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Dear colleagues and business partners!

We are honored to submit to you the Sustainability Report of Bank BelVEB OJSC for the year 2016. This is the sixth non-financial report that reflects our commitment to social responsibility.

The last year became another milestone for the Bank on the way to its sustainable development. The Bank attained its key objectives and duly met all obligations before its shareholders and customers.

The Bank advanced to rank 4th among the major country’s banks in terms of assets, 2nd in terms of trade finance volume and improved its positions in customer deposits segment, own capital and lending.

At the same time portion of the Bank’s problem assets went up from 6.8% to 11.1%, which reflects the overall financial market trend where this parameter increased from 6.8% to 12.8% system-wide. The Bank took appropriate measures to harness the growth of borrowers’ past due obligations by tightening its monitoring of lending transactions and putting in place an internal early problem loan alert system.

Among the Bank’s key priorities remained the support to business initiatives in the field of interstate integration projects aimed at developing Russia-Belarus bilateral trade. Financial vehicles provided by the Bank to uphold integration causes accounted for a near 50% on the Bank’s corporate loan book and made an equivalent of RUB 67.9 billion.

In December 2016, the Government of the Republic of Belarus, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), State Specialized Russian Export-Import Bank (Joint-Stock Company), OJSC Development Bank of the Republic of Belarus and Bank BelVEB OJSC signed a one-of-a-kind Memorandum on Intentions to create a uniform platform to comprise integration promotion processes. The Memorandum outlines three backbone export priorities: mutual support of exports from the Russian Federation and the Republic of Belarus, facilitation of exports into third countries and promotion of goods and services of the Union State origin in the overseas markets.

Bank BelVEB undertook to co-ordinate the affairs of the Exports Promotion Project Agency which was set up with the aim of unification and streamlining of local financial and legal framework to accommodate modern tendencies and withstand the challenges of foreign trade.

In 2016, the Bank successfully positioned itself as a universal financial company thereby promoting its brand name and improving its status in lending to the SME segment of economy.

Keeping abreast of the current market trends, the Bank expanded its product line, introduced state-of-the-art services and fine-tuned its sales techniques.

The Bank continued apace to implement and offered available new customer-centric products channelled to its customers through electronic means of remote servicing.

As a socially-conscious institution, the Bank successfully followed its mission to support the community. Together with the National Library of Belarus the Bank continued to implement the project of facsimile printing of complete works by Francisk Skaryna. This undertaking is timed to coincide with the 500th anniversary of East Slavs book-printing to be celebrated on 6 August 2017.

Success in attaining the Bank’s strategic goals was underpinned by strong motivation of the Banks staff members, their wide expertise and team work. In the reporting year, the Bank continued to provide social support to its employees and their families, ensure safe working conditions, create conditions for recreation and living.

The Bank’s employees are involved into different educational programs which allows them to upgrade their skills and receive further job promotion. The Bank applies efforts to maintain its corporate culture and stimulate highly professional officers.

In December 2016, the Bank marked its 25th anniversary. The Government and the National Bank highly commended upon the Bank’s input into the development of Belarusian economy and its commitment to the cause of promotion of Belarus-Russia integration projects. The Bank was praised for its continuing improvement and promotion of quality services, expanding its product lines of customer-centric financial vehicles and building up its trustworthiness and stature in the local and international markets.

Speaking on behalf of the Supervisory Board and the Management Board, we express gratitude to all our customers, stakeholders and partners for reliable cooperation, mutual support, readiness to bank with us and make progress together.

Chairman of the Management Board  
Chairwoman of the Supervisory Board

Nikolay V. Luzgin  
Nadezhda A. Ermakova
1 Bank’s Profile

1.1 General Information
1.2 Governing Bodies
1.3 Organizational Structure
1.4 Principal Economic and Monetary Trends in Belarus in 2016
1.5 Major Events in 2016
1.6 Implementation of the Development Strategy in 2016
1.7 Internal Control System
1.8 Fraud and Corruption Combat Measures
1.1 General Information

As a successor of a Belarus-based branch of Vneshekonombank of the USSR, Bank BelVEB OJSC – the historical Joint Stock Commercial Bank for Foreign Economic Affairs of the Republic of Belarus – was incorporated in the form of a closed joint stock company on 12 December 1991.


On 29 March 2012, the Bank adopted its current abbreviated name – Bank BelVEB OJSC, as registered in its Statute by the National Bank of the Republic of Belarus, while retaining its full name – Belvneshekonombank Open Joint Stock Company.

Legal form of the Bank is open joint stock company. Equity participation of State Corporation ‘Bank for Development and Foreign Economic Affairs (Vnesheconombank)’ (hereinafter – “Vnesheconombank”), Moscow (hereinafter – “Vnesheconombank”) makes up 97.52%.

In 2016, Bank BelVEB OJSC (hereinafter – “the Bank”, or “Bank BelVEB”) operated under the following licenses:

- General License issued 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 Gems, issued for a five-year term by the Ministry of Finance of the Republic of Belarus subject to Decision No.132 dd. 23.06.2010 and later extended for a ten-year term by virtue of Decision No. 165 dated 04.05.2015.
- Special Permit (License) by the Ministry of Finance of the Republic of Belarus No. 02/200/5200-1246-918 to Perform Professional and Stock Exchange Operations with Securities, issued for the period of 5 years subject to Decision dd. 29.07.2002 and later extended for the period of 5 years subject to Decision No. 243 dated 13.07.2007 and for the period of 10 years subject to Decision No. 155 dated 24.05.2012.

Information on the Bank’s services and activities is available on our official web-site in section About Us/General Information and Contacts.

Bank BelVEB is one of the largest credit and financial institutions in Belarus to service the real sector of economy, execute cross-border transactions of business entities and act on behalf of the Government.

Presently, the Bank has 17 branches, including 5 regional branches in regional centers, 3 Minsk branches, 9 branches in large towns across the country, 15 cash and settlements offices, 22 credit offices, and 14 currency exchange offices.

The Bank is a member of the following international organizations:

- International payments systems MasterCard Worldwide and Visa International;
- Moscow International Currency Association;
- International instant money transfer company Western Union Financial Services Inc.


Belvneshestrakh (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 (equity participation – 52.095%) is an energy services company renting its heat and power-generating equipment and providing auxiliary services 1.

Sivelga CJSC (equity holding – 51%) is a joint venture company implementing construction investment projects.

1 The Bank’s stake in S24O International Energy Center was sold to a foreign investor and thus it was excluded from the Bank’s holding (decision of the Bank’s Supervisory Board dated 5 September 2016 (minutes No.29) and Agreement No. 32-03-05.1 (dated 11.01.2017))

1.2 Governing Bodies

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

- General Meeting of Shareholders – highest management body;
- Supervisory Board – collegiate management body, executing general guidance function; and
- Management Board – collegiate executive body.

In accordance with the Bank’s Articles of Association, the CEO of the Bank is Chairman of the Board. The monitoring body of the Bank is the Internal Auditing Commission.

As at 1 January 2017, shareholders of the Bank comprise around 400 corporate entities and more than 43 thousand individuals. Registered shareholder capital – BYN 117.4 million.
1.3 Organizational Structure

Collegiate bodies under the Management Board comprise Higher Credit Committee, Small Credit Committee, Assets and Liabilities Management Committee, Fees and Commissions Committee, Marketing Committee, Project Management and Strategic Innovation Committee. Established by the resolution of the Supervisory Board, functional also were Auditing Committee and Risk Management Committee.

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

Organizational Chart

1.4 Principal Economic and Monetary Trends in Belarus in 2016

The following general trends were characteristic of the economy and monetary and credits system of the Republic of Belarus in 2016.

Economy slowdown and sloping production in key sectors. In 2016, GDP fell by 2.6% as compared to 2015 against the scheduled official growth by 0.3%. Among the main drivers were shrinking capital investments (-17.9%), wholesale (-10.4%), retail sales (-4.1%) and production volume (0.4%). Production volume in agribusiness increased by 3.4%.

Production-versus-real-income balance. In 2016, the cutback in real wages (minus 4%) outpaced labor efficiency decline (minus 0.8%).

Declining inflation. As at year-end 2016, consumer prices grew by 10.6% year-on-year against the officially projected 12% growth. In 2015, consumer prices went up by 12%.

Foreign trade balance and low foreign currencies receipts. In 2016, trade balance fell by 9%, registering a USD 27.3 million deficit as calculated along the balance of payments methodology, against the last year’s USD 121.2 million surplus. Foreign currencies receipts from exports of goods and services fell by USD 3.4 billion (10.4%).

Net foreign currencies demand in the domestic market. In 2016, net currency sales from individuals and business amounted to USD 2.1 billion. In January-February foreign currencies demand reached USD 0.5 billion when from February to November net currency supply made up USD 2.6 billion.

The Bank’s Life

The Bank became a sponsor and a participant of the international conference Belarus – Trade Finance2016 which traditionally takes place in Minsk in March under the auspices of the European Bank for Reconstruction and Development and the International Chamber of Commerce.

The Bank became a coordinator of the Exports Promotion Project Agency set up by Decision of Belarus Prime-Minister No. 505p on 21 November 2016, with the aim of unification and streamlining of local financial and legal framework to meet challenges and promote foreign trade of the Republic of Belarus.

On 8 December 2016, the following documents were signed into life:

- Memorandum on Intentions by and between the Government of the Republic of Belarus, State Corporation ‘Bank for Development and Foreign Economic Affairs (Vnesheconombank)’; State Specialized Russian Export-Import Bank (Joint-Stock Company), OJSC Development Bank of the Republic of Belarus and Bank BelVEB OJSC to create a uniform platform for integration promotion processes;
Medicinskikh Preparatov, JSC and JVLLC PP Polesye.

projects of Pharmaceutical Factory Borisovskiy Zavod

ent of the Sectoral Electric Energy Development Pro-

Decision No. 194 dated 29 February 2012 as a compo-

niversary. The Bank has made a considerable input into

nancial markets.

In 2016, a USD 269 million worth of financing agree-

rival integration projects, including bilateral trade and

Russia's exports were financed to the equivalent of USD

the Bank's Europe' and Asia-

products. This applica-

online banking day system employed by the Bank

Equation banking day system employed by the Bank

The above documents imply further unification of

On 12 December 2016, the Bank marked its 25th an-

The Bank continued to cooperate with OJSC Devel-

The Bank continued to cooperate with OJSC Devel-

Corporate and Social Responsibility

state System of Open Key Administration and Electronic

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The Bank's newly installed ATMs have a new cash re-

The Bank has a made a considerable input into the de-

The Bank has a made a considerable input into the de-

The Bank has a made a considerable input into the de-

The above documents imply further unification of

At present, Belarus has a significant role in the de-

On 6 June 2016, the Bank together with OJSC Develop-

In 2016, the Bank proceeds to employ bank card

In 2016, the Bank proceeds to employ bank card

In 2016, the Bank proceeds to employ bank card

6.2 million with the minimum prescribed target of not

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1.6 Implementation of the Development Strategy in 2016

The following strategic goals of the Bank are outlined in the Bank’s 2016-2018 Strategic Development Plan approved by the Supervisory Board, Minutes No. 25 dated 20 October 2015 (hereinafter – the “2016-2018 Development Strategy”).

- to allocate loans to increasingly support Russia-Belarus integration and trade undertakings and investment projects of scale including targeted financing of Russia’s exports;
- to evolve into a highly technological bank by implementation of advanced customer-centric technologies and expansion of products and services sales through internet channels;
- to maintain its own capital on the level that ensures the integrity of the shareholders’ equity investments.

One of the key tasks of corporate management system is to design and approve the Bank’s development strategy on a regular basis, approve lending and investment policies and other guidelines as well as exact decision-making upon priority objectives for separate business departments and for the whole Bank.

Taking into account that the Strategy for the period until 2021 was approved by the Supervisory Board back down on 21.12.2016, the Bank plans to incur amendments and corrections into its 2016-2018 Development Strategy in 2017.

### 2016 Strategic Goals

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Planned for 01.01.2017</th>
<th>Actual as at 01.01.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate loan portfolio</td>
<td>2 894.6</td>
<td>2 439.9</td>
</tr>
<tr>
<td>Share of Russia-Belarus financing in corporate loan portfolio, %</td>
<td>40.0</td>
<td>49.9</td>
</tr>
<tr>
<td>Targeted Russian exports financing, %</td>
<td>9.0</td>
<td>12.6</td>
</tr>
<tr>
<td>Targeted Russian exports financing at concessional interest rates, the equivalent of Belarusian Ruble</td>
<td>107.8</td>
<td>191.8</td>
</tr>
<tr>
<td>Targeted Russian exports financing at concessional interest rates, US Dollar, million</td>
<td>55.0</td>
<td>96.2</td>
</tr>
<tr>
<td>Problem assets in total risk weighted assets, %</td>
<td>12.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Tier I capital</td>
<td>461.3</td>
<td>467.0</td>
</tr>
<tr>
<td>Net profit</td>
<td>57.2</td>
<td>64.3</td>
</tr>
<tr>
<td>ROE (calculated at balance sheet profit), %</td>
<td>15.1</td>
<td>19.0</td>
</tr>
<tr>
<td>Balance between the bank’s capital injections and Tier I capital, RUB, billion</td>
<td>1.2</td>
<td>1.8</td>
</tr>
<tr>
<td>CIR, %</td>
<td>48.9</td>
<td>35.7</td>
</tr>
<tr>
<td>Funds from corporate customers attracted via remote channels in total corporate funding, %</td>
<td>0.5</td>
<td>10.7</td>
</tr>
<tr>
<td>Funds from individuals attracted via remote channels in total funding from individuals, %</td>
<td>4.8</td>
<td>3.0</td>
</tr>
</tbody>
</table>

2 Excluding interest accrued and funds currently in transactions and settlements

3 The Bank’s own capital
Internal Control System

Internal controls across the Bank’s Holding headed by Bank BelVEB OJSC (hereinafter - “the Holding”) are exercised on a consolidated basis to ensure safe information flow and timely feedback to assess the efficiency of the Holding’s participants and their compliance with the local legislation and internal by-laws.

To further streamline the Holding’s internal control system the following measures were taken in 2016:
- Internal Control Policy was updated (Minutes No. 3 of the sitting of the Supervisory Board dated 24.01.2017);
- Internal Control Guidance was updated (Management Board resolution No. 643 dated 28.12.2016);
- Internal Checks Rules were developed and approved (Management Board Resolution No. 644 dated 28.12.2016).

The Holding has adopted a three-level internal control system comprising:
- Head Office level;
- level of the Holding’s participants monitoring by the Head Office;
- the Holding’s participant level.

Internal control system of the Holding is based upon conventional principles and coherent approaches including:
- responsive environment;
- formalized and documented procedures;
- responsive information environment and information flows management;
- monitoring procedures and independent assessment.

The Holding’s internal controls system was designed to fulfill the following major tasks:
- to ensure an efficient banking operation and execution of other activities;
- to facilitate the attainment of strategic goals and fulfillment of statutory obligations;
- to help the Bank to adjust to external factors influencing its activities;
- to ensure timely presentation of true and accurate reporting for internal and external use;
- to efficiently manage and use assets and resources;
- to maintain risks on the level that will ensure safe functioning of shareholders, counteragents, clients and members of the Holding;
- to ensure information safety and efficient information flow management;
- to harness risks of involvement of the Holding into fraudulent and unlawful activities, to facilitate anti-money laundering procedures and procedures to combat terrorist activities financing and WMD proliferation.

