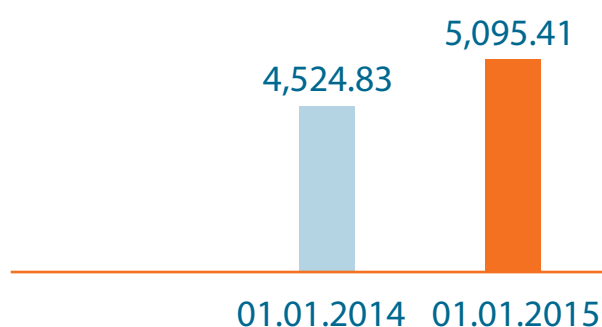
The financing is aimed at acquiring (reconstructing, modernizing, constructing, or repairing) fixed assets (buildings and structures, machinery, vehicles, and equipment) for manufacturing purposes or for rendering services. The currency of financing is BYR. The Borrower shall commit not less than 10% of the loan out of its own funds. The loan period is 5 years.

2.4 Support for Small- and Medium Enterprises

2.4.2 SME Support Results in 2014

Amount of Loans Lent Out to SMEs BYR, billion

+112.6%



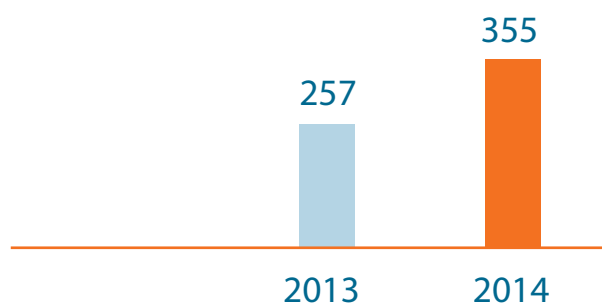
As of 1 January 2015, the amount of SME loans made up BYR 5,095.41 billion, whereas the share of loans comprised 30.49%. During the reporting year, the SME loan portfolio growth amounted to BYR 570.58 billion, whereas the growth rate reached 112.6%.

By contrast with 2013 the Bank's loan portfolio remained generally unaltered. 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.

In 2014, the Bank established structural units responsible for micro-lending in compliance with the EBRD technologies. While recruiting and training the personnel for micro-banking, the Bank formed an up-to-date model for proactive selling in front-office units. During a 3-year period, 13 seminars were held.

Number of Loan Agreements

+138.1%



In 2014, the Bank's micro-lending sector subject to the EBRD technologies concluded 355 loan agreements against 257 agreements concluded in 2013. As at 1 January 2015, the principle outstanding made up an equivalent of BYR 325.1 billion against an equivalent of BYR 163.2 billion as at 1 January 2014.

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

Region	Outstanding amounts as at 1 January 2014 (BYR, billion)	Share in the total SME portfolio as at 1 January 2014 (%)	Outstanding amounts as at 1 January 2015 (BYR, billion)	Share in the total SME portfolio as at 1 January 2015 (%)
Brest	184.5	4.07	173.7	3.4
Vitebsk	292.35	6.46	369.7	7.2
Gomel	187.3	4.14	197.8	3.9
Grodno	125.2	2.77	110.7	2.2
Mogilev	84.4	1.87	91.4	1.8
Minsk	218.15	4.82	254.6	5.0
City of Minsk	3,432.9	75.87	3,897.5	76.5
Total	4,524.8	100.0	5,095.4	100.0

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

Industry	SME Portfolio as at 1 January 2014 (BYR, billion)	Share in the total SME portfolio as at 1 January 2014 (%)	SME Portfolio as at 1 January 2015 (BYR, billion)	Share in the total SME portfolio as at 1 January 2015 (%)
Agriculture, hunting, forestry	27.1	0.6	15.1	0.3
Manufacturing industry	803.3	17.75	796.5	15.6
Electric power generation, gas and water production and distribution	17.9	0.4	16.9	0.3
Construction	111.0	2.45	185.5	3.6
Trade, repairing of cars, household and personal appliances	851.1	18.8	1,226.8	24.1
Transportation and communication	878.2	19.4	611.2	12.0
Financial activities	317.5	7.0	350.1	6.9
Real estate operations, lease and consumer services	1,481.9	32.8	1,860.3	36.5
Other	36.8	0.8	33.0	0.7
Total	4,524.8	100.0	5,095.4	100.0

2.4 Support for Small- and Medium Enterprises

2.4.3 Financing of SME Investment Projects in 2014

In 2014, the Bank's Baranovichi Regional Branch partook in the project initiated by **Bulbash Additional Liability Company** (SME) aimed at constructing a food and consumption goods store located at 101/1, Kirova Street, Baranovichi.

The total value of the project made up USD 266,281, while the Bank's share totaled USD 150,000 (52.3% of the total financing).

The in-service date of the trade object covering 906 square meters is projected for May 2015. The premises of the building shall be rented.

The project will expand the service area and create new working positions. From an economic perspective, the project is expected to increase sales revenue and budget payments.

The Bank's Regional Branch in Bobruisk (Mogilev Region) financed an investment project initiated by **Shinoremont OJSC** under the SME Program.

The project is targeted at acquiring equipment produced by SAGAMA TORO (the Russian Federation): a mixer, an automated line with a press bar and a semiautomatic crumb feed system. The equipment is intended for manufacturing rubber cover.

The total investments for the project made up RUR 4,579,200 worth an equivalent of BYR 1,270,728.

The funds are granted via a microloan in the form of a 3-year non-revolving credit line. The Bank's covers 100% of costs.

The project will create new high-performance working positions and is ecologically significant since the new equipment will enable to produce 'Ecover-Pol' rubber tiles (size: 500 x 500, thickness: from 10 till 60 mm) in a large colour variety. Rubber tiles can be laid on both concrete and soil grounds and is intended for open and closed children's playgrounds, sport places, gyms, race tracks, floors around swimming pools, entrances, street stairs, garden

paths, shower rooms, etc. The tiles are manufactured from purified crumb obtained by recycling used tires via a crushing technology and possess anti-sliding and paddy properties. Such a method enables to obtain purified crumb which can be repeatedly used for producing floor covers, car foot pads, roofing materials, multifunctional rubber tiles, and road concrete mix.

According to the opinion expressed by ecologists, recycling of tires into crumb and its further secondary use is one of the most environmentally friendly methods.

Svetlogorsk Regional Branch took part in financing the project referred to as **Construction of a Shop Located in Lebedyevka-Yug, Zhlobin**. The borrower is RealInter-Torg Private Enterprise. Total investments equaled BYR 3,500 million.

The Bank's share made up BYR 500 million (14%), whereas the enterprise's funds accounted for BYR 3,000 million.

The lending funds are intended for construction materials, building and finishing work, labor expenses, and transport costs.

The area of the projected object makes up 350 square meters. The in-service date was planned for March 2015.

The project will create 10-15 new working positions. The variety of assortment is expected to range from food and household goods to cosmetic and leg wear garment products. According to the business plan, both revenue and profits are projected to go up.

The above branch granted a loan equaling EUR 75,000 to **RID LLC** responsible for cargo transportation with the aim of acquiring a tractive unit DAF FT (Euro-50 produced in 2014). It will reduce servicing costs enabling to decrease prime costs and to increase profits. From an ecological perspective, the acquired technical equipment meeting the latest requirements will open the possibility to enter Europe and thus increase revenue and profits. Furthermore, one more working position is expected to be created.



2.5 Russia-Belarus Projects

As part of the Memorandum of Cooperation between the Republic of Belarus and the Russian Federation aimed at expanding economic ties and facilitating Russia's exports to the Republic of Belarus, the Bank is involved in the project totaling RUR 1,274.6 million (the Bank's share made up RUR 1,274.6 million) to finance high-performance equipment (asynchronous electric traction drive for BELAZ dump trucks) of Silovye Mashiny OJSC (the Russian Federation) for **BELAZ OJSC (the holding company is BELAZ-HOLDING)**. Under the above project, the Bank opened 4 letters of credit to buy electric motors totaling RUR 892.4 million. Post-financing under the letter of credit out of funds from Rossel'hozbank OJSC equaled RUR 221.4 million.

Another Loan Agreement 280400/2014/8 of 25 December 2014 with Vnesheconombank for the amount of RUR 1,053.3 million, was concluded to cover RUR 221.4 million worth of purchases from Silovye Mashiny OJSC.

MAZ OJSC (the holding company is represented by BELAVTOMAZ) opened 2 non-revolving credit lines (Loan Agreement dated 27 May 2014 and totaling an equivalent of RUR 1,104.9 million and Loan Agreement dated 25 June 2014 worth an equivalent of RUR 922.59) under the project aimed at financing purchases of engines, metal-roll, fluid heaters, radiators, and other components totaling an equivalent of RUR 2,027.48 from Russian companies such as Avtodizel OJSC, Magnitogorsky Metallurgichesky Combinat OJSC, Severstal OJSC, Schadrinsky Avtoagregatny Zavod OJSC, and Chelyabinskyy Kuznechno-Pressovyy Zavod LLC.