The Holding’s internal controls system functions with due account of the below-listed principles:
- comprehensive approach;
- embedding of controls on every level of management and in every business-process;
- integrity, consistency and continuity;
- documentation;
- expediency;
- independent evaluation and assessment;
- methodological unification;
- evasion of the conflict of interests;
- skilled and experienced monitoring personnel.

An efficient internal control system is characterized by the following criteria:
- internal controls shall be consistent with the organizational structure and legal form of a holding-entity to reach maximum efficiency;
- internal controls shall be based on the optimal interaction between all participating companies of a holding and independent operation of each member of such holding structure. It should be remembered that efficiency of separate members of the holding does not reflect the efficiency of functioning of the holding itself.
- a single decision-making body shall be in place to coordinate member-entities operation;
- individual approaches to monitoring procedures shall be developed depending on business lines and legislation requirements regulating individual members of the holding while retaining a unified internal control structure.

In implementation of its Fraud and Corruption Combat Policy the Bank is guided by the principles of:
- openness;
- transparency;
- lawfulness;
- zero-tolerance;
- personal example of the key staff;
- involvement of the personnel;
- responsibility and unavoidability of punishment;
- adequacy of anti-corruption measures;
- priority of preventative measures in the combat of internal and external fraud;
- efficiency of combat tools;
- comprehensive nature of combat measures;
- due caution;
- risk minimization;
- control and monitoring.

Below listed are the measures taken by the Bank to prevent and combat internal and external fraudulent practices:
- screening of the Bank’s internal by-laws and goods and services procurement agreements as to their compliance with anti-corruption legislation of the Republic of Belarus;
- close attention to assessment, analysis and choice of the Bank’s counteragents;
- preliminary check of information evidencing possible misconduct or fraudulent behavior on the part of the Bank’s officers;
- preliminary check of information with respect, to the Bank’s officer’s contacts with third parties who aim to incite to fraud and corruptive actions;
- administering of a list of fraud and corruption-prone business-lines and business processes;
- application of professional requirements prescribed by local legislation and internal by-laws to key management staff job applicants;
- imposition of limitations on certain Bank’s employees as to their participation in share capital or management bodies of other companies to the extent prescribed by local legislation;
- evasion of conflicts of interests;
- monitoring of entertainment and charity expenses, making and receiving of gifts in the execution of job functions.

In 2016, six employees underwent skills upgrading from among them three key staff members (which makes up 1% of the total staff number) and three officers (0.17% of the total staff number).

Fraud and Corruption Combat Measures
2. Investment into Sustainability

2.1 Interaction with General Public on the Issues of Sustainability
2.2 Responsible Business Practices
2.3 Investments
2.4 Support to Small and Medium Enterprises
2.5 Russia-Belarus Integration Projects
2.6 Patronage and Charity
Investing into Sustainability

2.1 Interaction with General Public on the Issues of Sustainability

2.1.1 Policy of Corporate and Social Responsibility


The Bank’s CSR Policy contains the below major lines of prospective development:
- to raise the Bank’s efficiency in environmental protection, ethical sphere, business and social activities;
- to raise confidence of interested parties in the Bank’s activities;
- to create favorable working conditions for the employees to fully realize their potential;
- to make its contribution to maintaining of a stably high occupancy, economic development and social stability of the country.

Principles of CSR Policy are fully integrated into the Bank’s day-to-day operation and find their reflection in responsible practices in human resources management;
- responsible behavior towards shareholders, customers and business partners;
- bona fide business practices;
- environmental protection measures;
- development of local communities and the society in whole;
- support of charity causes and corporate volunteering.

CSR Policy provides that the Bank will maintain its positive image by being active in promoting socially responsible practices. On this way the Bank will among other things continue:
- to support socially-oriented undertakings jointly with small and medium enterprises (hereinafter – “SMEs”) and its customers and partners under infrastructural and socially important and environmentally-friendly and educational projects;
- to support cultural projects undertaken in conjunction with major theatres, national festival organizers and music performers;
- to promote dissemination of knowledge about historic heritage including facsimile printing of Francisk Skaryna complete works and preservation of cultural and architectural values in cooperation with major museums;
- to support sport events thus promoting its brand name and broadcasting its activities and services.

In its effort to raise social responsibility the Bank year-by-year informs its interested parties of Sustainability Reports publication including Information on Bank, Ministry of Finance of the Republic of Belarus, Ministry of the Economy of the Republic of Belarus, Ministry of Natural Resources and Environment Protection of the Republic of Belarus, Energy Efficiency Department under State Committee on Standards of the Republic of Belarus, state governmental authorities, UNO/UNDP Representation to the Republic of Belarus, the National Bank, OJSC Bank for Development of the Republic of Belarus, OJSC Bank Processing Center, M.S. Kuniavsky Business-Union of Entrepreneurs and Employers and major customers. Electronic versions of all Sustainability Reports are available on the Bank’s web-site.

2.1.2 Interaction with Stakeholders

Realizing the core principle of corporate and social responsibility of openness and transparency the Bank informs a wide range of stakeholders of the main aspects of its operation and its future plans on a regular basis.

The Bank actively interacts with key stakeholders including state authorities, shareholders, customers, investors and its employees to coordinate its strategic decisions and implement the CSR Policy. In dealing with its customers the Bank is guided by the core principles of stable partnership, mutual benefit and customer-tailored approach thus seeking to strike the best balance between services quality business processes and maximum benefit to a particular customer.

The Bank’s customer base comprises large producers and businesses from different economy sectors from transport to energy production to agribusiness and construction.

As at 1 January 2017, the Bank’s clientele comprised 23,108 corporate customers of which 390 are large enterprises and 22,718 – SMEs. In 2016, 2,592 new customers came to bank with Bank BelVEB, including 910 bodies corporate and 1,682 self-employed entrepreneurs.

Customer base breakdown by business type shows that SMEs make up 99.2% of the total customers or 22,929 entities where self-employed entrepreneurs account for 54% (12,476 clients).

In 2016, the Bank remained active in the introduction of new products and services to corporate customers simultaneously keeping a close eye on their competitive pricing.

Tools used to improve customer relations comprise a tailor-made approach, prompt decision-making, added-value pricing, equal treatment of large businesses and lower-scale producers in conjunction with cutting-edge services.

The Bank’s 2016-2018 Development Strategy provides for the development and implementation of customer-centric digital banking and updating of loan application review process to adjust it to modern digital environment.

One of the strategic goals of the Bank is to transform itself into a high-tech institution which offers its services through remote channels and the Internet. To this end the Bank has developed the internal standards of banking services of its own to unify methods and approaches across all its structural units and ensure customer satisfaction, customer loyalty and consequently expand the Bank’s clientele and improve the Bank’s image and reputation.

The Bank’s inventory of corporate deposits was supplemented by several new products in local and foreign currencies with more convenient conditions of replenishment and withdrawal of funds including new capabilities such as application and access to deposits via electronic means without personal presence at the Bank’s counters.

With a view to attracting more new customers and ensuring stability of funding from corporate customers the Bank made it possible to open current (settlement) accounts in any currency free of charge on condition of simultaneous placing funds on a deposit in the same currency.

The above became possible within the project called Pega RULES Process Commander Deposit Account Automated Processing. Presently customers need only visit the Bank once to get access to the Internet-Bank remote servicing channel which brings different bonuses to its users including:
- separate fees and commissions scheme for account maintaining;
- revised monthly fees and activation fee scheme.

To increase the Bank’s product selling capacity and switch to active customer search Pega CPM BPM and Pega RULES Process Commander platforms were complemented by a CRM-system and a new application to manage the Bank’s products and services database.

SMEs have always been in the focus of the Bank’s customer policy as they wield high potential for further growth which brings about new possibilities to the Bank. In 2016, segments ‘Medium Enterprises’ and ‘Small Enterprises’ were separated from each other and standardized banking products were introduced to cater for individual needs of their respective business sectors.

Such separate approach shall entail accelerated development of the Bank’s SME lending segment with
In order to achieve the strategic goals the Bank constantly improves its customer services standards, employing various means to receive customers’ feedback and effectively manage customer relations.

2.1.3 Assessment of Customer and Partner Satisfaction

In order to achieve the strategic goals the Bank constantly improves its customer services standards, expands the inventory of customer reach channels, assesses customer needs and customer satisfaction deploying various means to receive customers’ feedback and effectively manage customer relations.

As laid down in the Business Repute Management Policy (adopted by Resolution of the Board No. 196 dated 18.04.2012) customer satisfaction is one of the key indices included in the computation reputational risk. The above-mentioned poll showed the low (acceptable) level of risk (raging between 81% to 100%).

During the poll several proposals and comments were received as to the provision of services which enabled the poll respondents to evaluate our customers’ attitude vis-à-vis Interbank Assessment of Customers.

To this end in 2016, the Bank adopted new by-laws – Guidelines for Corporate Customer Satisfaction Assessment and Guidelines for Individual Customer Satisfaction Assessment approved by the Management Board on 08.06.2016 under No. 289. These by-laws contain methodology of corporate customer satisfaction assessment and mode of coordination between different structural units of the Bank during the checks.

The above Guidelines became a helping manual already in 2016 during several assessments conducted among Corporate Customers.

In September-October corporate customer poll was conducted (451 corporate customers including 367 companies and 84 self-employed entrepreneurs). Average index of satisfaction across the Bank’s services and products showed 92.1% (+6.28% on the previous year). Targeted value to be attained is 95%.

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Customer in Disguise” Method

A series of one-off visits were conducted in May to December 2016 to assess skills of the Bank’s officers attending to cash-desk and walk-in customers as well as observance of the Bank’s corporate style.

Recommendations received during the checks were taken into account to make necessary corrections.

Weekly Poll of Individual Customers via Telephone

With the view to receiving information on customers’ satisfaction with service quality, revealing service strengths and weaknesses, clarifying customers’ opinion on possible solutions to the enhancement of service standards, the Bank conducts public opinion polls among the Bank’s private customers on a weekly basis.

Opinion polls are carried out by the Bank’s call centre officers via random phone calls to 50 private customers who have initiated transactions with the Bank’s structural units within 3 business days preceding the interview.

In 2016, over 2,219 of the Bank’s customers were interviewed. 98% of the respondents expressed their satisfaction with the servicing. Break-down of the reasons why customers choose the Bank for execution of transactions looks as follows:

- 37% – pricing and conditions of the Bank’s products;
- 32% – time-saving manner of servicing;
- 21% – politeness of the staff;
- 10% – office hours of the Bank’s branches.

Proposals of the customers mainly related to the absence of a ‘one-window’ approach, alerting customers on their deposits termination dates and such matters as instance readiness of a newly issued bank card and online application for a loan. The above proposals were put into life during 2016.

Analysis of Complaints, Suggestions and Requests

The Bank regularly analyses suggestions and complaints from individuals and corporate customers.

In the year 2016, 527 (versus 467 in 2015) requests were submitted by individuals and organizations including:

- 113 written requests (except for requests entered into the customer comment book) comprising 2 recommendations, 17 complaints, 91 applications and 3 suggestions;
- 349 entries in the customer comment book comprising 117 commendations, 183 complaints, 4 applications and 45 suggestions; and
One of the main tasks of the Bank is to pursue a balanced and prudent information policy. Information for Stakeholders

2.1.4

Information for Stakeholders

One of the main tasks of the Bank is to pursue a balanced and prudent information policy. The Bank makes use of all available communication channels to convey particular information intended for different user groups. The key communication channels are the Bank’s website (www.belbank.by) and Republican as well as regional mass media.

Information reaches the target audience via the following media vehicles:
- press releases;
- interviews with the Bank’s management;
- press conferences, briefings etc.;
- expert opinions and reports on the relevant economic issues in mass media; and
- organization of joint projects with periodicals and Internet portals.

The Bank’s website is one of the most important communication channels and a proactive publicity instrument of the Bank. Besides general information on the Bank’s activities and services rendered to its retail and corporate customers, the website provides possibility to communicate with the advisors through the Online Assistant function in online mode, and to use loan and deposit calculators and the new ‘Ordered Call’ service.

In 2016, the Bank’s site registered 1.63 million visits (8.4% on the previous year). The most popular sections included Offices and Information to Individuals.

To preserve accuracy and correctness of the information on the Bank’s official website, the Bank adopted a list of structural units responsible for the update of information content in relevant sections of the website and procedures for their interaction (Resolution No. 967 on Administering the Official Website of Bank BelVEB OJSC on the Internet dd. 3 September 2016, as amended and revised by CEO’s Resolution No. 112 dd. 6 February 2015 and No. 491 dd. 28 May 2015).

The Bank replied to all complaints in writing and in the prescribed manner established by the following internal by-laws:
- Rule on Processing of Customers’ and Employees’ Requests to Card Holders Support Unit of the Contact Centre of Bank BelVEB OJSC adopted by Resolution No. 105 of the Bank’s Management Board dated 18 March 2015 as amended by Resolution No. 134 dated 23.03.2016;
- Regulations on Customers’ Complaints Processing at the Information and Reference Centre of the Contact Centre of Bank BelVEB OJSC adopted by Resolution No. 334 dd. 27 August 2014 as amended by Resolution No.370 dated 27.07.2016;
- Rule on Rendering of Services by the Contact Centre of Bank BelVEB OJSC adopted by the Bank’s CEO Resolution No. 952 dated 12 October 2015; and

2.1.5

Cooperation with Financial Institutions

In 2016, in its cooperation with financial institutions the Bank was mindful of further strengthening its positions in the local and overseas financial marketplaces. Increased quality of services to financial institutions was attained by higher standards of cross-border transactions executed by order of the Bank’s customers through the optimum and ever evolving correspondent network.

The Bank’s correspondent network comprised a large number of local and foreign banks across 75 countries around the world. Correspondent relations were maintained with regard to customers’ funds flow, interests of their counterparts as well as the Bank’s own operations.

In 2016, the Bank was implementing an automated system of a straight-through processing of payment orders.
2.2 Responsible Business Practices

2.2.1 Principles of Corporate Ethics

The Bank builds its relationships with customers, partners, employees and other stakeholders in strict conformity with international norms, Belarusian legislation, internal by-laws, best business standards and professional ethics principles.

Issues of corporate ethics are governed by:
- Corporate Code of Conduct of Bank BelVEB OJSC adopted by Resolution of the Supervisory Board No. 23 dated 29 November 2013, as amended and revised by Resolution of the Supervisory Board No. 26 dated 13 November 2015;
- Regulations on Retail Service Quality Management in Bank BelVEB OJSC adopted by Resolution of the Management Board No. 106 dated 18 March 2015;

The above by-laws aim to:
- introduce into the Bank’s daily operation norms and traditions of corporate-conscious behavior, corporate values which comply with best world practices based on unconditional law obedience and putting these ethical norms of business conduct into life;
- maintain and strengthen the Bank’s reputation;
- lay a stable groundwork for relations with customers, business partners, governing authorities and staff members;
- deploy ethical norms to safeguard interests of customers, business partners, shareholders and staff members;
- ensure the awareness of the Bank’s officers of their personal responsibility before shareholders, higher management and customers for the discharge of their job duties and the role in the implementation of targets and objectives of the Bank.

2.2.2 Participation in Formulation of the State Policy

In its operation the Bank is guided by the legislation of the Republic of Belarus which sets forth mainstream directions of the development of monetary and lending policy within the state.

The Bank’s representatives participate in several committees – collegiate bodies of the Belarusian Banks Association – take part designing of state banking development programs, participate in drafting of normative legal acts which regulate banking transactions, put forward proposals on the implementation of monetary and lending policy, participate in the functioning of financial and credit markets and streamlining of tax legislation.