MAZ OJSC acquires materials and components so as to produce automotive vehicles meeting Euro-3, Euro-4, as well as Euro-5 ecological standards to maintain its position in the CIS-states market.

2.6 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 1 July 2005, Resolution of the Council of Ministers of the Republic of Belarus No. 779 on Adoption of a Model Form of the Agreement on Provision of Gratuitous (Sponsor) Aid dated 13 July 2005, Regulations on Profit Generation and Use of Profits and Funds of Bank BelVEB OJSC adopted by Protocol No. 2 of the General Meeting of Shareholders of Bank BelVEB OJSC dated 20 April 2010, as well as other legislative acts, and are regulated by Procedures on Examination 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 Bank BelVEB OJSC dated 6 February 2013.

The Supervisory Board is entitled to decide on the provision of gratuitous (sponsor) assistance in accordance with the allocations for charitable purposes as approved by the General Meeting of Shareholders of the Bank BelVEB OJSC.

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, and environmental projects.

In 2014, according to the decisions of its management bodies the Bank granted charitable assistance totaling BYR 3,624.7 million to institutions and organizations of the Republic of Belarus.

Thanks to the Bank's financial support in 2014, **the National Library of Belarus** began to implement a nationwide project equaling a worth of BYR 1,977.7 million so as 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. The project is aimed at restoring Skaryna's heritage within both the scientific community and the society of Belarus, positioning the Republic of Belarus as a country having a rich and ancient culture and maintaining close historical ties with Europe and Russia, completing the National Library of the Republic of Belarus and the National Electronic Library being in the planning stage with high-quality copies of valuable books, as well as promoting Skaryna's heritage in the system of education. The project is planned to be completed by 2017. All 25 books in 20 volumes printed by F. Skaryna in Prague and Vilno including 100 leather-bound copies will become available in an edition of 1000 copies in five years. In 2014, 5 books inclusive of Bytie (Genesis), Iskhod (Exodus), Levit (Leviticus), Chisla (The Numbers), Vtorozakonie (Deuteronomist) saw the light of the world. The issued editions were ceremonially presented to the leaders of diplomatic missions from Russia, Ukraine, Poland, the Czech Republic, Germany, and Italy. Moreover, the published books were presented to all regional libraries of Minsk Region. It is also planned to further grant Skaryna's books to other libraries, archives of Belarus, Russia, Ukraine, Poland, Germany, and such international organizations as UNO and UNESCO.

In the year under review the Bank supported the project aimed at decreasing mortality rate caused by malignancies and granted gratuitous (sponsor) aid in the amount of BYR 500 million to **the Minsk Municipal Clinical Oncologic Dispensary** so as to facilitate the acquisition of medical equipment enabling to diagnose cancerous diseases and to cure pre-tumor pathologies via radio-wave conization which is characterized as being the safest.

The Bank is focused on the following priorities of its charity activities:

- social aid to the population and children
- development of science, education, art and culture
- backup of sport of records
- support of environmental projects

In 2014, the Bank continued collaborating with **the National Academic Bolshoi Opera and Ballet Theatre of Belarus**, having granted gratuitous (sponsor) assistance totaling BYR 400 million and acted as the General Partner of V Minsk International Christmas Opera Forum. The leading theatres from overseas as well as stars of the global opera stage from neighboring countries and far abroad partook in the above forum whose program included Pagliacci by Leonkavallo, Rigoletto by Verdi, and Queen of Spades by Chaikovsky. I Minsk International Christmas Vocalist Competition was held as part of V Minsk International Christmas Opera Forum.

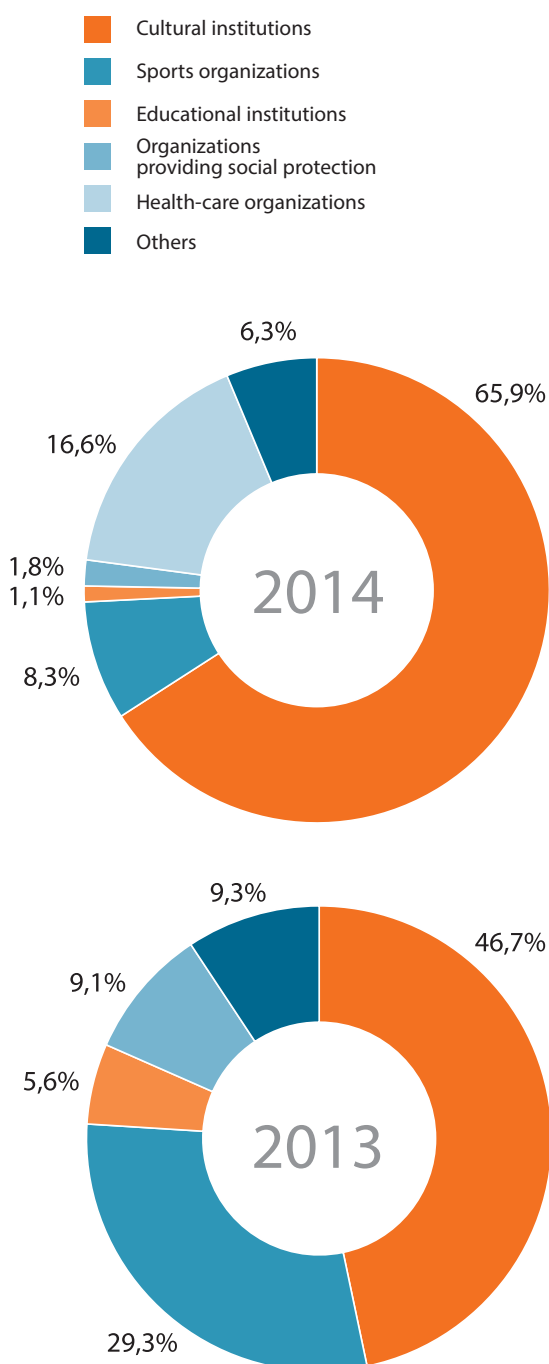
Specialized Children and Youth Tennis Sports School of the Olympic Reserve State Institution of Sport and Tourism Administration of Minsk City Executive Committee was granted gratuitous aid worth BYR 200 million to cover expenses related to organizing sports activities and developing infrastructure.

In 2014, the Bank supported **the Baranavichy Municipal Organization of the Belarusian Veterans Association** with the aim of:

- providing social protection and assistance to veterans of the Great Patriotic War, peacekeeping soldiers, and families of perished aviators;
- organizing the 70th Anniversary of Liberation of the Republic of Belarus from nazis; and
- holding events for preparing the 100th Anniversary of Long-Range Aviation (restoration of monuments to pilots).

In the reporting year, **Molodechno Psychoneurological Residential Care Home** was granted gratuitous assistance in the amount of BYR 100 million aimed at acquiring a lawn mower as well as kitchen and laundry equipment.

Gratuitous (Sponsorship) Aid Provided by the Bank, by Key Priorities



In an effort to support the Olympic movement in Belarus, the Bank provided financial support worth BYR 100 million to the Representation of the National Olympic Committee of the Republic of Belarus in Minsk so as to facilitate ski sports.

So as to contribute to conducting 2014 Dozhinki National Harvest Festival Fair in Gorodok, BYR 100 million were granted to **the Department of Ideology and Youth Affairs of the Gorodok Regional Executive Committee** to partially finance modernization and reconstruction in terms of facilities and landscaping.

Throughout 2014, the Bank supported organizations providing social protection and assistance to veterans, disabled and other categories of people in need, such as the Organization of the Belarusian Veterans Association of Leninsky District in Grodno and Belarusian Association of Veterans of the War in Afghanistan.

In the reporting year, the Bank also rendered gratuitous (sponsorship) assistance to state educational institutions, including the Minsk Boarding School No. 10, the Bobruisk Secondary School No. 19, the Gomel Secondary School No. 21, the Glubokoye Children's Art School, and the Svetlogorsk Sanatory Preprimary School No. 13.

According to the decisions taken by the Bank's Supervisory Board the total amount of sponsor support provided by the Bank in 2014 reached:

- BYR 2,387.7 million to cultural institutions;
- BYR 600.0 million to health organizations;
- BYR 300.0 million to sports organizations;
- BYR 67.0 million to organizations providing social protection and assistance to veterans, disabled and other categories of people in need;
- BYR 40.0 million to educational institutions;
- BYR 230.0 million to other organizations.

The above organizations submitted to the Bank reports on proper use of funds with attached confirming documents.

The total amount of sponsor support provided by the Bank over the period from 2011 to 2014.

Donatees	2011		2012		2013		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	2,387.7	65.9
Sports organizations	315.0	54.3	575.0	20.6	1,170.0	29.3	300.0	8.3
Educational institutions	57.0	9.8	1,965.0	70.4	224.7	5.6	40.0	1.1
Organizations providing social protection and assistance to veterans, disabled and other categories of people in need	70.0	12.1	0	0	364.0	9.1	67.0	1.8
Health-care organizations	8.0	1.4	0	0	0	0	600.0	16.6
Others	0	0	40.0	1.5	370.0	9.3	230.0	6.3
TOTAL	580.0	100.0	2,790.0	100.0	3,995.7	100.0	3,624.7	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 HR Management Strategy is determined by 2012 – 2016 HR Policy of Bank BelVEB OJSC approved by Resolution of the Management Board No. 364 dated 11 July 2012 which is an integral part of the Bank's Strategic Development Plan and CSR Strategy.

The major goals set out by the Bank's HR Management Strategy are:

- to arrange conditions for HR development based on contemporary and an efficient HR management system;
- to implement a 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 as well as 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; and
- to ensure satisfaction of the employees with their labor conditions and labor remuneration.

According to the CSR Strategy, the Bank declares the principle of responsibility for the personnel and is aimed at:

- implementing transparent procedures for recruitment, promotion, and termination of employment;
- complying with occupational health and safety;
- introducing trainings and personnel development programs;
- applying additional social benefits (medical and pensioner programs, health resort treatment, etc);
- adhering to the employee right to the freedom of association and collective negotiations;
- excluding discrimination and providing all employees with equal possibilities;
- developing the Bank's corporate culture; and
- controlling the balance between the Bank's employees' obligations and their privacy.

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 develop a wage system based on grades, beginning from 1 January 2014. As a result, the value of wage of the Bank's employees increased by 20% on the average.

According to Regulations No. 110 on Awarding Employees of Bank BelVEB OJSC for the Main Results of the Bank's Activities dated 19 March 2014 (amended and revised by Resolution of the Management Board No. 450 dated 31 October 2014 and No. 493 dated 26 November 2014), as at 1 April 2014 the Bank put into life an awarding system for the main results based on assessing the general results of the Bank and its structural units via key efficiency indicators including individual indicators for officers responsible for retail business.

The incentive system is targeted at increasing labour efficiency, stimulating initiative, enhancing customer service standards, and achieving high results of the Bank's activities on the basis of analyzing and awarding contributions of the Bank's structural units and the Bank's officers in particular.

Regulations on Annual Dialogue with Employees of Bank BelVEB OJSC No. 513 approved by the Management Board of Bank BelVEB OJSC and dated 16 October 2013 (amended and revised by Resolution of the Management Board No. 551 dated 20 December 2014) were worked out to enhance labour efficiency of the Bank's officers, to evaluate their professional and personal competences, as well as to obtain other information necessary for managing and stimulating the personnel.

The major principles of the Dialogue are as follows:

- Orientation towards strategic goals and objectives: the Dialogue is organized with due regard to the goals, objectives, and priorities stipulated by the Strategic Development Plan.

- Impartiality: the Bank's aspiration is to objectively estimate professional and personal potential of its officers, to assess their competencies, to recognize their capabilities, to efficiently resolve tasks, and to identify incentives.

- Transparency: each officer of the Bank has an access to the information on the mission, applicable methods and criteria system, as well as results of the Dialogue.

- Feedback: each officer is informed of the results of the Dialogue and of the opinion of its direct supervisor regarding the quality and efficiency of work as well as individual objectives.

The key tasks set within the Dialogue are as follows:

- to evaluate individual goals for the last year under review;
- to set individual goals for the current reporting period;
- to stimulate personnel on the basis of incentives and to mobilize their potential with the aim of achieving the Bank's goals and objectives;
- to select material and non-material incentives;
- to activate skills and knowledge of the personnel so as to optimize business processes;
- to plan career and professional growth of the personnel; and
- to control efficiency of the personnel.

Based on the results of the Bank's officers, the head of the structural unit makes up a rating list containing information on individual results and works out motivation proposals.

As a result of the Dialogue, the following forms of motivation can be applied to the personnel in compliance with local legal acts of the Bank:

- assignment of the next qualification grade or a higher post;
- setting a salary rate according to a higher grade;
- concluding an agreement for a period of over a year;
- putting on the list of the personnel reserve;
- rotation or change of occupation;
- working-out of an individual development plan;
- external trainings (seminars, conferences, advanced courses, etc);
- entering on the board of honor;
- awarding of a certificate of honor;
- expression of gratitude; and
- other incentives.

The results of the Dialogue can be taken into consideration during formal evaluation and while making decisions on whether or not to extend the labour contract with a particular officer.

Aspiring to create an efficient adaptation system for its officers, the Bank's Management Board approved Resolution No. 507 on Personnel Adaptation within Bank BelVEB OJSC dated 3 December 2014 which sets forth procedures for adaptation of new officers; goals and objectives of the adaptation system; rights and obligations of all the participants of the adaptation system; and a list of officers responsible for the adaptation system.

The adaptation system enables:

- to install a new-comer in the office within a short time period, stimulating efficient performance of its duties;
- to evaluate both professional and personal qualities of a new officer as well as its compliance with the occupied post;
- to build a positive image of the Bank, to acquaint with its corporate culture and traditions, to ensure compliance of the Bank's officers interests with the interests of the company;
- to impel a new officer to long-term labour relations;
- to enhance responsibility of direct supervisors for adaptation; and
- to facilitate the Bank's officers' positive attitude to work and satisfaction with the results.

The Bank worked out and approved the Regulations on Organizing Remote Trainings for the Officers of Bank BelVEB OJSC (Resolution of the Management Board No. 599 dated 18 December 2013) setting out a set of measures for organizing remote trainings and appointing officers responsible for the implementation of the program.

The remote training system is aimed at automating business processes related to electronic trainings, testing, compiling reports, evaluating the results of trainings and tests, interacting of the Bank's structural units with Personnel Department. The remote training system will enable to develop electronic courses and tests, to initiate electronic trainings, to carry out electronic tests, and to analyze the results.

The Bank carried out activities on documentation of labour 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 2,328 employees, or 99.7 % of the total staff number (2,335 employees).

3.1 HR Policy

3.1.3 Personnel Education, Recruitment and Administration

Personnel education, recruitment and arrangement is carried out pursuant to the Regulations on Personnel Recruitment and Deployment in Belvnesheconombank OJSC, approved by Resolution of the Board No. 33 dated 26 February 2009, as revised by Resolution of the Board No. 58 dated 19 February 2014 and No. 494 dated 26 November 2014. The Regulations set 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 determine the staff responsible for recruitment and approval of candidates for vacant positions.

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

Heads of the Bank's structural units shall take into account advantages and disadvantages of rotation and apply them according to the peculiarities of the activities of structural units while appointing officers to a post. Rotation is aimed at:

- management development;
- obtaining new knowledge by officers holding a post during a long time period;
- preventing or resolving conflicts;
- preparing universal specialists;
- ensuring interchangeability of officers in case of illnesses, holidays, or other unstable situations;
- improving motivation or increasing satisfaction with labor; and
- enhancing communication as well as the level of unity between officers of structural units.

Staff recruitment is the prerogative of the Bank's management and heads of the Bank's structural units and can be initiated in connection with new posts, increase in work, or displacement.

In 2014, 88 specialists were shifted to higher positions, 18 specialists were appointed to executive positions, and 37 head took higher posts.

3.1 HR Policy

3.1.4 Creation and Development of Personnel Pool, Dismissed Employees Adaptation

Pursuant to the Regulations on the Managerial Staff Pool of Belvnesheconombank OJSC, approved by Resolution of the Board No. 35 dated 26 February 2011 (as amended by Resolution of the Board No. 346 dated 7 September 2011, No. 203 dated 18 April 2012, No. 123 dated 27 March 2013, and No. 59 dated 19 February 2014), the Bank created a staff pool so as to promote its personnel to managerial positions.

The Regulations include 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 25 February at the latest.

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.

40 of 269 employees of the Bank included in the personnel reserve for executive positions engaged in higher posts in 2014, including 33 shifted to managerial positions.

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 Bargaining Agreement No. 327 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 3 January 2014 (hereinafter referred to as the "Agreement"), 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 Belvnesheconombank OJSC and Welfare Payments, the Collective Bargaining Agreement signed between the Employer and employees of Bank BelVEB OJSC.

In 2014, 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 (54 cases);
- on the occasion of death of close relatives – one official rate of pay, but not less than 60 basic units (73 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) (165 cases);
- for purchase of tours, medical treatment, rehabilitation or domiciliary health improvement (all employees – 2,519 cases);
- on the occasion of festal days and memorable dates (combatants, liquidators of Chernobyl disaster) (15 cases); and
- for procurement of agricultural produce (all employees at a time) – 10 basic units (2281 cases).

Financial assistance was provided in connection with:

- the 20th, 30th and the 40th anniversary of employment in the banking system (119 employees),
- anniversary of employees (93 employees),
- professional holidays (2,188 employees),
- Christmas and New Year (2,333 employees), and
- the Women's Day, the Day of Defender of the Motherland (2,295 employees).

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 employees were granted assistance worth one basic salary. In 2014, 223 employees on a child care leave got a one-off payment in the amount of 20 basic units.



In 2014, 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 (964 employees);
- children at the age up to 17 years old for health improvement of children (1,346 employees).

In December 2014, the Bank provided Christmas presents to 1,064 children of the employees.