2.2.3 Combating of Money Laundering and Terrorism Financing

The Bank’s Internal Control System (hereinafter – the “ICS”) ensures minimal risk to the Bank to be involved in laundering of proceeds of crime, terrorism financing and proliferation of weapons of mass destruction as well as compliance with the national legislation in the field of anti-money laundering, combating of terrorism financing, and combating of proliferation of mass destruction weapons (hereinafter – “AML”, “CFT”, and “WMDPC” respectively). The Bank’s ICS is also consistent with controls principles applicable across Vnesheconombank Group and international standards.

Pursuant to Belarusian AML/CFT/WMDPC legislation the Bank has adopted a risk-based approach in managing of risks.

AML/CFT/WMDPC procedures include detection, assessment and minimization of the following risks:
- risk that a customer performs transactions with the aim of laundering of proceeds of crime, terrorism financing and weapons of mass destruction proliferation;
- risk that a customer performs transactions with the aim of laundering of proceeds of crime, terrorism financing and weapons of mass destruction proliferation.

In rendering services to clients the Bank applies its AML/CFT/WMDPC procedures at every level and stage of a financial transaction.

In 2016, the Bank consistently applied its inventory of AML/CFT/WMDPC tools.

Training of the Bank’s personnel is the key principle of the efficient ICS operation in terms of AML/CFT/WMDPC. Pursuant to the Bank Staff Training and Instruction Program, approved by the Bank’s Chief Compliance Officer, training and instruction shall be conducted in the form of orientation (introductory) instruction, off-schedule (special-purpose) training and scheduled instruction sessions.

Authority, trustworthiness, competency upgrading training. Competency checks are conducted in the form of an interview or a written test.

To comply with FATF recommendations and following the best international practices yet back in 2016 Belarus adopted its first AML Law as amended and supplemented on 19.09.2016.

Amendments to the Law related to procedures of blocking or freezing of funds in cases when one of the counterparties to a transaction, being it an individual or a company or its beneficial owner, is on the Terrorist List. The above amendments entailed a series of consecutive alterations in other related by-laws and were meant to enhance AML/CFT/WMDPC measures system wide. The Bank also updated its legal framework respectively.

In 2016 the Bank continued the ongoing preparations to prepare 2015 FATF compliant reporting for the US Treasury which was submitted to the Tax Ministry of Belarus in August 2016 for further submission to the US tax authorities together with such reports from other Belarusian banks.
Financial Literacy
To raise financial literacy among population the Bank’s officers visited over 70 companies and organizations to dwell upon new Bank’s products and services, non-cash transactions, use of self-service equipment and remote service products:
- Korona Trade Center. Topics of the meeting re-denomination of the local currency, deposits and retail services;
- Pinky Executive Committee. Pinky Heat Network, Brestenergo RUP. Pinky Water Channel. Topics of the meeting: payroll products of Bank BelVEB, re-denomination of the local currency;
- 17 Brest companies and organizations. Topic of the meeting - raising of financial literacy;
- Unibob Seminar ‘Promotion of Entrepreneurial Initiative’;
- Baranovichi Security Department under the Ministry of Internal Affairs and Baranovichi Depo. Topic of the meeting - financial services and Internet-Bank system;
- during the meeting with retired workers of Pink and Mazyr branches on the occasion of the Pensioners’ Day the retirees were given useful tips as to usage of new remote access services and usage of ATMs, ERP and Raschet Systems and self-service payment terminals;
- The Bank’s Internet portal was supplemented with Financial Literacy section containing:
  - tips on how to choose a loan facility;
  - a list of places where credit reports are available from the National Bank;
  - information of re-denomination of the local currency;
  - tips as to usage of bank cards abroad;
  - Inter-Bank system and its capabilities;
  - tips as to how to repay loan correctly;
  - CVV/CVV2 codes;
  - tips as to how to safeguard your financial future and how to plan your family budget.

2.2.5 Financial Products and Services

Retail Business
In 2016, the local retail market encountered serious challenges which radically altered its landscape. Major changes were entailed by the re-denomination of the local currency, imposing of income tax on deposit interest for individuals and introduction of an interbank identification system.

But notwithstanding the afore-mentioned alterations the major goals of the Bank remained to expand its presence in the retail segment and stay profitable. Thus the Bank had to strike a good balance between traditional lines of retail business and the necessity to develop new products adjusting itself to emerging difficulties (expanding its product line, developing Internet-Bank and attracting funds into deposits while being hard put in terms of interest margin, restricted by the National Bank).

Retail loan portfolio has grown by another 0.04% to reach 1.14% of the total country’s retail loan portfolio.

The Bank’s 7th place in retail deposits market evidences the success of the Bank’s policies.

The Bank managed to improve its standing by:
- prudently managing its customer services quality;
- streamlining of business processes;
- increasing motivation of retail office staff;
- introduction of new products and adjusting currently employed to the changing environment;
- developing its card business.

Serving Quality Management
To attain maximum sales of retail products it is very important to retain loyalty of the existing customers and attract more new ones in parallel.

Maximum customer satisfaction may be reached when you know your customer’s preferences which change over the time. To this end the Bank put in place a system of receiving and analyzing of customer feedback with regard to the most important factors prompting their choice of the bank. The analysis revealed that the main two factors are terms and conditions of products and instruments and speed of servicing.

Therefore the Bank decided that the priority should be given to systematic education of front-office employees which will let them execute their duties more promptly and to upgrade their selling and presentation skills.

18 new educational courses have been developed to upgrade skills and assess the results of front-office managers and also several practical training sessions were conducted to fine-tune selling skills.

Streamlining of Business Processes
Customer servicing became increasingly value added and customer-friendly when the Bank adopted an end-to-end servicing model which allows customers to operate their accounts and transactions around the clock basis independently of the branch where they opened and hold them.
Functionality of the Bank’s BPM system was boosted by new applications ‘Customer Transactions’, ‘Loan Calculator’. ‘Money Bank’ Card. Deposits opened in the name of third parties became easy to manage and loans servicing was optimized. Customer segmentation was improved and became functional from 2017 to better customers servicing and increase customer loyalty.

Product Line
Attraction of funds from individual customer was severely affected by introduction of an income tax on interest income and tightening of rules, regulating interest margin on every type of time and call deposit instruments. The above measures sharpened competition in the deposit market. It prompted the Bank to develop the following new deposit products:

- irrevocable deposit ‘Yubileiny’;
- irrevocable deposit ‘Yubileiny On-Line’;
- irrevocable deposit ‘Universal Irrevocable’ with fixed interest rate;
- call deposit in Russian Rubles;
- time irrevocable deposit ‘Vydatny’.

Introduction of new products let the Bank to increase its deposit portfolio. New products ‘Yubileiny’ and ‘Yubileiny On-Line’ were made attractive versus rival deposits of other banks for by far an option to get a Visa Gold or a Visa Platinum card free of charge.

Remote services received a further impetus and allow customers to:

- open ‘Yubileiny On-Line’ deposit via the Internet;
- effect card-to-card money transfers via the Internet;
- get an online access to accounts and see their status;
- open ‘Vydatny-VEB’ deposit on-line;
- effect money transfers and account opening via the Internet.

As a result the Bank increased its funding from individuals by 37.9% and market share by 1.4% to 4.89% of the country’s deposits total.

The Bank was instrumental in adjusting its pricing to the market and implementation of a differentiated approach in lending funds to individuals subject to the classification category of the loan applicant.

Thus ‘25Platinum’ bank card loan allows customers to get a free Visa Platinum card with a 10 day grace period.

‘Legazd’ loan facility is granted to customers without any scrutiny and earmarked to satisfy the needs of trade and services businesses.

On-line application for a loan under ‘Click Money’ loan makes it possible to issue the Bank’s officers from paperwork and a decision-making process. Customers were enabled to receive the loan in a 24/7 mode autonomously via internet. Another on-line loan ‘Spryan’ was presented during MoneyFest exhibition of financial products and services. Early by being issued, received and converted at concessional rates. It let the Bank to increase the number of concluded agreements by 10.3 %. Cross-selling of ‘Spryan’ bank card which went along with the above loan stepped up to 58%.

All above products increased the Banks loans to individual by 9% and placed it 11th in the country.

Bank Cards Business
Bank BelVEB pioneered in implementation of the national cards-based payments and still holds the leading position in the bank card business among local banks. The Bank championed the card market in opening the first processing center, emitting the first bank card of MasterCard brand, emitting the first payroll and credit cards, instating the first ATM and the first POS, executing the first non-cash payments via ATMs and information kiosks.

The Bank’s success is largely underpinned by the policy of the Bank which is centered not so much on quantitative indices. Quality, wide inventory of services and possibilities offered to customers in large banks to individuals are always a cornerstone of the Bank’s attitude. Another drivers behind the Bank’s progress are loyalty of its partners and observance of mutual interests.

Currently the Bank is a principal member of Visa Internationale, MasterCard WorldWide and BELCARD brands. The Bank is licensed to emit, acquire and sponsor bank cards services of the above brands to its partner banks. In 2016, the Bank proceeded to employ bank card products with added safety and user-friendliness. The Bank’s Internet banking service considerably expanded its inventory and enriched the safety of bank cards transactions. Currently it allows users to choose and set up transaction limits, block and restore operation of their bank cards, request account statements and change PIN codes in ATMs, receive SMS-alerts about readiness of a new card and the date of its expiration.

Remote services to individuals also received a significant impetus upon the introduction of BelWeb Mobile application operative under Android, IOS and Windows Phone platforms.

Internet-Bank system communication became safer after introduction of a codification template provided by State System of Open Key Administration and Electronic Signature Verification (GoSUOK).

The Bank’s newly installed ATMs have a new cash recycling function which allows both in and out cash transactions to cyclically use the cash intake for further withdrawals. Such ATMs allow to widen the inventory of services and to lower maintaining costs.

The Bank’s terminals have been updated to process contactless Visa PayWave cards and preparations for 2017 were finalized to start the issue of such PayWave-technology cards. Another project with BELKART system has been accomplished to put in place an interaction protocol for BELKART micro-chip cards.

Yet another time the Bank championed the local bank cards market by introducing the first country’s touch-screen ATMs, equipped with an anti-skimming panel and a cutting-edge device for the intake and reading of cards.

Bank cards in circulation increased by 3% to 277 thousand. Number of Internet-Bank system users increased by 16% to 20% of the total number of the Bank’s card users. Number of SMS-alert users grew by 33% to cover 26% of the total card users. All newly issued cards are connected to this service automatically and free of charge for the period of 4 months.

A total of 4,946 of POS terminals are functional in shopping malls and public service areas. It is by 17 % more than in the previous year. Growth dynamics slowed down for the reason that many small enterprises and entrepreneurs quit from business in the wake of the economy meltdown.

The Bank’s operation is underpinned by automated systems and processes operating and containing strictly confidential data.

Non-authorized access to such data may result in severe reputational and material losses to the Bank itself and its customers. This dictates the necessity to take technological and organizational measures to ensure informational safety.

According to statistics of relevant monitoring bodies, the number of registered incidents related to information security yearly increases by 20-30% around the globe. Incidents in Belarus serve as a comparison of the same.


In most cases information safety is disturbed by the employees themselves at the time of exchange of information and data. Violations occur unwilfully and their danger level is estimated as average.

Another threat comes from new remote service channels and mobile technologies and risks of conflicts of law of the regulator.

Main risks are the risks connected with cyber crime that comprises usage of bank card personal details.

The Bank’s IT security system takes into account the following risks:

- employment of staff not loyal to the Bank which has access to sensitive information;
- excessive authorization level of certain employees;
- not willing violations by personnel;
- willfull violations by personnel;
- defaults of systems;
- software and hardware errors;
- hidden additional undeclared properties of the hardware;
- operational errors;
- late software upgrades.

The Bank's operation is underpinned by automated systems and processes operating and containing strictly confidential data. Non-authorized access to such data may result in severe reputational and material losses to the Bank itself and its customers. This dictates the necessity to take technological and organizational measures to ensure informational safety. According to statistics of relevant monitoring bodies, the number of registered incidents related to information security yearly increases by 20-30% around the globe. Incidents in Belarus serve as a comparison of the same. Information Security Policy of Bank BelVEB Glico adopted by Resolution of the Management Board No. 482 dated 23 September 2015 as amended by Resolution of the Board No. 627 dated 21.12.2016, defines aims, objectives, subjects, major processes of information security, as well as distribution of duties among the Bank’s structural units and appropriate staff members. In most cases information safety is disturbed by the employees themselves at the time of exchange of information and data. Violations occur unwilfully and their danger level is estimated as average. Another threat comes from new remote service channels and mobile technologies and risks of conflicts of law of the regulator. Main risks are the risks connected with cyber crime that comprises usage of bank card personal details. The Bank’s IT security system takes into account the following risks: employment of staff not loyal to the Bank which has access to sensitive information; excessive authorization level of certain employees; not willing violations by personnel; willfull violations by personnel; defaults of systems; software and hardware errors; hidden additional undeclared properties of the hardware; operational errors; late software upgrades. Measures to minimize the risks comprise: registration and control of actions of authorized personnel; control over input and output ports; deployment of firewalls and antivirus software; usage of crypto-programs; installation of IT and payments security equipment; management of vulnerabilities of components; analysis of incidents; IT risks management; education and instruction of the Bank’s staff in IT risks. The Bank continued to streamline its list of sensitive data. Appropriate changes were made to the Banks Guidelines on Sensitization Information. The Bank continued to employ an automated authorization center system to grant access to its systems. Infokhinkt and ArcSight ESM monitoring complex helps the Bank to safeguard its systems. 134 of new employees and 58 of currently employed officers underwent training and education. 219 cases of IT security violations were detected and appropriate measures were taken. Preventive measures that were taken during the year show that the number of violations steadily declines. Security Department was active in taking part in drafting and signing of confidentiality agreements. Regular checks were conducted as to flagging and safeguards of official use only documents and information. No violations were revealed and purely technical defaults were eliminated in due time. Information security audits were also conducted as prescribed by the regulator with due account of sufficiency and adequacy thereof. 2016 audit check by Ernst &Young proved that information security level in the Bank correlates with its operational profile and the deployed safeguards means and processes were on a comparable level with peer leading banks in Belarus.
2.3 Investments

2.3.1 Methodology and Guidelines

In assessing prospective corporate investment projects, Bank BelVEB takes into account their consistency with its strategic goals as well as lending priorities, efficiency, return on investments, borrowers’ own funds etc. While implementing investment projects in 2016, the Bank was guided by the Lending Policy of Bank BelVEB OJSC approved by the Management Board of Belvnesheconombank OJSC in the wording of Resolution No. 20 dd. 25 January 2012, as amended and revised by Resolution No. 36 dd. 16 February 2016 (hereinafter – the “Lending Policy”).

This document outlines major priority support sectors including chemical industry, pharmaceutical industry, fuel industry, crude oil processing, food industry, trade, electric power generation, gas and water distribution, conditioned air supply.

Bank BelVEB’s Lending Policy is mainly focused on increasing the portion of financing within the scope of Russia-Belarus trade, economic and integration relations as well as investment projects, inclusive of target financing of Russian exports, in the Bank’s corporate lending portfolio.

Jointly with Vnesheconombank Group, the Russian Export Centre and EXIM, Bank BelVEB is instrumental in developing tools of financing with respect to corporate projects which imply acquisition of Russian goods.

On top of that, fully engaging the mechanism of state support, the Bank facilitates Belarusan exports. With a view to stimulating growth of RUB settlements in bilateral trade between Belarus and Russia, we increased the share of corporate financing in the national currency of the Russian Federation.