In 2014, in order to provide sustainable operation and to decrease losses due to the employees temporary incapacity for work, the Bank initiated:

- agreements signed with specialized institutions for medical care;
- diagnostic examination in the Minsk Municipal Clinical Oncologic Dispensary;
- flu-immunization of employees.

Employees and their children were provided vacation packages at the expense of the state social security funds. In 2014, 18 employees and 27 children improved their health in the health resorts of the Republic of Belarus and abroad. 71 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.

As at 28 December 2010, the Supervisory Board 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 1 January 2014, the monthly welfare assistance was paid to 327 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 28 January 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 582 as at 31 December 2014.

In 2014, bonuses were paid to the employees who:

- were put to the roll of honour 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 22 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 as well as the results of activities of the branches' unions and to share some positive experience.



The joint trade union
of the Bank comprised

2,271 members,

or

97.3%

of the Bank's personnel

The Bank's trade union is a member of the Belarusian Trade Union of Banking and Financial Officers comprised of 55 thousands of people. The Chairman of the trade union of the Bank was elected as a member of the Presidium of the Republican Trade Union Committee of Banking and Financial Officers. Meetings of the Presidium are held on a monthly basis, enabling the Chairman of the Bank's trade union to express its opinion on various matters on behalf of the organization.

As at 31 December 2014, the joint trade union of the Bank comprised 2,271 members (including 327 retirees), or 97.3% of the Bank's personnel (2,335 employees).

Trade union membership offers the Bank's employees qualified assistance, protection of their labor interests, as well as social partnership based on respect of interests and opinions of each member so as to achieve positive results.

The Bank's trade union is active in protecting the employees' interests and opinions. Therefore, 26 trade union groups were established, and their representatives communicate the necessary information and arrange for feedback to provide for further enhancement.

Meetings of the Bank's trade union covering matters on social protection are held on a regular basis.

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 2014, written requests were generally connected to rendering certain welfare benefits, compensations, or privileges. All such requests were honoured provided good reasons and supporting documents had been presented. In the reporting year welfare assistance totaling BYR 360.0 million was granted to 450 members of the organization.

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

Trade union conferences are held within the Bank on an annual basis and are dedicated to analyzing fulfillment of the Collective Bargaining Agreement, labour contracts and the Bank's legal acts.

The Collective Bargaining Agreement makes provisions for a labour disputes commission, which shall be created on a parity basis of equal number of representatives of the trade union and the employer. In 2014, the commission held no meetings.

Pursuant to the Collective Bargaining Agreement, the Bank consistently renders financial assistance to large families, newly wedded employees, employees who have given birth to a child, as well as employees being on childcare leave.

Parents raising two children or a disabled child are entitled to have one paid day-off per month while parents having three or more children have a right to one day-off a week.

According to the Bank's regulations, a husband and wife employed by the Bank may simultaneously go on holidays.

In case of an illness, employees have a right to fully paid sick leave from the first day of incapacity for work.

In summer the children of the employees may rest in recreation camps. In the year under report, 112 children got free rehabilitation at health resorts. The Bank's trade union spent BYR 479.0 million for such purposes. In addition, 45 members of the union were partially recompensed for the cost of health resort vouchers totaling BYR 90.0 million.

The trade union committee concluded agreements with such sanatoriums as Ozerny and Ruzhansky so as to provide its officers with sanatorium-resort services.

The Bank organized tours to St. Petersburg, Krakov, Warsaw, as well as memorial places of glory within the Republic of Belarus.

The Bank tries to do its best so as to constantly create favourable conditions for the Bank's officers and their family members. One of the Bank's priorities in this respect is to provide assistance to its officers with the aim of preparing children for the beginning of the school year. In line with the Collective Bargaining Agreement, the Bank's officers bringing up children at the age of 3 to 17 are granted welfare assistance partly covering expenses on school uniform and supplies in connection with the Knowledge Day. The total amount of welfare assistance made up BYR 3.6 billion. Besides that, the Trade Union Committee of the Central Administrative Office rendered welfare assistance totaling BYR 15.0 million to large families in connection with the Day of Knowledge.

The Bank is also focused on team building for which reason it stimulates its officers and their family members to health and fitness as well as mass entertainment activities.

In 2014, such major social events as the tourist gathering, the Winter Olympics, the Great Family Ice Sports Fest, attended by about 2 thousands of the employees, were held. Breakthrough pneumatic technologies were applied during the tourist gathering which enabled to make competitions and contests more attractive and interesting. The Bank's futsal, Russian billiards and volleyball teams took part in city and interbank tournaments. In the year under report, the Bank's team took part in the 'Partners of the 20th Century Festival' initiated by Vnesheconombank Group. Besides, the Trade Union Committee organized open-air team-building training for the leaders 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.

In an effort to support spiritual development of the Bank's officers, the trade union grants its members the possibility to attend certain cultural events at a discounted price. Professional skill competitions are held within the Bank on a regular basis. Thanks to the aspirations of the Trade Union Committee, 150 Bank's officers could participate in 2 photographic competitions such as 'The Most Extreme Picture of the Summer Holiday Season' as well as 'The Most Original Christmas Tree within Structural Units'.

At the turn of the year, children of the Bank's employees could attend New Year matinees and circus performances at the expense of the trade union.

The Bank's trade union was also actively involved in activities related to the Children's Day, Knowledge Day, Christmas, and New Year.

3.2 Bank Personnel Characteristics

As at the end of the year, the actual number of the Bank's staff amounted to 2,335 people, including 2 part-time employees. As compared to 2013, the actual staff number increased by 41 employees.

The average age of the employees is 37.3 years. The share of females is 70.4% (1,645 employees), whereas the share of males makes up 29.6% (690 employees). The ratio of employees at the age under 30 is 29.7% (689 employees), from 31 to 50 years old – 58.6% (1,369 employees), from 51 and over – 11.7% (273 employees) respectively.

The core of the Bank's staff includes specialists with higher and specialized secondary education making up 93.7% of the total staff number.

In 2014, the turnover ratio of dismissed employees, calculated as the ratio of the total number of the employees dismissed (273 employees) to the average number, was 13.2% (compared with 15.8% in 2013), the number of the employees dismissed in 2014 decreased by 62 in comparison with 2013.

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 4.5% (compared to 6.2% in 2013).

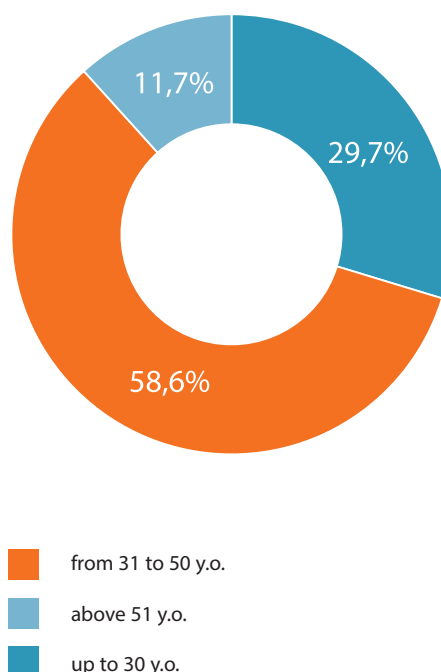
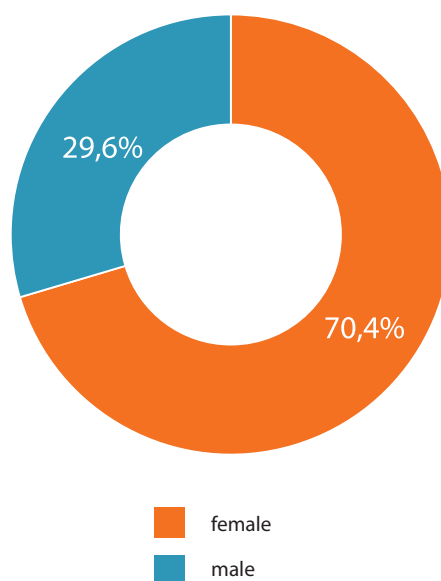


The actual number
of the Bank's staff amounted to

2,335 people

The average age of employees is

37.3 years



In 2014, the labor contracts with the Bank's employees were terminated for the following reasons:

■ for reasons beyond the parties' control – 4 employees;

■ due to recruitment by another employer – 27 employees;

■ initiative of the employee (of own free will, including due to retirement, disability) – 8 employees;

■ upon expiration of the employment contract – 125 employees;

■ upon agreement of the parties – 91 employees;

■ initiative of the employer – 18 employees.

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

Item		Number of Employees	Number of Retired Employees	Percentage of Retired Employees to the Total Headcount, %
Total including:	up to 30 y.o.	2,335	273	11.7
	from 31 to 50 y.o.	693	79	11.4
	above 51 y.o.	1,369	119	8.7
		273	75	27.5
Sex	male	690	113	16.4
	female	1,645	160	9.7
Head Office		1,701	160	9.4
Branches and Cash Settlements Centers in Minsk and Minsk Region, total		210	30	14.3
Brest Regional Branch, branches and Cash Settlements Centers in Brest Region, total		94	20	21.3
Vitebsk Regional Branch, branches and Cash Settlements Centers in Vitebsk Region, total		91	24	26.4
Gomel Regional branches and Cash Settlements Centers in Gomel Region, total		98	14	14.3
Grodno Regional Branch and branches in Grodno Region, total		75	13	17.3
Mogilev Regional Branch and a branch in Bobruisk, total		66	12	18.2

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 Regulations on Personnel Training in Belvnesheconombank OJSC approved by Resolution of the Board No. 459 dated 30 November 2011 and the Regulations on Organizing Remote Training in Bank BelVEB OJSC (Resolution No. 599 of the Management Board of Bank BelVEB OJSC dated 18 December 2013).