In an effort to diversify its lending portfolio, the Bank will continue to scale up the volume of lending operations with efficient small- and medium-sized enterprises by providing to them loans aimed at instigating their production capacities, business initiatives and creation of new working places.

When choosing investment projects, Bank BelVEB is guided by the criteria as follows:

- economic efficiency and cost recovery;
- sources of working capital growth;
- provision with raw materials;
- sales opportunities;
- the portion of the borrower’s own funds and/or the investor’s share in the project, comprising at least 30% of the overall project value, unless otherwise provided by local by-laws setting forth assets-related operations procedures.

In addition, the Bank’s investment business is underpinned by the following local by-laws:

- Instruction on Corporate Lending within Bank BelVEB OJSC (adopted by Resolution No. 164 of the Management Board dated 27.04.2011 as amended on 13.03.2013 under No.90, on 07.08.2013 under No. 387, on 07.05.2014 under No. 176, on 24.09.2014 under No. 387, on 30.01.2015 under No. 33, on 24.04.2015 under No.164; on 06.04.2016 under No. 190, on 29.06.2016 under No. 341, and on 14.09.2016 under No. 468);
- Micro-Lending Regulations (adopted by Resolution No. 123 dated 30.03.2011 as amended on 24.09.2014 under No. 387, on 23.09.2015 under No.430, on 06.04.2016 under No. 190, on 29.06.2016 under No. 341, on 14.09.2016 under No. 468);
- Instruction on Lending for the Purpose of Leasing Operation (adopted by Resolution No. 453 dated 30.11.2011 as amended on 27.03.2013 under No. 115, on 09.10.2013 under No. 492, on 01.10.2014 under No. 402, on 17.12.2014 under No. 530, on 24.04.2015 under No. 165, on 06.04.2016 under No. 190);
- Instruction on Nuclear Power Station Construction Lending (adopted by Resolution No. 469 dated 19.09.2012 as amended on 13.03.2013 under No. 92, on 09.10.2013 under No. 492, on 30.01.2015 under No. 33, and on 06.04.2016 under No. 190);

2.3.2 Business Relations with Investment Project Participants

The general procedures applicable to Bank BelVEB’s corporate lending are governed by the Bank’s local by-laws.

In providing corporate loans, the Bank strictly adheres to customer-tailored approach and applies comprehensive assessment of financial standing with due account of business features.

Examination of lending issues with regard to investment projects requires a business plan developed in line with the national law and the Bank’s local by-laws, which shall be provided in the cases as follows:

- the project is implemented under a state program approved by the President or the Council of Ministers;
- the project is realized as part of a regional or sectoral program;
- the loan is granted for the purpose of construction, inclusive of expansion of production capacities, retrofitting and upgrading, reconstruction, and complete overhaul;
- the loan is provided for purchase of shares issued by other bodies corporate, and its equivalent value oversteps USD 500 thousand, and
- loans are granted by utilizing foreign credit lines.

Business plans of investment projects with an equivalent value exceeding USD 500 thousand are examined by Department of Integration Projects Development. Evaluation of investment project efficiency is based on key indicators such as net discounted income, internal rate of return, simple, dynamic and currency-denominated cost recovery periods, profitability index, debt service coverage ratio, break-even point and other financial criteria including return on investment capital, output profitability, return on sales, leverage etc.

Over the course of loan period, the Bank thoroughly monitors all stages of construction, consistency with delivery time schedule, compliance with in-service schedule, costing procedures, attraction of co-investors, accordance with investment legislation, discharge of contractual commitments, conformity with the business plan, execution of documents of title to the objects under construction.

With the aim of revealing problems, predicting investment risks and timely attaining goals as set forth by investment projects, the Bank adopted the Procedures for Investment Projects Monitoring within Bank BelVEB OJSC (Resolution No. 35 of the Management Board dated 30.01.2015), which outlines the algorithm of work and stipulates the duties of the Bank’s relevant units during monitoring and support of investment projects as well as paperwork related thereto.

2.3.3 Assessment of Environmental Impact

Energy Efficiency and Natural Resources Use

In line with the Bank’s by-laws the business plan shall contain the project’s ecological assessment including evaluation of environmental impact, waste products data, information with respect to waste disposal sites and recycling and other ecological aspects.

The Bank’s relevant structural units carry out an expert examination of business plans with due regard to ecological evaluation.

Bank BelVEB’s Lending Policy also stipulates admissibility criteria and restrictions with reference to a number of transactions. The Bank is not allowed to be implicated in any transactions in violation of the legislation in force and effect, transactions posing potential risks for the Bank’s reputation, transactions with counterparties suspected of money laundering, terrorism financing and WMD proliferation, as well as projects carrying environmental risks, presenting threat to health and safety of citizens, involving forced or child labor, and/or connected with weapons, tobacco and alcohol production etc.

Socio-economic effects of the projects are assessed
Focus on Energy Efficiency and Natural Resources Use

The EBRD’s BelSEFF, which is currently implemented in close cooperation with Belarusian banks, is aimed at fostering energy efficient and renewable energy projects within Belarus and is instrumental in enhancing institutional foundations in energy efficiency and renewable energy sectors.

The primary focus of lending under BelSEFF is on:
- replacement of equipment and energy supply systems;
- upgrading of commercial real estate; and
- renewable energy sources.

For the purposes of discharge of the aforementioned obligations, the Bank:
- observes the relevant procedures for ecological and social risk assessment of loan applications (hereinafter – the “Procedures”) in the event of lending out of the EBRD’s funds and in accordance with the 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 staff of structural divisions in charge of lending operations as well as officers of the Bank’s Risk Management and Internal Audit Departments in respect of the Environmental and Social Policy and EBRD’s PR2 and PR9; and
- furnishes to the EBRD and its shareholders a compliance report on the Environmental and Social Policy.

The Environmental and Social Policy is followed by all the Bank’s structural divisions providing lending support under the Loan Agreement concluded with the EBRD.

Lending out of the EBRD’s funds shall be compliant with the MSMS Lending Procedures adopted by Resolution No. 305 of the Management Board of Belneftekhimombank OJSC.

The EBRD’s BelSEFF, which is currently implemented in close cooperation with corporate customers, the Bank developed and approved Regulations No. 163 dated 27.04.2011 as amended on 24.09.2014 under No. 387, on 30.01.2015 under No. 33, on 25.02.2015 under No. 82, on 03.06.2015 under No. 250, on 06.04.2016 under No.190, on 29.06.2016 under No. 341.

In 2016, Bank BelVEB and the European Bank for Reconstruction and Development continued to cooperate under the Belarus Sustainable Energy Finance Facility (hereinafter – the “BelSEFF”) aimed at providing support to energy saving or energy efficient private companies.

To this end the Bank undertook a number of steps to assess and choose appropriate projects.

A team of the BelSEFF’s experts offer assistance to the Belarusian companies participating in the project, which includes consulting and on-site checks. In certain cases the consultants conduct gratis energy audit and feasibility study.

Cooperation with the EBRD opens up unique opportunities for small- and medium-sized enterprises and allows the Bank to implement and apply relevant environmental and social practices with respect to lending operations.

Pursuant to the terms and conditions of cooperation with the EBRD, the Bank adopted Environmental and Social Policy of Bank BelVEB OJSC approved by Resolution No. 305 of the Management Board of Belneftekhimombank OJSC.

The following requirements apply to the projects financed under BelSEFF:
- minimum 20% of energy saving per unit of production compared to the previous level;
- maximum two-fold increase in power efficiency;
- positive net present value calculated for a 10-year period at 8% discount rate applicable to real cash flows denominated in hard currencies; and
- acquisition of previously used equipment is unacceptable unless otherwise agreed with the EBRD.

As at 1 January 2017, an equivalent of EUR 4.3 million was provided in support of 14 projects under BelSEFF for the entire period.

In 2016, the Bank on-lent an equivalent of EUR 2.5 million under BelSEFF for the purposes of the projects as follows:

**Extension of wood pellets production at Borisovski DOK OJSC**

**Sub-Borrower:** Borisovski DOK Open Joint Stock Company

**Project Costs:** EUR 1,948 thousand.

**Loan Size:** EUR 330 thousand covering 13.4% of the overall project value.

**Project Purpose:** extension of wood pellets production.

**Short Description of the Project:** the investment project implies an increase in wood pellets production. The enterprise has been manufacturing wood pellets since 2004, gradually stepping up production to 960 tons per month. In-house recycled waste is used as raw materials for wood pellets. Owing to high liquidity of wood pellets and for the purpose of full loading of production capacities, it is reasonable to use purchased raw materials in addition to recycled waste.

**Effects of the Project:** in contrast to traditional kinds of fuels, wood pellets have a number of advantages. Calorific capacity of pellets makes up 4.3–4.5 kW/kg, which is 1.5 times more than coal and is comparable with coal. 2000 kg of pellets produce the same quantity of heating energy as 3,200 kg of wood, 957 cubic meters of gas, 1,000 liters of diesel fuel, or 1,370 liters of fuel oil. Combustion of pellets in furnaces is more energy efficient, as the value of residue (ash) is not more than 0.5–1% of the total volume of used pellets. Wood pellets do not contain hidden pores liable to spontaneous combustion. On top of that, combustion features of furnaces enable to automate heating energy generation. Additional capacities will give rise to an increase in output and offer high-quality ENplus-compliant products.

**Project Costs:** USD 3,499,255.

**Loan Size:** USD 2,099,347 covering 60% of the overall project value.

**Project Purpose:** upgrading of printing equipment of Uniflex CJSC.

**Short Description of the Project:** this is the second stage of retrofitting of printing equipment of Uniflex CJSC, which was started at the end of 2013 and was aimed at implementing latter-day flexographic technologies and thereby increasing production capacities over the period from January 2015 until March 2016, it was planned:
- 1) to put into operation:
  - 10 sections of COMEXI F2 printing equipment;
  - COMEXI F2 printing machine tooling package;
  - Kampf Stand 14/06 roll cutting machine (in service since February 2015); and
  - support equipment;
- 2) to take out of service obsolete equipment produced over the period from 1997 until 2003.

Pursuant to the business plan, the project is financed out of the funds of Bank BelVEB under BelSEFF, Priorbank OJSC, and the company’s own funds for USD 1,106,973. The portion of Uniflex CJSC calculated with account for VAT makes up 37%.

**Effects of the Project:** outdated printing machines equipped with electrically heated drives have a high level of energy consumption, and the drying technology is thus inefficient compared to breakthrough printing solutions. New flexographic technologies based on gas driers facilitate high-speed printing, while decreasing production costs. Energy consumption per unit of production goes down at least by 20%, thereby reducing CO2 emission.

Owing to the replacement of equipment, the production capacities of the company will rise to 800–900 tons per month compared to the current 700–800 tons per month, leading to an increase in sales revenue. Detailed information is not available.
2.3.5 Regional Investment Project

The Bank’s regional branches have a strong commitment to finance investment projects positively affecting socio-economic situation, energy efficiency, environment and sustainable development of regions.

In 2016, Bank BelVEB’s Brest Regional Branch provided funds to reconstruct the gas filling station located at 57, Grodnenskaya Str., Brest, and to equip it with self-service car wash facilities.

Sub-Borrower: GallonAutoGaz Additional Liability Company.

Project Costs: BYN 861,086.

Loan Size: USD 260,000, or BYN 508,508, covering 59% of the overall project value.

Project Purpose: on-site gas filling station and self-service car wash facilities.

Short Description of the Project: with a view to attracting new customers to Gas Filling Station No. 4, GallonAutoGaz took a decision to retrofit its 0.3809 hectare of land at 57, Grodnenskaya Str. and bring it up-to-date by means of self-service car wash facilities and present-day equipment, thereby extending the spectrum of services and enhancing its servicing standards.

The project includes reconstruction of the gas filling station and installation of self-service car wash facilities for in-parallel servicing of five vehicles with the maximum gross weight of 3.5 tons per car, and a vacuum cleaning station.

Besides expenditures on construction and installation, the investment project value is comprised of an on-site gas filling station financed out of the company’s own funds, self-service car wash facilities with GallonAutoGaz’s 50% portion of financing, a process control room, a fence roof, project design, and paperwork.

Effects of the Project: for the purpose of borrowing, GallonAutoGaz provided the project’s environmental passport issued by Brestproyekt OJSC and a state expert conclusion of Gostroyexpertiza of Brest Region dd. 30.09.2016. As a result, the project is expected to generate BYN 189,188 of profit tax withholding until 2021 and will create 4 working positions.

2.4 Support to Small and Medium Enterprises

2.4.1 Results of Support to Small and Medium Enterprises

Mindful of diversifying its lending portfolio, Bank BelVEB OJSC places a high value on extension of operations with small and medium-sized enterprises (hereinafter – “SME”).

In 2016, its SME loan book scaled up by BYN 67.2 million, or 10.1% year-on-year, to make up an equivalent of BYN 732.8 million as at 1 January 2017. The SME share in Bank BelVEB’s corporate lending portfolio went down by 0.46 percentage point and accounted for 30.04% compared with 30% of the minimum target value.

Continuing to be cooperative in SME lending, Bank BelVEB OJSC and the Development Bank of the Republic of Belarus entered into four new agreements for BYN 6 million in support of small and medium businesses, start-up companies, region development, female entrepreneurs, furniture producers, door manufacturers and construction enterprises. As a result, 21 loans for the total value of BYN 1.1 million were granted to SME. On top of that, in the 1st quarter of 2016 small and medium-sized enterprises received BYN 0.05 million as part of the agreement between Bank BelVEB OJSC and the Development Bank of the Republic of Belarus dd. 26 February 2015. As at 1 January 2015, the total value of loans provided under the above agreements made up BYN 5.1 million.

Under the loan agreement concluded with the European Bank for Reconstruction and Development, in 2016 Bank BelVEB OJSC granted 87 loans out of the EBRD’s funds, which equaled USD 14.4 million as at 1 January 2017.

2.4.2 Investment Projects in SME Sector

In 2016, Bank BelVEB’s Baranovichi Branch allotted lending funds in support of Self-Employed Entrepreneur S.V. Ragoza’s investment project aimed at reconstructing RagozaHotel in Nesvizh and acquiring equipment, furniture, materials and stock.

Costs of Reconstruction: USD 779,728.

Loan Size: USD 145,000 covering 18.6% of the required funds.

Costs of Equipment: USD 475,000.

Loan Size: USD 295,000 covering 62.1% of the required funds.

Short Description: the investment project is intended for reconstructing RagozaHotel in Nesvizh and converting its attic floor located in Beloruskaya Str. into a bar and laundry. In 2012, Self-Employed Entrepreneur S.V. Ragoza acquired the above hotel building for the purpose of reconstruction and with a view to rendering hotel services. The investment project is comprised of 2 stages including construction, installation and finishing works on the one hand, and acquisition of furniture, equipment and stock, on the other hand. According to the project, it is planned to reach the scheduled capacities in the 2nd quarter of 2017.

Effects of the Project: creation and promotion of a high-quality tourism product compliant with the up-to-date requirements and standards. It is planned to stick to flexible, demand- and competition-based pricing and to apply an equal price schedule to both Belarusian and foreign citizens. The project will contribute to an increase in proceeds and tax revenues and is expected to create new working places.

In the year under review, Grodno Regional Branch financed the project of YalleyblyuVashyVolosy Limited Liability Company – a hair salon.

Project Costs: BYN 24,950.96.

Loan Size: BYN 13,560.77 covering 54.35% of the overall project value.

Short Description: a non-revolving credit line opened as part of Agreement on Financing of Start-Ups No. 9/c dd. 23 March 2016 between the Development Bank of the Republic of Belarus OJSC and Bank BelVEB OJSC for the purpose of establishing of a business, leasing and re-pairs, acquisition of furniture and equipment etc. The hairdressing salon is located in the residential area of Grodno at 49, Y. Kupaly Ave. The object has been in service since October 2016.

Effects of the Project: a wide range of much-in-demand and high-quality services, flexible pricing, and customer loyalty program including promotion, discounts, bonus as well as VIP-cards. In 2016, the average monthly proceeds and tax revenues are expected to stand at BYN 16,686 and 2,936 respectively.

In the reporting year, ‘Central’ Minsk Branch provided funds with respect to the projects as follows:

Construction of the 1st Start-Up Facility of the Multifunctional Educational and Scientific Complex in Kolesnikova Str., Minsk

Sub-Borrower: BelTBP Limited Liability Company

Project Costs: BYN 6,850,777.

Loan Size: BYN 3,000,000 covering 43% of the overall project value.

Short Description: with the Bank’s financial support, the construction of the 1st start-up facility of the Multifunctional Educational and Scientific Complex in Kolesnikova Str., Minsk was completed. BelTBP Limited Liability Company is the founder of Private Educational Institution ‘College of Business and Law’, which is the major lease-holder of the building.

Founded in 1995, Private Educational Institution ‘College of Business and Law’ trains secondary professional education specialists. Around 20 thousand specialists have already graduated from the college providing full-time and extramural form of study for 1,600 and 600 students respectively and covering such professions as Science of Law, Accounting, Analysis and Revision; Business Administration; Commercial Business; Software Engineering; Banking Business.

The complex is a 5-storey building with a total area of 8,794.09 square meters housing 47 classrooms, 3 reading halls, a library, a canteen for 100 visitors, 3 gyms, 9 computer classrooms, and other facilities. The ceremonial opening of the object was held on 31 March 2017.

Effects of the Project: the college is located in Kamen- naya Gorka Micro-District, Minsk. Owing to close vicinity of underground and railway, the place is easy to reach from all microregions of the capital and Molodechno district areas.
Close proximity to rapidly growing micro-districts, including, inter alia, Sukharevo, Kamennaya Gorka, Domprokla, which promise a great number of prospective students, as well as lack of other secondary specialized educational institutions in the neighborhood will be of benefit to the college.

This newly-built object will enable to train staff in such professions as cashier, computer command engineer etc, and to provide courses in IT, foreign languages, accounting, economics and law.

Construction of a Shopping Centre in Dzerzhinsk
Sub-Borrower: ADL Limited Liability Company.
Project Costs: USD 1,570,000.
Loan Size: USD 450,000 covering 28.66% of the overall project value.

2.5 Russia-Belarus Integration Projects

The Bank’s business activities in 2016 were substantially oriented towards fostering Russia-Belarus economic relations and expanding Russian exports.

Over the last few years, we have centered our endeavors on establishing an appropriate customer base, reinforcing business relationships and developing cooperation between financial institutions with a view to facilitating Russia-Belarus trade turnover.

Summarizing the results of 2016, it should be pointed out that the target indicators of integration projects between Russia and Belarus reached the following levels:
- the portion of Russia-Belarus integration projects stood at 49.9% of the Bank’s corporate loans to reach an equivalent of RUB 67.9 billion, overstepping the prescheduled value of minimum 40%.
- the share of Russian exports reached 12.6% of the Bank’s corporate loan book compared to 3.6% of the planned value.
- an equivalent of USD 96.2 million was allotted to foster Belarusian exports under concessional interest rates against the minimum target value for 2016 equaling USD 55 million.

Russia-Belarus trade finance business is one of Bank BVEB’s major priorities ensuring successful implementation of business initiatives of the Bank’s customers and consolidating economic relations between Belarus and Russia.

Owing to the Bank’s financial support, a number of large-scale projects were financed in the reporting year, including, inter alia, the following:
- Open Joint-Stock Company ‘Byelorussian Steel Works’ – Management Company of ‘Byelorussian Metalurgical Company’ Holding’ was issued guarantees for an equivalent of RUB 3.7 billion in support of liabilities vis-à-vis GLOBEX, Absolut Bank, TBK, Bank Saint Petersburg under loan facilities extended to MMZ Trade House LLC and BMZ OJSC.
- For the benefit of Mogilevkhimvolokno OJSC, the Bank made loans to finance paraxylene, ethylene glycol and polypropylene, and opened an L/C for settlements with Gazprom Neft. The overall value of special-purpose funds provided to the aforementioned customer accounted for an equivalent of RUB 2.8 billion.
- In favor of Atlant CJSC, the Bank extended a credit line, opened an L/C and conducted post-financing of L/Cs for the purpose of settlements with Russian manufacturers of components and spare parts. The overall value of financing made up an equivalent of RUB 1.6 billion.
- In conjunction with acquisition of rough diamonds for an equivalent of RUB 1.3 billion, Bank BVEB provided financial support to OJSC Gomel Manufacturing Association Krystal.”

With respect to the Belarusian Railway, we opened a line of credit in order to finance supplies and materials imported from the Russian Federation, opened L/Cs for acquisition of Russian goods and provided funds under L/Cs. The total amount of financing reached an equivalent of RUB 1.25 billion.

For the purpose of settlements with Russian suppliers, the Bank provided funds to OJSC MAZ – Managing Company of ‘BELAUTOZAZ’ Holding under a credit line facility and opened a number of L/Cs. The value of financing totaled an equivalent of RUB 753.1 million.

With the aim of acquiring electric motors, OJSC ‘BELAZ’ – Managing Company of Holding ‘BELAZ-HOLDING’ opened L/Cs for the benefit of Power Machines OJSC. Bank BVEB OJSC provided funds under L/Cs and extended a line of credit for the purpose of L/C coverage. The value of target financing equaled EUR 1.4 billion, including RUB 243.4 million out of Vnesheconombank’s funds.

We opened a credit line for RUB 213.1 million to Minsk Tractor Works OJSC for the purpose of settlements with Russian suppliers.

Evotorg LLC was provided with funds and guarantees of Bank BVEB so as to make settlements with manufacturers from Russia. The target financing made up an equivalent of RUB 315.4 million.

A loan agreement was concluded between the Bank and RUP Grodnenergo to finance its investment project – Retrofitting of Grodno-Based Thermal and Electric Power Plant-2. The Bank’s financial support accounted for EUR 9.1 million, covering 85% of the costs of equipment provided under the contract with Urals Turbine Works CJSC. As at 1 January 2017, Vnesheconombank’s funds attracted to this end made up EUR 3.1 million.

Under Revolving Credit Line Contract No. 280400/2015/6 dd. 29 September 2015, in 2016 Vnesheconombank granted 97.8 million Russian rubles’ worth to Belkhim OJSC and RUB 393.1 million to Svetgorodskkhimvolokno OJSC with a view to financing high-technology products.

Compliant with its Lending Policy for 2016, Bank BVEB OJSC opened six L/Cs for RUB 386.1 million to Atlant CJSC and four L/Cs for USD 17.2 million to the Belarusian Railway under EXIAR cover.

Facilitating extension of Belarus-Russia integration relations, in addition to the above the Bank was instrumental in the area of projects as follows:
- On behalf of Naftan OJSC, Bank BVEB OJSC opened an L/C for EUR 152 million for the benefit of Surgutneftegaz OJSC, which implied both confirmation and financing provided by Promsvyazbank, Credit Bank of Moscow, and Otkritie Bank. At the instigation of Belarusian Oil Company, we opened an L/C equaling USD 106.4 million for the benefit of Tatneft PJSC with Bank Zenit’s confirmation.
- At the behest of Belarusian Oil Company and Mozay Oil Refinery, the Bank issued 176.8 million US dollars’ worth of direct bank guarantees.

Aim at further reinforcing integration relations, the Bank established Department of Integration Projects Development.

Other examples of the Bank’s strong commitment to Russia-Belarus integration ties are represented by the following projects:

Retrofitting of Turbo-Unit PT-60-130/13, Replacement of Supporting and Generator Facilities at Grodnobased Thermal and Electric Power Plant-2
Borrower: RUP Grodnenergo.
Project Costs: RUB 2,010,958,963 equaling BYN 65,235,500.
Loan Size: RUB 672,158,215 (BYN 21,304,812.5), covering 33.4% of the overall project value.

Amount of Loan Issued: RUB 294,079,069 (BYN 9,539,923).
Project Purpose: Financing of equipment and generator facilities of Russian manufacturers.

Short Description: The project is being implemented within the framework of the State Program of Retrofitting of the Republic of Belarus Energy System for the period until 2016, approved by the Council of Ministers by its Decision No. 194 dated 29 February 2012 as a component of the Sectoral Electric Energy Development Program for the years 2016-2020. The Bank’s financial support accounted for EUR 9.1 million, covering 85% of the costs of equipment provided under the contract with Turbin Works CJSC. Vnesheconombank’s funds were attracted to this end.

The project implies replacement of Turbo-Unit No. 2 and supporting facilities based on the existing fundament, reconstruction of the main building, outside installation of transformer facilities.

Effects of the Project: 71.7% of efficiency of the heat electric power station compared to 70.8%, improved reliability of equipment, compliance with advanced performance criteria and higher efficiency standards. The project will lead to a higher level of reliability with regard to both industrial and municipal power supply in Grodna and is expected to result in energy saving.
Lending to Uniflex out of Funds of Eximbank of Russia

**Borrower:** Uniflex CJSC
**Project Costs:** RUB 500,000,000 (BYN 16,220,000).
**Loan Size:** RUB 250,000,000 (BYN 8,110,000), covering 50% of the overall project value.

**Project Purpose:**
Financing of biaxially oriented polypropylene film under the contract concluded between Uniflex CJSC and ISRATEK S LLC.

**Summary:**
- Polypropylene film under the Special Facility: 50% of the overall project value.
- Eximbank of Russia Funds: the Bank extended to Uniflex CJSC a non-revolving line of credit with the maturity date until 26 April 2018.
- Funds under the aforementioned facility are much in demand owing to:
  - Time-consuming and investment-requiring entry into the EU market.
  - Long-term cooperation with the above supplier and an effective contract concluded until 2018.
  - Substantial competitive advantages of Russian suppliers and lack of national manufacturers.
  - Necessity of a reliable source of funding during the entry into the European market.
  - Optimum period for running at full-fledged printing capacity.

**Issue of a Bank Guarantee**

**Initiator/Executor:** Gomel Road-Building Trust No. 2, Republic of Belarus / the Bank.
**Project Costs:** RUB 2,144,130,000 equaling BYN 69,553,577.2.
**The Bank’s Portion of Financing:** RUB 643,238,985 (BYN 20,866,672.67), covering 30% of the overall financing.

**Project Purpose:** To issue a bank guarantee with a view to constructing a 27-kilometer-long traffic interchange on M-1 Belarus Motor High-Way from Moscow through Smolensk to the Republic of Belarus border (Minsk and Brest direction), Moscow Region.

**Short Description:** To construct a project related to the construction of a 27-kilometer-long traffic interchange on M-1 Belarus Motor High-Way from Moscow through Smolensk to the Republic of Belarus border (Minsk and Brest direction), Moscow Region.

**Better Days Ahead:**
- The project is timed to coincide with the 500th anniversary of Eastern Slavic book printing and is being implemented as part of Belarus’ Culture State Program.
- The construction project is planned to build 25 facsimile books in 20 volumes, printed by F. Skaryna in Prague and Wina, 1,000 copies, 100 of each in leather cover.
- The project involved the publication of 25 facsimile books in 20 volumes, printed by F. Skaryna in Prague and Wina, 1,000 copies, 100 of each in leather cover.
- In the reporting year, the Bank allotted BYN 367 thousand to prepare Book of Sirach, Lamentations, The Book of Daniel, and The Little Travel Book. Printed volumes will be granted to representatives of diplomatic missions, national and university libraries, museums and archives of Belarus, Russia, Ukraine, Lithuania, Poland, Germany, Italy, the United Nations, UNESCO and other organizations which serve a noble cause of knowledge dissemination.

**Project Purpose:** To construct a project related to the construction of a 27-kilometer-long traffic interchange on M-1 Belarus Motor High-Way from Moscow through Smolensk to the Republic of Belarus border (Minsk and Brest direction), Moscow Region.

**Better Days Ahead:**
- In 2016, Bank BelVEB continued to finance the project of printing the first facsimile complete works of Francysk Skaryna. The project is timed to coincide with the 500th anniversary of Eastern Slavic book printing and is being implemented as part of Belarus’ Culture State Program.
- Along the above program it is planned to publish 25 facsimile books in 20 volumes.
- In 2016, Bank BelVEB continued to finance the project of printing the first facsimile complete works of Francysk Skaryna. The project is timed to coincide with the 500th anniversary of Eastern Slavic book printing and is being implemented as part of Belarus’ Culture State Program.
- Along the above program it is planned to publish 25 facsimile books in 20 volumes.
- As a result, the Consortium incorporated into Gomel Road-Building Trust No. 2 (Republic of Belarus) – as partner 1, and Belavtodor LLC (Russian Federation) – as partner 2. The contract with ‘Russian Highways’ State Company requires a Russian bank’s guarantee. To this end Vnesheconombank provided a guarantee for RUB 643,238,985 with a 26-month tenor under Bank BelVEB’s counter guarantee issued on behalf of Gomel Road-Building Trust No. 2.

**Effects of the Project:**
Foreign currency receipts transferred to the account held by the Consortium’s senior partner with the Bank.

### 2.6 Patronage and Charity

Charity is an integral part of Bank BelVEB’s social responsibility, revealing the Bank’s desire to be an active participant in public life.

In line with its Corporate and Social Responsibility Strategy, the Bank’s major priorities are:
- To protect historical and cultural heritage;
- To foster art, culture and sport of records;
- To provide targeted support to the Bank’s current staff and former employees.
- The Bank’s participation in charitable activities will enable to extend the scope of its positive contributions with respect to pressing social issues and to position BelVEB as a socially responsible company.

**Charity Legal Framework:**

The Bank provided sponsorship assistance to a number of educational institutions, inclusive of Minsk Special School No. 10 which presently 172 children live and are taught. The major objective of the above organization is to create prerequisites for social adaptation of its pupils and students. In the reporting year, the Bank granted BYN 3 thousand to finance equipment and lamps.

**In the Reporting Year:**

- The Bank donated BYN 5 thousand to Baranovichi Branch of Belarus Veteran Union for healthcare purposes and restoration of the memorial of the World War II participants.
- Minsk 10th Clinical Hospital received BYN 13.75 thousand for the purpose of upgrading of facilities.
- In support of team sports Bank BelVEB provided BYN 4 thousand to the Handball Federation of Belarus.
- Following its tradition, another time in a row the Bank provided sponsorship assistant to School No. 19 of Bobruisk.
- In the reporting year, the Bank made a donation to restore Annunciation to the Blessed Virgin Mary Roman Catholic Church in Vishnevo Village.
- In compliance with the Bank’s Supervisory Board’s decisions, its donations in 2016 comprised:
  - BYN 437 thousand to cultural institutions and organizations;
  - BYN 37.5 thousand to healthcare organizations;
  - BYN 4 thousand to sport unions;
  - BYN 5 thousand to veterans and disabled people unions;
  - BYN 6 thousand to educational institutions;
  - BYN 5 thousand to other entities and unions.