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

- efficient functioning of structural divisions;
- training of managers and specialists to wield high 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;
- in-house training within the framework of topical seminars, trainings and self-education.



3.3 Personnel Training and Professional Development

3.3.2 Scope and Modes of Personnel Training in 2014

In 2014, the Bank's officers were trained on the basis of higher and post-secondary educational institutions according to the following priorities:

- skills upgrading in educational institutions and other organizations (39 officers);
- participation in topical workshops, trainings, forums, conferences, and other training events at the domestic level and overseas (793 officers);
- in-house trainings along the programs worked out by the Bank's departments (1,617 officers);
- remote training; and self-education.

In 2014, the Bank held training sessions attended by 2,449 employees. 832 employees attended training courses provided by external organizations locally and abroad, including 758 employees of the Head Office and 74 representatives from regional branches. 134 employees participated in seminars, conferences, forums and other training events abroad, including in Russia – 86 employees, in Austria – 7, in the Czech Republic – 6, in Italy – 6.

Within international events the Bank's employees were granted the chance to obtain new knowledge and exchange experience with leading specialists from foreign

financial institutions and other organizations, including State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), the European Bank for Reconstruction and Development, Commerzbank AG, International Banking Systems (Misys), MasterCard Europe, ICC Austria, VISA.

In 2014 the Bank initiated 88 training events attended by 1,617 employees (including 613 representatives of the Head Office and 1004 employees of regional branches). Moreover, 21 officers improved their skills within language courses in English, whereas 22 employees partook in computer trainings.

During the reporting year, the Bank developed its system of distance learning and created 20 new courses. As a result, 26 e-learning courses enabled to inform a greater number of the Bank's officers of new banking products and services, to increase distribution of information among the Bank's officers, and to train officers work-based. In 2014, 236 officers participated in the 'Bonus Visa Gold and Visa Platinum Bank Cards' e-course, whereas the e-training referred to as 'Technologies of Sale of Retail Banking Products and Services' was attended by 246 employees. On the average, in the reporting year one e-course was visited by 147 officers.

Information on the average training hours per officer by categories is stated below.

Category	Number	Total training hours	The average training hours per employee/year, by category
Managers	454	15,746	34.68
Specialists	1,801	21,757	12.08
Workers	80	0	0

3.3 Personnel Training and Professional Development

3.3.3 Incentives in the area of education of young people

In 2014, the Bank continued its cooperation with higher and specialized secondary educational institutions of the country in training of specialists for the banking sys-

tem. 225 students (208 from higher and 17 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 Regulations on Personnel Remuneration and Incentive System in Bank BelVEB OJSC approved by the Supervisory Board of Bank BelVEB OJSC and dated 29 November 2013 (Protocol No. 23) sets forth personnel remuneration with regard to the Bank's financial and operational activities and compliance with the key indicators.

The Bank's remuneration system is based on grades according to which employee's salary and wages are dependent upon the importance of the job to the Bank.

Flexibility, financial incentives, qualification development, stimulation of efficiency, improvement of labor standards and incentives, contributions of each officer to the results of the team, spirit of enterprise, as well as creative approach form the basis for the Bank's remuneration system.

The elements of the Bank's employee remuneration and incentive system are as follows:

- base salary or rate of wage and their increase according to the legislation of the Republic of Belarus (hereinafter 'remuneration');
- financial incentives;
- compensations;
- social benefits; and
- non-financial incentives.

Remuneration can be indexed as per the legislation of the Republic of Belarus. The rate of remuneration may not be lower than the minimum rate stipulated by the legislation of the Republic of Belarus.

According to the grades-based remuneration system, remuneration is in direct correlation with significance of a given job position to the Bank. Positions are assessed in line with internal regulations approved by the Management Board. As a result, positions with a close number of points come under grades.

The list of grades, relevant posts, remuneration rate, and number of stages within a grade are approved by the Management Board.

Remuneration rate is set according to the post falling under a particular grade and shall be equal to one of its stages. Compliance of the officer with the job profile, intensity of work, labor conditions, and qualification level are taken into consideration while setting remuneration rates.

Besides grades-based remuneration system, the Bank can apply other remuneration systems providing for direct relationship between remuneration and implementation of banking products plan as well as other indicators characterizing efficiency of performance of a structural unit and (or) an officer.

The applicable incentives include:

- performance bonuses;
- year-end performance bonuses; and
- short-term performance bonuses.

Officers are granted extra pays in the cases as follows:

- combining of professions, increase of professional duties, performance of duties of temporarily absent officers;
- night work. According to the legislation of the Republic of Belarus and the Bank's legal acts, each hour at night time (from 22.00 till 6.00) is extra paid in the amount of 40% of remuneration rate; and
- other cases in line with the legislation of the Republic of Belarus and the Collective Bargaining Agreement.

In an effort to increase social protection, to enhance living standards, and to improve conditions for both work and recreation, the Bank made payments for social and compensation purposes (saving for part-time and temporary employees) according to the Collective Bargaining Agreement and other legal acts of the Bank.

To the officers successfully performing their duties the Bank can apply non-financial incentives:

- entering on the board of honor, awarding of a certificate of honor, expression of gratitude, giving the title of 'The Best in Profession';
- rotation or change of occupation;
- putting on the list of the personnel reserve;
- external trainings inclusive of study courses, seminars, conferences, refresher courses, and
- other incentives in conformity with the Bank's internal regulations.

The Bank ensures remuneration at a level over the minimum pay prescribed by the legislation. As at the end of 2014, the minimum pay made up BYR 2,1 million, whereas the lowest salary within the Bank is 2 times higher.

The current remuneration in the Bank corresponds to average levels prevailing in the financial sector.

Pursuant to the Labor Code of the Republic of Belarus, labor discrimination, including remuneration, is prohibited and, therefore, wages and salaries are independent of the gender. The ratio of male and female base salaries in all categories of employees is 1:1.

3.5 Occupational Health and Safety

3.5.1 Major Personnel Health and Safety Risk Factors in 2014

According to the CSR Strategy, the Bank shall put all of its efforts to ensure health and labor protection of its personnel.

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 25 July 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.

Heads of structural units bear responsibility for the organization and the state of labor protection.

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 2014

In an effort to provide adequate personnel working conditions in 2014, the Bank undertook measures under 2014 Schedule of Measures for Occupational Safety in Bank BelVEB OJSC approved by the Bank's Trade Union.

Criteria for adequate 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 22 February 2008 and amended by Resolution No. 15 dated 11 January 2014, 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 22 February 2008 and amended by Resolution No. 50 16 June 2014.

In 2014, in order to improve the working conditions of employees, the Bank carried out a phased replacement of outdated computers by new-generation equipment, installed air conditioning equipment as well as air purification and ionization systems in the offices, acquired necessary appliances as well as furniture, personal protection equipment, detergents and decontaminants, medical equipment, drinking water, and equipment for the Bank's canteen.

In 2014, the Bank spent BYR 6,737.5 million on automated office equipment and BYR 5,113.5 million on vehicles complying with at least Euro-4 standards.

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 28 June 2014, as well as the hygienic standards referred to as Limits of Normalized Parameters for Working with Video Display Terminals and Electronic Computers as of 2014, Ekoventaladka 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 was established that conditions at the workplaces comply with 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 of sanitary norms and rules, appropriate steps are undertaken to immediately address such incidents.

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

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

In 2014, there was no violation incident registered in the field of labor conditions.

In 2014, there were no letters, statements, or complaints received in connection with occupational safety.

During the year under report, 354 new employees participated in an introductory briefing while employees taking extra high hazard positions passed a mandatory medical examination.

Pursuant to the Occupational Safety Program in 2014, the Bank held 2 seminars on 'Occupational Safety Legislation and Labor Protection in Structural Divisions' amongst the employees of regional departments. The seminars were attended by 42 employees. 81 employees were tested on the subject Occupational Safety Legislation.

The Bank carried out a monitoring of working conditions of female and under-18 employees as prescribed by the applicable law. In 2014, the Occupational Safety Unit received no complaints to this effect.

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 2014, 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 8 July 2011, No. 298 dated 18 April 2012, and No. 565 dated 27 June 2012) dated 29 December 2009;

- Decree of the Chairman of the Board of Belvnesheconombank No. 66 on Organization of Training on the Civil Defense and Emergency Prevention for the Training Year 2012 dated 27 January 2014; and

- Instructions on Preparing Managerial Bodies and Forces of the Object Chain of Bank BelVEB OJSC of the State Emergency Prevention and Civil Defense System for 2014 adopted by the Management Board Chairman – Civil Defense Head of Bank BelVEB OJSC.