**Better Days Ahead:**

- Among many other socially important causes, in 2016 the Bank allocated BYN 23.75 thousand to Minsk City Oncological Dispensary for the purpose of medical equipment and with a view to enhancing quality standards.
- In 2016, the Bank was proud to extend its long-standing cooperation with the National Academic Great Opera and Ballet Theatre and organize Minsk International Christmas Opera Forum. In the year under review Bank BelVEB allotted BYN 70 thousand to this end.
- VII Minsk International Christmas Opera Forum was held from 14 December 2016 until 20 December 2016 and presented the world opera classics, outstanding season premieres and second-to-none performances of the theatre’s repertory. The forum hosted world famous and local performers, including, inter alia, opera singers of the Odessa National Academic Opera and Ballet Theatre. The Forum was traditionally crowned with a spectacular gala-concert.
- In 2016, the Bank offered sponsorship assistance to a number of educational institutions, inclusive of Minsk Special School No. 10 where presently 172 children live and are taught. The major objective of the above organization is to create prerequisites for social adaptation of its pupils and students. In the reporting year, the Bank granted BYN 3 thousand to finance equipment and lamps.

In 2016, the Forum was traditionally crowned with a spectacular gala-concert.
3.1 Staff Management
3.2 Staff Parameters
3.3 Staff Education
3.4 Remuneration and Incentives
3.5 Health and Labor Safety
3.6 Environmental Literacy
3.1 Staff Management

3.1.1 2012-2016 Staff Management Policy of Bank BelVEB OJSC

The Bank’s major HR management strategic priorities are outlined in the Personnel Policy of Bank BelVEB for the years 2012–2016 adopted by the Management Board under Resolution No. 364 dd. 11 July 2012 which remains an inseparable part of the Development Strategy for the years 2016–2018 and Corporate and Social Responsibility Strategy.

In January 2017, Bank BelVEB’s Management Board held a meeting on the implementation of the Personnel Policy of Bank BelVEB OJSC for the years 2012-2016. Over the period from 2012 until 2016, the Bank managed:

- to establish an internal training system aimed at developing selling, management and servicing skills and enhancing competence;
- to work out and put into place a qualifying evaluation system (2012) and comprehensive personnel assessment (2015-2016);
- to implement a remote staff training and assessment system (2013);
- to develop and introduce a grade-based remuneration system (2013-2014);
- to put into practice annual dialogue with the Bank’s staff;
- to streamline labor standards (2013-2016);
- to set into motion a staff adaptation system for new-comers (2014-2015);
- to adopt a KPI-based bonus award system (including individual key performance indicators applicable to specific groups of the Bank’s personnel) (2014-2016);
- to fine-tune staff recruitment procedures (2014-2015);
- to undertake an investigation into the Bank’s staff involvement and to create a staff notification system (2014-2016);
- to establish Bank BelVEB’s training centre (2015);
- to work out and to put into implementation new forms of non-financial incentives (2015).

In line with Resolution No. 33 dd. 25 January 2017 and Minutes No. 8 dd. 9 March 2017, the Bank’s Management and Supervisory Boards adopted a draft of the HR Management Policy outlining key guidelines, principles and objectives applicable to the Bank’s personnel system.

3.1.2 HR Management Milestones

In 2016, in terms of HR management the Bank’s efforts were centered on a comprehensive staff assessment system based on key performance indicators, evaluation of corporate and professional competence, and personnel potential assessment.

The Bank conducts personnel assessment with a view to enhancing its staff’s performance and for the purpose of higher quality standards.

In line with its annual dialogue, Bank BelVEB carried out personnel competence assessment, the results of which are essential with respect to:

- staff training in terms of evaluating the necessity of competence development;
- candidates pool for the purpose of revealing high-potential officers;
- staff rotation so as to estimate compliance with a new position and/or potential of taking on new duties;
- both financial and non-financial personnel incentives; and
- the management’s business activities in terms of staff efficiency evaluation, decision-making and management optimization.

With a view to further streamlining the Bank’s grade-based remuneration system and developing its incentives system, Bank BelVEB put into place the maximum values of specific emoluments applicable to high-level personnel.

On 1 April 2016, a new structure of grades was brought into force and effect, which resulted in 10% salary increment within Bank BelVEB.

As at 31 December 2016, job contracts were renewed with 2,317 employees who make up 99.9% of the total staff (2,319).

3.1.3 Recruitment and Job Allocation

The Bank is guided by its internal Staff Recruitment, Labor Allocation and Disemployment Procedures No. 33 approved by the Management Board on 26.02.2009 and amended on 18.03.2015 under No. 121 and on 11.11.2015 under No. 515, which outlines regulations applicable to personnel recruitment, work allocation, termination of employment contracts, and mode of interrelation between structural units of the Bank.

The Procedures set forth a paper-work routine and officers in charge when new candidacies are approved and the staff is moved horizontally within the Bank’s units or dismissed.

The major objective to be attained is to compose a viable, flexible and efficient team of like-minded and compatible people which promotes job experience and career advancement of each team member.

Principles of staff recruitment and labor allocation are based on:

- voluntary participation of each employee;
- priority of job promotion of the existing employees subject to job requirements compliance of their skills and experience;
- compliance with the national legislation and moral and ethical norms; and
- confidentiality.

The Bank’s employees are informed of vacant positions via Bank BelVEB’s internal web-site.

In case of lack of in-house candidates, external applicants are invited to a multiple-stage interview which is conducted in line with the Bank’s corporate competence model.

In 2016, vacant high-level positions were filled by 52 in-house officers and 11 new-comers.

Heads of structural units should plan job advancements of their employees in line with qualification and potential of each employee as well as on the basis of personal input into further improvement of business processes.

Staff rotation is planned by heads of the Bank’s structural units along with its Personnel Department and should bring about:

- training of future managerial staff;
- new skills and experience;
- prevention or resolving of conflicts;
3.1.4 Staff Reserve and Retirees Adaptation

Composition of key staff reserve is subject to Staff Reserve and Key Management Appointment Procedure No. 35 approved on 26.02.2009 (revised on 07.09.2011 under No.346 and amended on 18.04.2012 under No. 203, on 27.03.2013 under No.123, on 19.02.2014 under No. 59, on 30.01.2015 under No. 38, on 09.12.2015 under No.562).

The procedure contains a list of positions which, in case of retirement, will be occupied by other employees from the Bank’s staff reserve and outlines guidelines and persons in charge of the process.

Staff reserve is being replenished by eligible employees willing to perform key management positions, at the Bank’s request. Staff reserve is replenished by eligible employees willing to perform key management positions. Besides, bank is making efforts to train its own employees to perform key management positions and to attract new employees. Currently, bank is undertaking action for the purpose of training and advancing its key staff. Bank is taking actions to improve key management positions, in line with the employee’s career advancement.

In the year under review we developed and adopted a functional competence model for:

- Customer Operations Support Department;
- Collateral and Problem Assets Department.

For the purpose of staff competence assessment with respect to Customer Operations Support Department and Collateral and Problem Assets Department, the Bank worked out and adopted evaluation tools applicable thereto.

Bank BelVEB developed software to reduce time for staff competence data processing and adopted the Regulations for Personnel Competence Assessment within Bank BelVEB OJSC by Resolution No. 414 of the Management Board dd. 17 August 2016.

Since September 2016, on a regular basis the Bank has been carrying out staff competence assessment:
- with the aim of assignment of a qualification grade and position change;
- for the purpose of personnel rotation; and
- in connection with employment contract termination.

In September – December 2016, a total of 1,450 of the Bank’s officers underwent competence checks arranged to coincide with the annual dialogue. 838 employees were assessed along the Bank’s corporate competence model, whereas 612 went through corporate and functional competence checks. Reports on the assessment were provided to the Bank BelVEB’s management and officers to further sum up the results of the year and set goals for the future. On top of that, results of the assessment became an additional ground for training and a source enabling to find out high-potential employees. The Bank’s officers are offered support in results interpretation.

In 2016, the Bank’s staff reserve pool was comprised of 296 officers. Preferential treatment in their job promotion was given to 25 employees, 20 of which were promoted to high-level positions.

Article 42 of the Labor Code provides for that in cases of layoffs the employer shall give its employees and appropriate state bodies a two months prior notice. In case of forthcoming 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 applicable to mass dismissal are set forth the Government of the Republic of Belarus or an agency authorized to do so.

The Bank’s Collective Labor Agreement No. 327/1, concluded between the Employer and the employees of Bank BelVEB OJSC and registered by the Executive Office of Minsk City Central District on 28.12.2016, stipulates that during the two months preceding termination of the labor contract the employee is allowed one day a week to seek new employment and is entitled to 50% of its average wage/salary for this day.

In rendering social support, the Bank is guided by the national legislation, its internal regulation approved by the Supervisory Board on 29.11.2013 under No.23 (amended on 25.06.2015 under No.15) and its Collective Labor Agreement.

In 2016, for social reasons the Bank decided to provide monetary support to:
- 65 employees on the occasion of wedding;
- 28 employees on the occasion of retirement;
- 69 employees on the occasion of funeral of a close relative;
- 166 employees for family reasons;
- 442 employees as their yearly holiday furtherance; and
- 32 employees on the occasion of memorial dates (to veterans and Chernobyl disaster fighters).

The Bank also provided material aid to employees with a 20, 30 and 40 year work experience with the Bank (48 employees); marking their 50th and 60th jubilee for men and women and 55th for women (105 employees); in connection with holiday leave (2,271 employees); on the occasion of Christmas and New Year (2,314 employees); on the occasion of the Bank’s 25th Anniversary (2,313 employees); on the occasion of Women’s Day, Motherland Defenders’ Day, Belarus Armed Forces Day (2,382 employees).

Maternity and child care remain in the focus of the Bank.

In 2016, 119 employees received one monthly salary/wage on the occasion of the child birth;

- 256 employees on maternity leave received furtherance in the amount of 20 basic values;
- 1,041 employees having 3 to 17 year children received furtherance in the amount of 20 basic values per child;
- 1,213 employees having children under 17 years received furtherance in the amount of 20 basic values per child; and
- 1,104 employees’ children received Christmas and New Year gifts.

In 2016, one-off bonuses were paid to:

- 42 employees who were put to the roll of honor for their contributions to the Bank’s development; and
- 98 employees who were awarded a Certificate of Merit for their achievements in labor and professional skills.

To prevent losses arising out of or in connection with illnesses and diseases, the Bank:

- concluded a number of agreements with medical centers performing medical checks;
- initiated cancer diagnostic checks on the basis of Minsk Oncological Dispensary; and
- offered anti-flue voluntary prophylactic immunization to its staff.

In 2016, employees and their children were provided vacation packages out of state social security funds. 8 employees and 102 children improved their health in health resorts of the Republic of Belarus and near abroad. 71 children of the Bank’s employees at the age of 6 to 17 had vacation in recreation camps.

In the reporting year, 25 employees of Bank BelVEB’s cash-in-transit service concluded insurance contracts out of the Bank’s funds.

In line with its social policy the Bank is focused on providing support to its retired officers. On 28 December 2010, the Bank’s Supervisory Board approved Regulation No. 13 on Rendering of Financial Support to Retirees as amended and revised on 28.12.2012 under No. 21 and on 03.02.2016 under No. 3. In line with the Regulation, 371 former employees, pensioners or disabled with over a 10-year work experience were provided with financial support.

On 29 December 2012, the Bank approved its Procedures of Voluntary Insurance of the Bank’s Employees to increase motivation and strengthen loyalty to the Bank. To this end the Bank entered into an agreement with Stravita Insurance Company to provide additional security to its pension-age staff. On a monthly basis the Bank pays insurance fee for the benefit of insured employees. Insurance fee is dependent on his/her position with the Bank. Retirement age shall be deemed to be an insured event. The amount of insurance deposit shall be paid to the beneficiary in the event of the occurrence of the insured event on condition that the accumulated period of work experience with the Bank oversteps 3 years. Since then a total of 665 of the Bank’s employees have been availing themselves of the Bank’s sponsored pension savings scheme.
## 3.1.6 Trade Union Organisation

The Bank’s trade union comprises trade union organisations of the head office and 23 regional branches and cash and settlements outlets. The trade union is guided by its committee to organize and conduct cultural, sports and educational activities. Members of the committee convene regular meetings to discuss the implementation of the Bank’s Collective Labor Agreement and to share positive experience.

The Bank’s trade union is a member of the Belarus Trade Union of Banking Employees of the Belarus Trade Union Federation. The head of the Bank’s trade union has been elected on the panel of the Belarus Trade Union and a member of the Federal Trade Union Council to voice the Bank’s concerns and opinion on different aspects of life.

As at 1 January 2017, the Bank’s trade union comprised 2,194 members including 370 retirees accounting for 95% of the Bank’s staff total.

Membership in the trade union helps employees to effectively safeguard their interests, receive assistance when needed and discharge their job functions in team spirit.

Bank BelVEB’s trade union committee is a think-tank which collects and analyzes its members’ opinions. The Bank’s trade union comprises 26 trade union groups. Heads of trade union groups help interpret information of the higher management on to the members and their feedback upward to streamline the Bank’s day-to-day operation.

The Bank’s trade union committee regularly oversees the matters of social security.

Members may interact with the committee in all possible modes (vocally, in written form and via electronic means). Trade union members apply for pecuniary assistance and other forms of material support in written form. All applications shall be supplemented by sustaining documents. Financial support for BYN 32,751 was rendered to 338 union members.

Social and economic on-the-job relations between the employer and employees are subject to the Collective Labor Agreement.

The Collective Labor Agreement enables the employer to create necessary legal, economic and life conditions to promote job skills, cultural and physical state.

The Collective Labor Agreement provides for different types of incentives and assistance for employees. Parents with two children and disabled children are allowed one free day a month and those having three or more children may go on a one day leave once a week. For this day they are paid at the rate of an average monthly pay. Spouses are allowed to take simultaneous job leaves. In case of an illness, employees have a right to fully paid sick leave from the first day of incapacity for work.

151 children of the Bank’s employees received sanatorium treatment at the expense of the Bank for the amount of BYN 68.3 thousand.

In addition, BYN 8.3 thousand was allotted to partial compensation for the benefit of 58 trade union members.

To this end the Bank concluded partnership contracts with a number of sanatoriums such as Ozerny, Ruzhansky, Alfa Radon, Lesnaya Rudnya and several others.

In 2016, the Bank initiated 14 excursions and leisure activities which gathered about 500 employees.

The Bank’s trade union cells take a number of steps to create favourable conditions for Bank BelVEB’s employees and their family members. To this effect the Bank provides financial support in connection with the beginning of the school year.

The Bank rendered assistance in the amount of BYN 581.3 thousand to parents having 3 to 17 year-old children to buy school uniform and necessary school accessories to prepare children for school.

The Bank allotted BYN 1,3 thousand to render assistance to large families raising school-aged children.

The Bank pays great attention to teambuilding arrangements and organizes winter and summer touristic gatherings, sport events and family holidays for its employees and their families. In 2016, around 3,000 employees took part in the above events. The Bank also organized and held shooting, badminton and bowling championships.

The Bank’s mini-football, volleyball, floorball and billiards teams successfully participated in city and inter-bank sport competitions. With a view to maintaining and strengthening team spirit, we held a number of business games as part of conferences and seminars.

The Bank’s trade union members are entitled to partial compensation for costs of fitness centers and other sport facilities. In the reporting year, a total of 1,496 of the Bank’s employees were awarded BYN 28.1 thousand in compensation. Notwithstanding the absence of a sports base of its own, the Bank rents sport facilities for both training and sporting events. To this end the Bank held mini-football and volleyball team gatherings on the premises of national sanatoria.

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.

On a regular basis, the Bank’s employees partake in professional skill competitions. Thanks to the aspirations of the Trade Union Committee, 150 of the Bank’s officers could participate in amateur performance as well as children drawing contests.

At the turn of the year, 1,390 children of the Bank’s employees could attend New Year matinees financed out of the trade union’s funds.

The Bank’s veterans’ council functions under the Bank’s trade union.

## 3.2 Staff Parameters

As at year-end, the Bank’s staff comprised 2,319 employees including 230 part-time employees. Compared to 2015, Bank BelVEB’s personnel were reduced by 63 employees.

The average mean-weighted age of the staff is 38.2 years old.

### Total Number of the Bank’s Employees, and the Number and Share of Dismissed Employees to the Total Staff Number, by Age Group, Sex and Region as at the End of the Reporting Year

<table>
<thead>
<tr>
<th>Item</th>
<th>Number of Employees</th>
<th>Number of Dismissed Employees</th>
<th>Percentage of Dismissed Employees to the Total Number, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,319</td>
<td>180</td>
<td>7.8</td>
</tr>
<tr>
<td>Age:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>up to 30 y.o.</td>
<td>560</td>
<td>50</td>
<td>8.9</td>
</tr>
<tr>
<td>from 31 to 50 y.o.</td>
<td>1,465</td>
<td>84</td>
<td>5.7</td>
</tr>
<tr>
<td>above 51 y.o.</td>
<td>294</td>
<td>46</td>
<td>15.6</td>
</tr>
<tr>
<td>Sex:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>1,700</td>
<td>77</td>
<td>11.0</td>
</tr>
<tr>
<td>female</td>
<td>1,619</td>
<td>103</td>
<td>6.4</td>
</tr>
<tr>
<td>Head Office, total</td>
<td>1,493</td>
<td>120</td>
<td>8.0</td>
</tr>
<tr>
<td>Branches and Regional Branches, total</td>
<td>826</td>
<td>60</td>
<td>7.3</td>
</tr>
<tr>
<td>Branches, Cash and Settlement Centers in Minsk and Minsk Region, total</td>
<td>242</td>
<td>10</td>
<td>4.1</td>
</tr>
<tr>
<td>Brest Regional Branch, Branches, Cash and Settlement Centers in Brest Region, total</td>
<td>141</td>
<td>11</td>
<td>7.8</td>
</tr>
<tr>
<td>Vitseb Regional Branch, Branches, Cash and Settlement Centers in Vitseb Region, total</td>
<td>109</td>
<td>16</td>
<td>14.7</td>
</tr>
<tr>
<td>Gomel Regional Branch, Branches, Cash and Settlement Centers in Gomel Region, total</td>
<td>131</td>
<td>8</td>
<td>6.1</td>
</tr>
<tr>
<td>Grodno Regional Branch, Branches, Cash and Settlement Centers in Grodno Region, total</td>
<td>100</td>
<td>12</td>
<td>12.0</td>
</tr>
<tr>
<td>Mogilev Regional Branch and Bobruisk Branch, total</td>
<td>103</td>
<td>3</td>
<td>2.9</td>
</tr>
</tbody>
</table>
In 2016, the turnover ratio of dismissed employees, calculated as the ratio of the total number of the employees dismissed (180 employees) to the average number (2,116), accounted for 8.5% against 7.1% in 2015, while the number of the employees dismissed in 2016 increased by 20 year-on-year.

The proportion of those retired at their request to those at the discretion of the employer made up 3.2% compared to 2.6% in 2015.

In 2016, the labor contracts with the bank’s employees were terminated for the reasons as follows:

- for reasons beyond the parties’ control – 3 employees;
- due to recruitment by another employer – 6 employees;
- at instigation of the employee (of own free will, including due to retirement, disability) – 1 employee;
- at instigation of the employer – 2 employees;
- upon expiration of the employment contract – 102 employees;
- upon agreement of the parties – 66 employees.

3.3 Staff Education

3.3.1 Objectives and Major Lines of Education


Training of the bank’s staff is based on the principles of continuity and prospects, and the objectives of skills upgrading comprise:
- attainment of higher efficiency of operation of the bank’s structural units;
- raising of corporate and functional competence of staff members;
- satisfying of skills upgrading aspiration.

Heads of structural units are personally responsible for maintaining an appropriate level of experience and organizing the on-going skills upgrading to use the abilities of their employees to the fullest extent.

Training of the Bank’s personnel is conducted in Belarus and overseas and is compliant with the national law and the Collective Labor Agreement.

Educational process is organized on the basis of:
- on-going skills upgrading of the Bank’s officers and managerial staff;
- training within entities;
- on-the-job training;
- self-education; and
- remote education.

3.3.2 Modes and Scope of Skills Upgrading

In 2016, a total of 2,104 officers of Bank BelVEB underwent training.

The Bank’s personnel were trained on the basis of higher and post-secondary education according to the following priorities:
- professional development in educational institutions and other organizations (42 officers);
- participation in topical workshops, trainings, forums, conferences, and other training events at the domestic level and overseas (530 officers);
- trainings within topical workshops worked out by the Bank’s departments (1,519 officers);
- remote training; and
- self-education.

In 2016, a total of 1,133 officers received classroom training. The events held by Bank BelVEB’s Personnel Department were attended by 2,091 employees, which evidence the fact that a number of the Bank’s staff underwent training many a time.

A total of 379 of the Bank’s employees were engaged in various domestic and cross-border educational programs and skills upgrading.

79 officers partook in cross-border seminars, conferences, forums and other events, including, inter alia, in Russia – 56 employees, Austria – 8 employees, Lithuania – 8 employees, Hungary – 3 employees. A number of employees took part in several training courses.

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 the EBRD, MasterCard Europe, Misys International Banking Systems, SWIFT, VISA, Commerzbank AG, Wolters Kluwer Financial Services (WKFS), ICC Austria, Raiffeisen Bank International, the Association of Regional Banks of Russia, KBC Bank, Ceskoslovenska obchodni banka, Deutsche Bank AG.

The Bank organized 81 internal training sessions attended by 847 employees from the Bank’s head office and 672 from the branches across Belarus.

In the reporting year, the Bank developed and held 28 workshops on cross-selling of banking products, cash outlets operations and customer servicing, which were attended by 379 officers.

In 2016, the Bank continued to further develop its internal system of staff training. Apart from traditional seminars and practical workshops, the Bank’s Personnel Department developed and conducted 13 managerial skills upgrading courses (183 employees took part there-in). In addition, we held staff competence development workshops attended by 79 officers.

In 2016, the Bank’s remote training system became more elaborate by 31 new e-courses, which gave rise to 98 remote events. Some courses were attended by over 1,700 officers. On the average, in the reporting year each e-course was visited by 145 officers.

### 2016 Skills Upgrading Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Total Training Hours</th>
<th>The Average Training Hours per Employee/year, by Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers M</td>
<td>211</td>
<td>5,118</td>
<td>24.26</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>237</td>
<td>27.04</td>
</tr>
<tr>
<td>Officers M</td>
<td>424</td>
<td>7,462</td>
<td>17.60</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>1,381</td>
<td>15.90</td>
</tr>
<tr>
<td>Workers M</td>
<td>65</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
3.4 Remuneration and Incentives

Guided by its internal Remuneration and Incentives Procedures adopted by the Supervisory Board on 29.11.2013 under No. 23, the Bank applies grade-system to stimulate its staff along the principles of flexibility, material incentive, efficiency and job complexity taking into account personal input, spirit of enterprise and initiative and aptness to off-beat solutions.

In line with terms and conditions of the Collective Labor Agreement and other by-laws the Bank makes social payments and pays out compensations to its staff.

On 25.11.2013, the Bank put into force and effect Bank BelVEB’s Incentives Procedures (Resolution No. 543 of the Management Board) with the aim to:
- implement an updated scheme of recurrent incentives to all employees;
- create a coherent and comprehensive incentives approach;
- spot efficient staff members and stimulate other team members on the beneficial example; and
- promote professional satisfaction and labor involvement.

To the officers successfully performing their duties the Bank apply non-financial incentives such as:
- entering on the board of honor, awarding of a certificate of honor, expression of gratitude, giving the title of ‘The Best at 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 legal acts.

In April 2016, on the premises of the Belarusian State Museum of Great Patriotic War History Bank BelVEB held an awards ceremony with a view to honoring the Bank’s officers having reached substantial results in 2015. In 2016, the Bank’s honors board was transformed into a latter-day interactive format providing more detailed information on its officers.

Compliant with the Republic of Belarus law, the Bank ensures remuneration at a level at least equal to the minimum pay as prescribed by the national legislation.

As at 2016-end, the minimum monthly pay in Belarus was set at BYN 239.42 while the Bank remunerates its lowest grade specialists at the level of a twofold minimum pay.

The Bank is not engaged in any gender discrimination practices in remunerating its employees and maintains monthly pays for corresponding job positions of women on a par with that of men.

In 2016, neither individual nor collective labor disputes took place within Bank BelVEB.

3.5 Health and Labor Safety

3.5.1 Major Risk Factors

Bank BelVEB’s Internal Labor Rules and Regulations approved by the Board on 16.01.2004 under No. 4 (as revised and amended thereafter on 29.06.2006 under No.93, on 23.04.2008 under No. 74, on 07.07.2009 under 136, on 19.01.2010 under No. 9, on 18.04.2012 under No. 203, on 07.03.2013 under No. 82) prescribe the Bank’s personnel obligation to comply with labor protection, fire safety, accident prevention and sanitary standards and requirements, as well as the Bank’s duty to ensure that all necessary labor conditions are complied with, all necessary equipment is in place and etc.

In taking necessary measures in relation to labor protection and work safety of employees, the Bank is guided by the Labor Safety Procedures in Belvnesheconombank OJSC, approved by the Management Board’s Chairman on 25.07.2011. The document contains break-down of duties of the Bank’s staff.

The Bank’s Management Board Chairman generally oversees the matter of labor safety and one of his deputies is in charge of organizational matters.

Director of Administration Department, who also heads the Bank’s Labor Safety Instruction and Knowledge Verification Committee, oversees labor safety organizational matters.

Administration Department is in charge of all organizational matters as to labor safety and legislation compliance.

Heads of structural units are directly in charge of all measures and steps taken to ensure labor safety.

Major risk factors pertaining to different structural units and job positions and measures to manage such risks are listed in the attachment to Labor Safety Management Code (LSMD) of OJSC Bank BelVEB.

Labor safety measures are also coordinated with public bodies and the trade union committee.

3.5.2 Labor Safety Measures

For the purpose of creating appropriate labor conditions, in the reporting year the Bank undertook a number of steps and measures in line with its schedule.

With the aim of improving working and recreation conditions in 2016, the Bank continued to renovate its premises, update its computer hardware, install air conditioning, purification and ionizer equipment, apply appliances, office furniture, sanitary fluids, procure medical kits and drinking water.

Pursuant to Decision No. 59 of the Ministry of Health dated 28 June 2013, in 2016 the Bank conducted checks of hazardous factors on the working places. The tests proved that all measurable factors comply with the prescribed norms.

Officers working in potentially dangerous environment undergo instructive learning and posterior knowledge testing annually. In 2016, a total of 116 officers were examined, while 115 of new-comers were instructed.

Introductory instructions are mandatory and apply to all of the Bank’s newly enrolled staff.

Bank BelVEB’s drivers are instructed twice a year and undergo knowledge testing on the matters of labor protection once a year.

For the purpose of advising its staff on labor protection and fire safety, the Bank scheduled and held 2 seminars on labor protection legislation and labor protection procedures within branches. 35 officers underwent training.

In 2016, there were neither labor accidents registered within the Bank nor letters nor complaints received by the Bank and authorized services in connection with labor protection.

The Bank’s newly enrolled personnel employed in hazardous labor environment undergo mandatory medical examination.

Bank BelVEB carries out monitoring of female and underage employees as prescribed by the applicable law. In 2016, there were no complaints received on the breach of this legislation.
3.5.3 Civil Defense and Emergency Situations

With respect to civil defense and prevention of emergency situations in 2016 the Bank abode by the local by-laws as follows:

- Order of the Chairman of the Board No. 706 dated 22.07.2015;
- Order of the Chairman of the Board No. 17 dated 11.01.2016; and
- Organizational Guidelines of the Chairman of the Board;

In 2016, the activities related to the civil defense, natural and man-made emergency prevention were held pursuant to the 2016 Schedule of Basic Measures for Operation of Managerial Bodies and Forces of Bank BelVEB OJSC of Minsk City Subsystem of the State System for Prevention of Crowd, Natural and Technical Emergencies (hereinafter referred to as the "Schedule") approved by the Chairman of the Board – Civil Defense Head of Bank BelVEB OJSC.

The Bank created its Civil Defense Commission and Evacuation Commission comprised of 6 and 11 members respectively.

39 employees of the Bank comprise off-payroll civil defense groups including militia group, voluntary fire brigade, maintenance team, radiation and chemical control post and self-defense means team.

In line with the Schedule for 2016, Bank BelVEB OJSC implemented the following activities:

- instructive learning for 56 specially designated staff members on the topic of training procedures and emergency action plan;
- command and staff exercise of 65 key and designated staff of the Bank; and
- maintenance and complex checks of emergency shelter premises.

In 2016, the civil defense training of the Bank's managers and personnel was carried out pursuant to Order No. 17 on Organization of Civil Defense and Emergency Prevention dated 11.01.2016 and included:

- 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.

The Bank's management and command staff undertook training on the basis of the Faculty of Health and Safety at the Civil Defense University under the Aegis of the Ministry of Emergency Situations of the Republic of Belarus. The training course was attended by civilian component commanders (3 officers), specially designat-ed staff in charge of training (1 officer), and authorized persons accountable for civil defense and prevention of emergency situations (1 officer).

In an effort to provide for a self-training, guidance materials, slides and educational films on all topics of the 2016 Training Schedule were placed on the Intranet site of the Bank's employees in the field of civil defense during the year under report.

3.6 Environmental Literacy

3.6.1 Environmental Protection

With respect to environmental protection, Bank BelVEB's Corporate and Social Responsibility Strategy outlines, inter alia, the following tasks and objectives:

- decrease in all types of contamination;
- development of breakthrough and innovative energy efficiency and renewable technologies;
- reduced consumption of non-renewable resources;
- maintenance and recovery of biodiversity and natural ecosystems; and raising of environmental awareness among the Bank's office staff.

Bank BelVEB is centered on its aspiration to curtail excessive consumption of resources and minimize the existing environmental risks. The Bank is continuing to further apply a comprehensive approach to resource saving, prudent utilization of goods and services, rational car park usage, waste management and etc.

Implementation of the complex approach can help the Bank to lower consumption and decrease utility payments thus lowering environmental impact.

3.6.2 Raising of Energy Efficiency

With a view to decreasing energy consumption, the Bank designs and implements its internal energy saving plan on an annual basis.

In contrast to 2015, heat energy consumption in 2016 grew due to lower average environment temperature, while a decrease in electricity consumption was caused by fine-tuned equipment operating modes and energy-saving measures.

On the whole, reduction of water consumption was related to saving measures. At the same time, repair and construction work at the Bank's Myasnikova Street office gave rise to higher water consumption.