In 2014, the activities related to the civil defense, natural and man-made emergency prevention were held pursuant to 2014 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 referred to as the “Schedule”) approved by the Chairman of the Board as at 3 January 2014.

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 2014 training (13 February 2014); 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' (21 October 2014). The classes were attended by 62 employees of the Bank.

2. 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 (28 October 2014), in which 65 employees took part.

3. In 2014, the civil defense training of the Bank's managers and personnel was carried out pursuant to Decree No. 66 on Organization of Civil Defense and Emergency Prevention dated 27 January 2014, 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-seven 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 2014 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 2014 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

In resolving problems of environmental protection, the Bank's aspirations are as follows:

- to decrease the level of contamination;
- to develop innovative technologies aimed at efficient use of energy, water, and other resources;
- to reduce consumption of non-renewable resources;
- to save and to restore biodiversity and natural ecosystems; and
- to take into account ecological factors within the Bank's activities.

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

Aspiring to save electric and heat energy, the Bank annually adopts the Programme on Energy Saving. The Programme 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 2014 there was increase in consumption as compared to 2013 owing 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.

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

	Indicator	2014	2013	Dynamics	Reasons or Consumption Growth/Decline
1	Electricity total for the HO, GJ	8,328	7,840	+488	
	32 Myasnikova St.	3,868	3,702	+166	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
	10 Zaslavskaya St.	1,353	1,438	-85	
	13 Moskovskaya St.	288	291	-3	
	6 Skryganova St.	1,189	1,124	+65	
	29 Pobediteley Ave.	1,630	1,285	+345	
2	Heat GJ	7,819	8,834	-1,015	
	32 Myasnikova St.	2,149	2,382	-233	Decrease in heat energy consumption as compared to 2013 is owing to energy saving measures.
	10 Zaslavskaya St.	1,126	1,146	-20	
	13 Moskovskaya St.	581	761	-180	
	6 Skryganova St.	1,741	2,331	-590	
	29 Pobediteley Ave.	2,222	2,214	+8	
3	Water cubic meters	16,372	14,850	+1,522	
	32 Myasnikova St.	7,107	6,568	+539	Increase in water consumption as compared to 2013 was due to construction and repair work.
	10 Zaslavskaya St.	980	953	+27	
	13 Moskovskaya St.	675	588	+87	
	6 Skryganova St.	2,971	3,628	-657	
	29 Pobediteley Ave.	4,639	3,113	+1,526	



Decrease in heat energy consumption in 2014 was caused by more favorable weather conditions in contrast to 2013 as well as energy saving measures: enclosing parts of the Bank's building located in 10 Zaslavskaya Str. were partially renovated; window openings and lamps were partially replaced with advanced ones; and the heat introduction automatic control system was properly adjusted. These measures resulted in saving 100.2 GJ of the heat and electric energy.

Increase in water consumption was caused by repair and construction work at the premises located in 10, Za-

slavskaya Str., 32, Myasnikova Str., and 13, Moskovskaya Str.

For all the objects of the Bank located on the territory of the Republic of Belarus, the value of electricity consumption amounted to 4,420,834 kWh, which corresponds to 15,915 GJ (as compared to the limit value equaling 5,507,000 kWh); the value of thermal energy consumption amounted to 3,895 Gcal, or 16,307.6 GJ (as compared to the limit value equaling 5,977 Gcal). (Figures are given for the buildings as a whole, excluding reimbursement of expenses for resources consumed by tenants).

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 23 December 2011, sets forth the norms of consumption for all divisions, limiting the excess consumption of paper products.

According to Resolution No. 189 of the Chairman of the Management Board dated 3 April 2012 on Operation of the Automated Data System of Organizational and Executive Documentation (hereinafter referred to as "ADS"), an ADS was put into use within the Bank which enables to reduce paper consumption.

The Bank's document workflow is optimized via step-by-step transition to paperless documentation management and adjusted documentation procedures. For such purposes the Bank adopted Instructions No. 528 on Automated Data System of Organizational and Executive Documentation within Bank BelVEB OJSC dated 30 October 2013 and Regulations on Work with the Automated Data System of Organizational and Executive Documentation within Bank BelVEB OJSC dated 30 July 2014.

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

Purchasing paper in 2014, the Bank took into consideration availability of certificates, expert opinions on compliance with the Uniform State Sanitary, Epidemiological, and Hygienic Requirements for the Goods Subject to the Sanitary and Epidemiological Surveillance No. 299 dated 5 May 2012, approved by the Commission of the Customs Union.

5 of the Bank's offices in Minsk purchased A4-format paper in the amount of 29,309 tonnes and A3-format paper totaling 0.0749 tonnes.

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 prepares a report on the fuel actually consumed by each vehicle pursuant to the mileage recorded in the trip tickets.

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

So as to reduce fuel consumption and CO₂ emission, in the reporting year the Bank renovated its car park with vehicles complying with at least Euro-4 ecological standards.

According to Resolution No. 90 on Fuel Consumption Standard Setting dated 6 November 2014 and No. 91 on Car Reservation and Kilometrage Limitation, the Bank controls compliance with consumption rates for fuel, lubricants, and tyres.

Besides, the Bank does its best to optimize traffic routes for company vehicles, to timely carry out motor vehicle inspection, and to keep cars in good repair. Application of breakthrough communication means enables to reduce business travel costs.

Indicator		2013	2014
Total kilometrage, thousand km		2,444.8	2,397.8
Total fuel consumption, thousand liters		300.25	296.7
	petrol	250.23	251
	diesel	50.02	45.7
CO ₂ emission, tons/year		736.13	729.85

3.6 Raising Environmental Consciousness

3.6.5 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; and

■ paper and cardboard waste – procurement agencies of Belcoopsoyuz.

Aggregate amount of waste is shown in the table below.

Waste Type		2014	Recycling
Extra-hazardous (hazard class I)	Mercury-containing waste (fluorescent tubes, pcs.)	930	Waste is passed to Postup Ltd for recycling and elimination
Moderately hazardous (hazard class III)	Copying-duplicating machines and computers (pcs.)	456 (268 computers and 188 printers)	Details containing precious metals are extracted from computers and equipment and passed to special organizations
	Spent cartridges (pcs.)	0	Spent cartridges are passed to special organizations for refilling
Slightly hazardous (hazard class IV)	Household waste (tons)	204.6	Household waste is passed to special organizations for burial
Practically nonhazardous (hazard class V)	Paper waste (documents, tons)	3.76	Paper waste is passed to special organizations for recycling



4

The Bank's
Subsidiaries

- 4.1** Principles and Mechanisms of Interaction with Subsidiaries
- 4.2** Belvneshstrakh Unitary Insurance Enterprise
- 4.3** Vnesheconomstroy Commercial Joint Organization, Limited Liability Company
- 4.4** International Energy Center CJSC

4.1 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 the Regulations on Long-Term Financial Investments into Authorized Funds of Legal Entities, approved by the Bank's Supervisory Board on 15 June 2005 (as amended by Minutes No. 5 of 27 March 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.

Investment offers and results of market participants using a share of the Bank's capital are analyzed 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 as a result of development cyclicality, 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 – 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, 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 aimed 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, 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.

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 Resolution of the Management Board No. 37 dated 17 March 2008 (as amended by Resolution of the Management Board No. 203 dated 18 April 2012).

The Bank effects coordination between its holding members, controls interaction between them and analyzes 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 1994. The Bank's share in its authorized fund is 100%.

Belvneshstrakh UIE is active in insurance, reinsurance, and other activities in relation to insurance. Belvneshstrakh UIE complete the Bank's activities by rendering financial services.

According to the results achieved in 2014, Belvneshstrakh UIE ranked the 9th in terms of its net profit and the 8th by insurance premiums collected amongst 13 private

insurance organizations of the Republic of Belarus. The total amount of insurance contributions for 2014 amounted to BYR 72,079.9 million, or by 2.8% less than in 2013. The company's net profit totaled BYR 1,524.2 million.

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

Established in	1994
Authorized capital as at 1 January 2015, BYR million	30,445.6
The Bank's equity share in the authorized capital as at 1 January 2015, %	100
Financial results for 2014, BYR million	1,524.2
Actual staff headcount at the end of the reporting period, persons	108

4.2 Belvneshstrakh Unitary Insurance Enterprise

4.2.2 Cooperation with Stakeholders

The major stakeholders of Belvneshstrakh UIE are the 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 2014, 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 totaled BYR 3,870.0 million. The share of the Bank's insurance contributions in the amount of the insurance premiums amounted to 5.4%, and 69.8% of the Bank's insurance contributions were the payments under credit risk insurance. In its turn, the company deposited with the Bank 65.1% of its total cash funds – the authorized capital and a part of policy reserves totaling BYR 37.3 billion.

In an effort to improve co-operation with the customers in 2014, the management of Belvneshstrakh UIE took measures to further develop mutually beneficial co-operation with the longstanding partners, including Lid-skoye Pivo OJSC, Macdonald's Restaurants, Milavitsa, leasing companies such as Stroyinvestleasing, Premier Leasing, Stroydormashleasing, Vneshneekonomicheskaya Leasingovaya Kompaniya LLC, Otkrytaya Liniya LLC, Solarleasing CJSC, Leasingresource LLC, trans-

portation and shipping groups such as Intertransavto LLC, Yarav Trading House LLC, Emons-Shipping JLLC, Genty, Transocean-Bel, Belrusinvest CJSC, as well as to establish business relations with new customers, including Horn Glass Industries AG, Terra LLC, Reiffeisen Leasing CJSC, Avangard Leasing CJSC, Vitebskiy Mashinostroitelny Zavod CJSC, Fidmash CJSC, 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 staff number as at the end of the reporting period was 108 employees, including 65 regular employees and 43 employees engaged in work on civil contracts. As compared to 2013, the staff increased by 5 employees, or 1.08%.

The number of employees with higher and the specialized secondary education was 60, or 92.3%. In 2014, the turnover ratio of dismissed employees was 7.7%, the number of resigned employees made up 5. The average age of the employees is 42 years old.

As for the HR structure by gender, the share of women was 53.8% and the share of men made up 46.2% as at the end of the reporting period. The number of employees (except for part-time employees) under 30 was 14 (21.5%), from 31 to 50 – 42 (64.6%), older than 51 – 9 (13.9%).

In 2014, Belvneshstrakh UIE terminated 5 labor contracts upon agreement of the parties.

The number of employees by age and sex in the structure of the resigned in 2014

Item		Total Number of Employees	Number of Retired Employees	Percentage of Retired Employees to the Total Headcount, %
Age Group	Under 30	14	3	21.4
	From 31	42	2	4.8
	Till 51	9	0	0
Gender	female	35	2	5.7
	male	30	3	10.0
Total	Minsk	56	4	7.1
	Regional Branch	9	1	11.1

4.2 Belvneshstrakh Unitary Insurance Enterprise

4.2.3 Personnel Health and Safety Protection, Personnel Satisfaction Assessment

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

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

In 2014, 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 2014, the Company kept on implementing an investment project referred to as Construction of an Apartment House according to the General Plan No. 12 in Lebyazhiy Residential Area (Apartment House in Myastrovskaya Street). As at 1 January 2015, 82.4% of construction and assembly work was finished. In 2014, the Company entered into 39 agreements totaling USD 4,248.8 thousand. As at 1 January 2015, unsold real estate made up 6,500 square kilometers, or 71%.

In 2014, the Company was also involved in selling in-service real estate under the project referred to as 'Slavyansky Kvartal'. As a result, we concluded 92 sale or purchase agreements including 50 apartment agreements, 46 parking space agreements, as well as 1 commercial real estate agreement, totaling USD 12,487.1 thousand. As at 1 January 2015, unsold real estate made up 9,400 square meters including 1,500 square meters leased.

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

Established in	2004
Authorized capital as at 1 January 2015, BYR million	1,197,275
The Bank's equity share in the authorized capital as at 1 January 2015, %	51
Financial results for 2014, BYR million	42,317
Actual staff number at the end of the reporting period, persons	18

4.3 Vnesheconomstroy Commercial Joint Organization, Limited Liability Company

4.3.2 Co-operation with Stakeholders, Personnel and Personnel Turnover in 2014

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

The actual staff number as at the end of the reporting year made up 18 employees. As compared to 2013, the staff number decreased by 6. All employees work in accordance with full-time work contracts.

The number of employees with higher and the specialized secondary education made up 96% of the total number. In 2014, the turnover ratio of dismissed employees, calculated as the ration of the total number of the employees dismissed to the average staff number, was 33.3%. The number of resigned employees accounted for 6 persons. 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 50% (9 persons) and the share of women was 50% (9 persons) respectively.

11.1% of the personnel (2 employees) are under 30 years old, 61.1% (11 employees) are from 31 to 50 years old, and 27.8% (5 employees) are 51 and older.

In 2014, the Company terminated 6 labour contracts including 4 contracts upon agreement of the parties, 1 contract due to transfer, and 1 contract in connection with expiry.

The number of employees by age and sex in the structure of the resigned in 2014

Item		Total Number of Employees	Number of Retired Employees	Percentage of Retired Employees to the Total Staff Number, %
Age Group	Up to 30	2	2	100
	From 31	11	1	9,1
	From 51	5	3	60
Sex	female	9	1	11,1
	male	9	5	55,6
Total		18	6	33,3

4.3 Vnesheconomstroy Commercial Joint Organization, Limited Liability Company

4.3.3 Social Support of Personnel, Reduction of Environmental Impact in 2014

The social support of the employees is carried out pursuant to the legislation of the Republic of Belarus in force and Regulations No. 6 on Labor Remuneration approved by the General Meeting of Members of Vnesheconomstroy Commercial Joint Organization, Limited Liability Society on 07 July 2009. In 2014, decisions were taken to extend welfare assistance to the employees on the occasion of retirement and leave.

In terms of personnel management, the organization carries out activities aimed at improving the competence of employees (7 employees participated in training seminars and refresher courses).

In 2014, 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.

The year under review was not marked with cases related to health and fire safety. The Company's management and regulatory bodies received no letters, written requests or complaints made by its employees in connection with matters on conditions and safety of labour as well as fire safety.

All employees are also granted the possibility to visit sports and fitness centres.

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 referred to as "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 and built in February 2009. Since then the cogeneration mini-plant has generated 186.1 million kWh of electric energy, including 31 million kWh in 2012 and 35.2 million kWh in 2013, 28.6 million kWh in 2014, and 281.6 thousand Gcal of heat energy, including 45 million Gcal in 2012, 59 thousand Gcal of power in 2013, and 38.2 Gcal in 2014.

Main performance indicators of IEC are stated in the table below

Year established	2010
Authorized capital as at 1 January 2015, BYR million	565.3
The Bank's equity share in the authorized capital as at 1 January 2015, %	52.095
Financial results for 2014, BYR million	-839.0
Actual staff headcount at the end of the reporting period, persons	24

4.4 International Energy Center CJSC

4.4.2 Co-operation with Stakeholders; Number, Structure and Turnover of Personnel in 2014

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 2014, 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 8.3% (2 out of 24 were fired).

The Company's employee's age is about 42 years on average. By the end of the reviewed period, the personnel structure included 70.8% and 29.2% of male and female employees accordingly.

IEC employs 2 employees under 30 years (8.3% of the actual number), 15 employees between 31 and 50 years (62.5%) and 7 employees over 51 years (29.2%).

In 2014, IEC terminated 2 labour contracts due to the expiry of the term.

The number of employees by age and sex in the structure of the resigned in 2014

Item		Total Number of Employees	Number of Retired Employees	Percentage of Retired Employees to the Total Headcount, %
Age Group	Under 30	2	0	0
	From 31	15	1	7
	Up to 51	7	1	14,3
Sex	female	7	1	14,3
	male	17	1	5,9
TOTAL		24	2	8,3
	Minsk	10	2	20
	Regional Branch	14	0	0

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 2014 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 labour safety training for the management and to purchase individual protective equipment.

In 2014, there were no injuries on the premises of IEC and no violations of the laws and regulations in the field of labour and fire safety registered by the Company.

Besides, the employees filed no claims or complaints regarding labour and fire safety or management to the controlling authorities in 2014. 1 employee was briefed for health and fire safety.

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 BelEZ 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 2014, IEC produced 28,602 thousand kWh of electric power (compared to 35,180 thousand kWh) and 38,171 Gcal of heat power (compared to 58,970 Gcal in 2013), including 1,732 kWh (compared to 930 kWh) 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 2013 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 2014, the amount of solid household waste totaled 85 kilos (compared to 85 kilos in 2013).

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

In 2014, the Company consumed 3,508 liters of fuel (compared to 4,432 liters consumed in 2013). Besides, the Company consumed 283 liters of RON 95 fuel (compared to 835 liters consumed in 2013) in connection with the lease of a car for operational needs. Reduction of fuel consumption was connected with decline of production.

In the reporting year the Company consumed 9,629 thousand cubic meters of natural gas (against 13,433 thousand cubic meters consumed in 2013), whereas actual wastes of IEC made up the values stated in the table below.

Waste reduction is related to decrease of natural gas consumption. Prescribed allowances were not violated.

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. The Company developed a list of measures aimed at reducing greenhouse gas emission.

To save electric and heat power, the Company estimated rates for consumption of resources in the office.

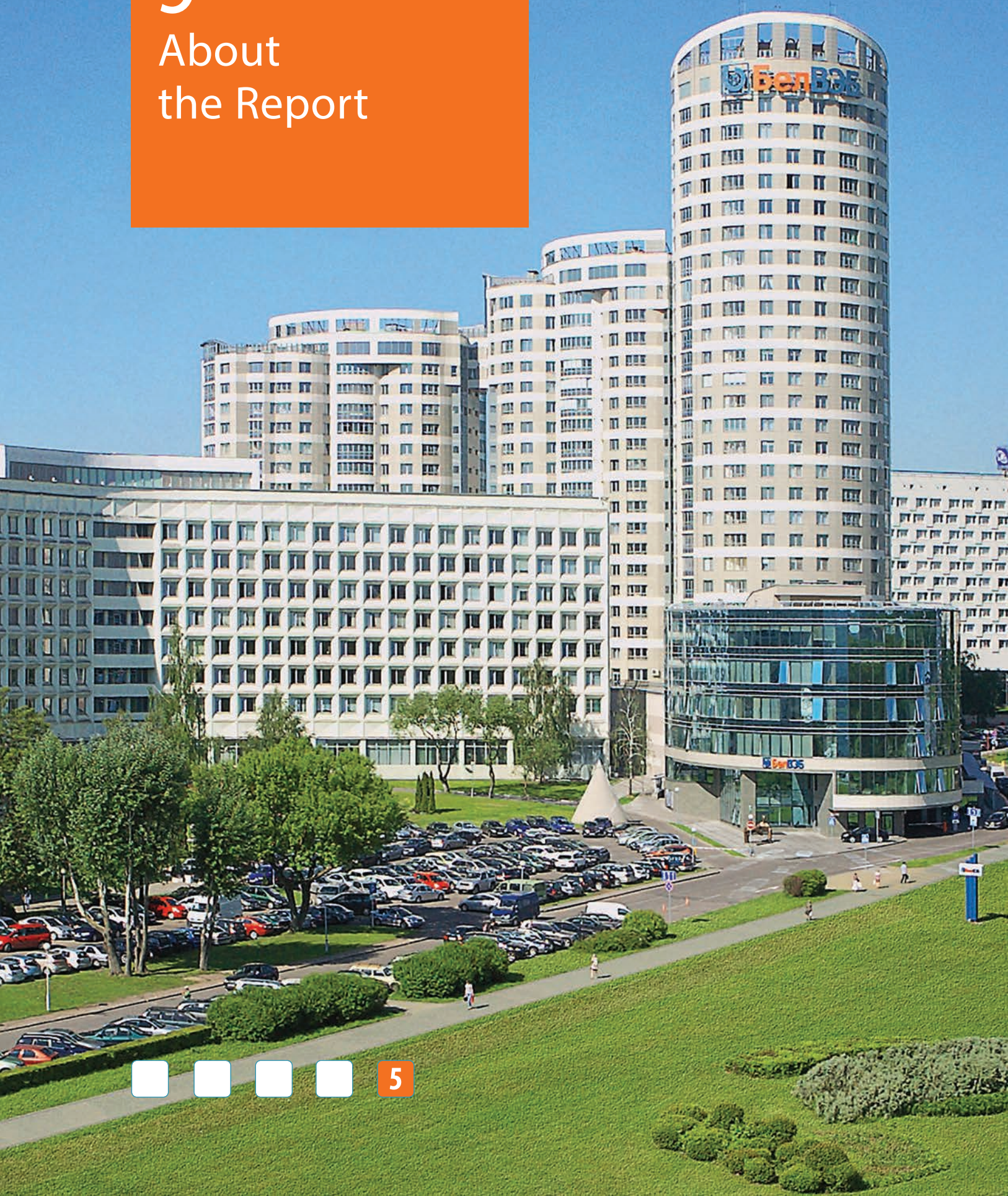
The Energy Efficient Department of the State Committee on Standardization of the Republic of Belarus approved the rates for fuel and energy resources used to produce heat and electric power at the mini-plant in compliance with which it will facilitate the minimization of environmental impact.

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

Substance name	Authorized release, tons per year	Actual release in 2013, tons per year	Actual release in 2014, tons per year
Nitrogen dioxide	25.940	21.02317714	14.88057191
Nitrogen oxide	4.215	3.416266285	2.418092936
Carbon monoxide	12.539	10.42245495	7.672860195
Benzpyrene	0.000002	0.00000188	0.00000091
TOTAL	42.694002	34.86190025	24.97152595

5

About the Report



5.1 Report Parameters

5.1.1 Report Content

5.1.2 Report Preparation

5.1.3 Scope of the Report

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5.1 Report Parameters

5.1.1 Report Content

This 2014 Sustainability Report (hereinafter referred to as the "Report") is the Bank's forth non-financial report containing information as of 1 January 2015. The Report was prepared in accordance with GRI's Sustainability Reporting Guidelines (Version 3.1) 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 21 December 2011 (as amended by Resolution of the Board No. 203 dated 18 April 2012).

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 27 March 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; and
- 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 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 2014 was approved by the Management Board of the Bank in June 2015.

5.1.3 Scope of the Report

The Report comprehensively covers 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; and
- 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 declares a "C" GRI Application Level.

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

5.1.7 Contact Information

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

Please send your comments and proposals
to the e-mail address: Il.Yusha@BelVeb.By

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. 6-9
1.2 Description of key impacts, risks and opportunities	P. 24-25 See 2013-2015 Strategic Development Plan of Bank BelVEB OJSC www.bveb.by/download_files/documents/razvitie.pdf See 2014 Annual Report: http://www.bveb.by/download_files/report2014/
2.1 Name of the organisation	P. 12-13
2.2 Primary brands, types of products and/or services	P. 12-13 See 2014 Annual Report: http://www.bveb.by/download_files/report2014/
2.3 Operational structure of the organisation	P. 16-17
2.4 Location of the organisation's headquarters	P. 12, 127
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. 12



Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/ References to Other Sources
2.7 Markets served	P. 21-22, 41-42 <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/
2.8 Scale of the reporting organisation	P. 12-13, 26-29, 41-42, 94-95 <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/
2.9 Significant changes during the reporting period regarding size, structure, or ownership	P. 6-9, 26-29 <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/
2.10 Awards received in the reporting period	P. 26-29 <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/
3.1 Reporting period for information provided	P. 126
3.2 Date of most recent previous report	2014.06.20
3.3 Reporting cycle	P. 126
3.4 Contact point for questions regarding the report or its contents	P. 127
3.5 Process for defining the report content	P. 126
3.6 Boundary of the report	P. 127
3.7 Any specific limitations on the scope or boundary of the report	P. 127
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. 112, 127
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
3.10 Explanations of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	P. 126
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	P. 127
3.12 Table identifying the location of the Standard Disclosures in the report	P. 128-134

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. 127
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. 16-17
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. 34-36
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. 43
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. 14-15 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. 43
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. 60-62
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	P. 34-36 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. <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	P. 42, 60-62, 72
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations	P. 13, 44 <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/
4.14 List of stakeholder groups engaged by the organisation	P. 34
4.15 Basis for identification and selection of stakeholders with whom to engage	P. 34-36
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	P. 34-36, 37, 38
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. 39-40
GRI FINANCIAL SERVICES SECTOR SUPPLEMENT	
FS1 Policies with specific environmental and social components applied to business lines	P. 21, 32, 37-38, 45-46, 48-50, 52-54, 55-56, 60-62, 78, 106
FS2 Procedures for assessing and screening environmental and social risks in business lines	P. 37-38, 57-59, 60-62
FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P. 60-62
FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	P. 74-75
FS8 Monetary value of special products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 63, 70-71, 76-77, 119
FS14 Initiatives to improve access to financial services for disadvantaged people	P. 48-51 Account access and conducting of transactions via the "Internet Banking" and "Mobile Banking" self-service system
FS16 Initiatives to enhance financial literacy by type of beneficiary	P. 36, 37-38, 39-40 <i>See 2014 Annual Report:</i> http://www.bveb.by/download_files/report2014/

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. 99-100
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	P. 87-88
EC8	Development and impact of infrastructure investments and services provided primarily of public benefit through commercial, in-kind, or pro bono engagement	P. 64-67
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	P. 78-81
ENVIRONMENTAL PERFORMANCE INDICATORS		
Management Approach		P. 105, 106, 107
EN1	Materials used by weight or volume	P. 107, 108
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. 106
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	P. 106
EN22	Total weight of waste by type and disposal method	P. 109
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	P. 105, 106, 107, 108, 109
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. 2014 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. 108
LABOUR PRACTICES PERFORMANCE INDICATORS		
Management Approach		P. 84-93
LA1	Total workforce by employment type, employment contract, and region	P. 94-95, 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. 94-95, 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 Belvneshe-conombank 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. 92
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	P. 92
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	P. 102
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	P. 102-103
LA9	Health and safety topics covered in formal agreements with trade unions	P. 92-93
LA10	Average hours of training per annum per employee, by employee category	P. 97
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P. 88, 96, 97-98
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. 94-95, 114, 117, 120
LA14	Ratio of basic salary of men to women by employee category	P. 100

HUMAN RIGHTS PERFORMANCE INDICATORS

Management Approach		Throughout the reporting year, the Bank had been adhering to international standards in the field 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. 32-33, 34-35, 78
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	P. 47
SO4	Actions taken in response to incidents of corruption	During 2014, there was no court litigation on incidents of corruption
SO5	Public policy positions and participation in public policy development and lobbying	P. 44
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 2014, 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. 34-36, 37-38, 48-51, 57-59
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	P. 37-38, 48-51, 52-54
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





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SUSTAINABILITY REPORT 2014

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