Total electric power consumption in 2016 made up 4,868,832 kWh against 4,736,204 kWh in 2015. Heat energy consumption in 2016 accounted for 4,517 Gcal compared with 3,919 Gcal in 2015 (the above figures are given with respect to the Bank's buildings, excluding reimbursement of expenses for resources consumed by leasehold-ers). Growth in energy consumption was owing to unfavorable environmental conditions, commissioning of new premises in Gomel and Mogilev, entry into new lease-holding agreements, and installation of ATMs.

### Energy and Water Consumption by the Head Office in 2015-2016

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2015</th>
<th>2016</th>
<th>Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Electricity total for the HO, GJ</td>
<td>8,879</td>
<td>8,737</td>
<td>142</td>
</tr>
<tr>
<td>32 Myasnikova St.</td>
<td>4,487</td>
<td>4,751</td>
<td>264</td>
</tr>
<tr>
<td>10 Zaslavskaya St.</td>
<td>1,413</td>
<td>983</td>
<td>430</td>
</tr>
<tr>
<td>13 Moskovskaya St.</td>
<td>246</td>
<td>209</td>
<td>37</td>
</tr>
<tr>
<td>6 Skryganova St.</td>
<td>1,136</td>
<td>1,073</td>
<td>63</td>
</tr>
<tr>
<td>29 Pobediteley Ave.</td>
<td>1,597</td>
<td>1,721</td>
<td>124</td>
</tr>
<tr>
<td>2 Heat</td>
<td>7,490</td>
<td>6,969</td>
<td>-1206</td>
</tr>
<tr>
<td>32 Myasnikova St.</td>
<td>2,060</td>
<td>2,587</td>
<td>527</td>
</tr>
<tr>
<td>10 Zaslavskaya St.</td>
<td>1,063</td>
<td>1,093</td>
<td>30</td>
</tr>
<tr>
<td>13 Moskovskaya St.</td>
<td>590</td>
<td>620</td>
<td>30</td>
</tr>
<tr>
<td>6 Skryganova St.</td>
<td>1,602</td>
<td>1,846</td>
<td>242</td>
</tr>
<tr>
<td>29 Pobediteley Ave.</td>
<td>2,173</td>
<td>2,550</td>
<td>377</td>
</tr>
<tr>
<td>3 Water, total for the HO, cubic meters</td>
<td>17,660</td>
<td>17,961</td>
<td>99</td>
</tr>
<tr>
<td>32 Myasnikova St.</td>
<td>7,435</td>
<td>8,099</td>
<td>674</td>
</tr>
<tr>
<td>10 Zaslavskaya St.</td>
<td>1,082</td>
<td>764</td>
<td>318</td>
</tr>
<tr>
<td>13 Moskovskaya St.</td>
<td>735</td>
<td>495</td>
<td>240</td>
</tr>
<tr>
<td>6 Skryganova St.</td>
<td>3,933</td>
<td>3,121</td>
<td>-812</td>
</tr>
<tr>
<td>29 Pobediteley Ave.</td>
<td>4,485</td>
<td>4,282</td>
<td>-203</td>
</tr>
</tbody>
</table>
### 3.6.3 Responsible Resources Consumption

Paper consumption across the Bank’s branch network is rationalized in line with Order No. 698 dated 23.12.2011 by the Chairman of the Board.

An electronic automated paperwork system became functional and brings paper consumption further down. With due account of conformity certificates, the Bank procures А4- and A3-format paper, perforated paper, and roll stationery through transparent bidding procedures.

5 Minsk offices procured a total of 32.2 tons of А4-format paper compared with 31.54 tons in 2015 and 0.1 ton of А3-format paper against 0.1 ton year-on-year. Increase in paper consumption by Minsk offices is related to centralized functions across the Bank’s holding.

### 3.6.4 Car Park Kilometrage and Fuel Consumption

In aspiring to reduce fuel consumption, the Bank implements a number of measures to this end. Decrease in kilometrage in 2016 was owing to reduction of the number of business trips across Belarus. Starting from 01.01.2016 kilometrage limits were further reduced by around 10%. Exception was made for CEO’s car, courier service and cash-in-transit service.

The Bank’s car park and fuel materials comply with EURO-4 standard. In 2016, Bank BelVEB’s vehicle pool was reduced by one automobile.

The Bank strictly adheres to consumption rates applicable to fuel, lubricants and tyres and complies with kilometrage limits. With a view to optimizing its car park, the Bank brought into force and effect Order of the Management Board Chairman No. 80-AHD dd. 9 December 2015. Besides, Bank BelVEB does its best to streamline 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.

| Kilometrage, Fuel Consumption and \(\text{CO}_2\) Emission |
|---------------------------------|-------|-------|
| Indicator                        | 2015  | 2016  |
| Total kilometrage, thousand km   | 2,413.40 | 2,304.40 |
| Total fuel consumption, thousand liters |
| Including: petrol                | 296.43 | 285.3 |
| Including: diesel                | 241.00 | 220.4 |
|                                   | 55.43  | 64.9  |
| \(\text{CO}_2\) emission, tons/year| 722.85 | 688.18 |

### 3.6.5 Utilization of Waste and Environment Friendly Practices

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

- Waste similar to bio waste is delivered to UP Ecores for its further disposal at landfills.
- Other waste is utilized by the following specialized companies:
  - PE OOO Postup – used luminous tubes;
  - RPUP Belsvetmet – nonferrous scrap, lead batteries;
  - RUP Minsk Plant Vtorchermet – scrap iron;
  - procurement agencies – used tires with metal cord;
  - RUP BelVTI or UP Unidragmet BGU – scrap containing precious metals;
  - Procurement agencies of Belcoopsoyuz – paper and cardboard waste.

In 2016, the Bank spent BYN 7,477 and BYN 239 on disposal of solid waste and mercury containing waste respectively.

#### 2016 Waste Utilization Summary

<table>
<thead>
<tr>
<th>Type of Waste</th>
<th>2016 Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Dangerous (I class)</td>
<td>Mercury containing waste (amps), units 485 Utilized by PE OOO Postup. Decreased year-on-year owing to transfer to LED-based technologies</td>
</tr>
<tr>
<td>Moderately Dangerous (II class)</td>
<td>Printers and hardware, units 482 (2017 PC, 188 printers, scanners, multifunction printers, 8 servers, 19 – PC peripheral devices) Scrap iron is delivered to RUP Minsk Plant Vtorchermet. Parts containing precious metals are extracted from computers and equipment and delivered to RPUP Belsvetmet</td>
</tr>
<tr>
<td>Slightly Dangerous (III class)</td>
<td>Solid waste, tons 188 Dumped by specialized organizations. The volume of solid waste remained unaltered year-on-year</td>
</tr>
<tr>
<td>Very Low Danger (V class)</td>
<td>Paper waste, tons 32.4 Recycled by specialized organizations. Volume fluctuations depend on the lifetime of documents storage</td>
</tr>
</tbody>
</table>
4 Subsidiaries

4.1 Principles of Interaction
4.2 Unitary Insurance Enterprise
USP Belvneshstrakh
4.3 Vneshekonomsstroy
Commercial Joint-Venture LLC
4.1 Principles of Interaction

The major principle underpinning the Bank’s interaction with its subsidiaries is a combination of independence of daily operation and centralized overall control on the part of the Bank through its representation and partaking in general shareholder meetings, supervisory bodies conventions and audit committees as laid down in the Bank’s Procedure approved by the Board on 15.06.2005 under No.11 and amended on 27.03.2012 under No. 5, on 22.06.2016 under No. 315, and 22.12.2016 under No. 44.

The Bank’s subsidiaries shall present their reports on their preceding year results to the Chairman of the Bank’s Board during the sitting of the Management Board Meeting before the 1st of July of each year.

Pursuant to the Bank’s 2016–2018 Development Strategy all participants of the Bank’s holding shall facilitate the Bank’s operation and render assistance in broadening the scope of high-quality financial services and products to its customers.

Broader scale of operation and tougher external environment challenge the Bank to build efficient subsidiary network which became a key element in implementation of the Bank’s strategic goals.

Currently the Bank is streamlining the structure of its holding. To dispose of its non-core assets and act in compliance with Protocol No. 29 dd. 5 September 2016 of the Supervisory Board, in January 2017 the Bank sold its stake in SZA O International Energy Center to an investor. As a result, SZA O International Energy Center was excluded from Bank BelVEB-Holding.

As at 21 January 2017, the Bank’s subsidiaries embrace USP Belvneshstrakh (100%) and KSO Vneshekonostroy (51%).

Internal control with the Bank’s holding is subject to the Internal Control Policy approved on 29.04.2013 under No. 10 and amended on 24.01.2017 under No. 3. The Bank coordinates intra-holding communication, monitors its compliance with the Bank’s executive bodies’ decisions and the national legislation and evaluates financial results of the holding members.

4.2 Unitary Insurance Enterprise USP Belvneshstrakh

4.2.1 Priorities and Development Strategy

The Bank’s subsidiary USP Belvneshstrakh was founded in 1994. Compliant with the national law, the company is focused on insurance business. According to its Statute the company’s major activities include such insurance (except for life insurance) as voluntary personal insurance, voluntary property insurance, voluntary liability insurance, reinsurance and other related activities.

USP Belvneshstrakh provides supplementary financial services to the Bank’s customers.

USP Belvneshstrakh at a Glance

| Share Capital as at 01.01.2017, BYN thousand | 9 493,0 |
| Bank BelVEB’s shareholding as at 01.01.2017, % | 100 |
| Net Profit for 2016, BYN thousand | 388,9 |
| Staff Number as at the year-end | 123 |

As at end-2016, the company was placed 6th among the country’s private sector insurers in terms of insurance premium volume and in terms of net profit.

Insurance premium amounted to BYN 9,051.2 as compared to BYN 7,597.5 in 2015 (19.1% increase year-on-year). Net profit made up BYN 388.9 thousand against BYN 685.8 thousand in 2015, which is 1.8 times lower year-on-year, but oversteps the pre-scheduled 384 thousand Belarusian roubles contained in the Bank’s 2016 Business Plan.

USP Belvneshstrakh approved its own policy to manage its strategy, objectives and principles with respect to the company’s personnel. Starting from 2016, USP Belvneshstrakh initiated optimization of its structure with a view to enhancing both HR management and servicing standards.

The staff of the company is comprised of 123 members of which 70 are on the payroll and 50 are contracted. Compared to 2015, the number of the company’s full-time employees increased by 2.9% (2 officers). 65 staff members have higher and secondary specialized education (92.9%).

In 2016, personnel turnover made up 22.9%, 16 employees quit, 18 were employed.

The gender composition as at the year-end is as follows: 67.1% (47 employees) are women, and 32.9% (23 employees) – men.

11 employees (15.7%) are under 30 years old, 41 employees (58.6 %) are from 31 to 50 years old and 18 (25.7 %) employees are over 50 years old.

In 2016, USP Belvneshstrakh canceled 16 employment contracts of which 13 job contracts were not extended upon mutual agreement of the parties and 3 contracts were terminated at the staff’s instigation.

4.2.2 Interaction with Interested Parties

Major stakeholders of USP Belvneshstrakh include the supervising authority – Head Insurance Supervision Department of the Ministry of Finance of Belarus, the Bank, customers, partners and its employees.

USP Belvneshstrakh remains in contact with the Ministry of Finance of Belarus, its shareholder and all interested parties on different matters.

In the reporting year, the amount of insurance premiums under agreements between the Bank and USP Belvneshstrakh amounted to BYN 213.5 thousand. The portion of the above premiums accounted for 2.5%. Insurance of default under loans and financial risks insurance made up 39.6%. Insurance indemnity paid for the Bank’s benefit made up BYN 1,003 thousand. USP Belvneshstrakh holds with the Bank a total of BYN 11 million (83% of its statutory fund and insurance reserves).

In 2016, USP Belvneshstrakh maintained and further developed its long-standing cooperation and embarked on new partnership relations with such companies as Zeppelin Weißrussland Foreign Limited Liability Company, TechnoinvestMash Private Trading Unitary Enterprise, Sula Pius LLC, Ligmaton LLC, Balfo Arena LLC, TC Bonus LLC, Electroserve & Co LLC, KDM Konstruktia LLC, Tekhnikon LLC, Belpohtotechnologia Manufacturing and Trading Private Unitary Enterprise, BPTранспорт LLC, Grintrans LLC, Monotransport LLC.

USP Belvneshstrakh at a Glance

| Net Profit for 2016, BYN thousand | 388,9 |

| Total Number of Employees | 16 |
| Number of Dismissed Employees | 123 |
| Percentage of Dismissed Employees to the Total Number, % | 22.9 |

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Total Number of Employees</th>
<th>Number of Dismissed Employees</th>
<th>Percentage of Dismissed Employees to the Total Number, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>11</td>
<td>5</td>
<td>45.40</td>
</tr>
<tr>
<td>From 31</td>
<td>40</td>
<td>7</td>
<td>17.07</td>
</tr>
<tr>
<td>Till 51</td>
<td>18</td>
<td>4</td>
<td>22.22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Total Number of Employees</th>
<th>Number of Dismissed Employees</th>
<th>Percentage of Dismissed Employees to the Total Number, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>23</td>
<td>9</td>
<td>39.10</td>
</tr>
<tr>
<td>Female</td>
<td>47</td>
<td>7</td>
<td>14.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Employees</th>
<th>Number of Dismissed Employees</th>
<th>Percentage of Dismissed Employees to the Total Number, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minsk</td>
<td>60</td>
<td>16</td>
<td>26.70</td>
</tr>
<tr>
<td>Regional Branch</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
4.2.3 Health and Labor Safety, Job Satisfaction

Employees of the company from officers to managers regularly undergo instructions and knowledge tests on labor safety rules which helped to prevent any professional injuries during 2016. No violations of safety rules were reported or complaints regarding working conditions submitted to the company’s management or authorized bodies. In 2016, working area complied with the existing norms and standards.

4.3 Vnesheconomonstroy Commercial Joint-Venture LLC

4.3.1 Priorities and Development Strategy

The major activities of Vnesheconomonstroy (founded in 2004) are to carry out the function of an ordering party in construction of real estate, to prepare sale of real property and to sale the same. In 2016, KSO Vnesheconomonstroy continued selling flats in the ‘House on Myastrovskaya’ and ‘Slavyansky Residential Area’ dwelling complexes, having concluded 32 agreements for BYN 5,490.6 thousand and 33 agreements for BYN 5,354.1 thousand respectively.

Vnesheconomonstroy’s Highlights

| Share Capital as at 01.01.2017, USD | 1 197 275 |
| Bank Shareholding as at 01.01.2017, % | 51 |
| Profit in 2016, BYN thousand | 2 720 |
| Staff Number | 16 |

4.3.2 Interaction with Interested Parties

Vnesheconomonstroy interrelates with state authorities, shareholders and its stakeholders from sub-contractors to buyers to customers. In 2016, Vnesheconomonstroy’s staff number decreased by 2 officers employed on a full-time basis year-on-year to make up 16 employees. 100% of the employees have higher and specialized secondary education.

In 2016, Vnesheconomonstroy canceled 2 employment contacts in connection with contract termination and upon mutual agreement of the parties.

In the reporting year, 2 officers quitted, and staff turnover made up 11%. The average age accounted for 44 years old. The gender breakdown is as follows: 50% - men (8 officers), and 50% – women (8 officers).

1 employee (6.3%) is under 30 years old, 10 employees (62.5%) are from 31 to 50 years old, and 5 employees (31.2%) are over 50 years old.

4.3.3 Social Support and Environmental Safety

The company’s social care policy is compliant with the national legislation, and its Staff Remuneration Procedures adopted on 07.07.2009 under No. 6 and outlining information on incentives payable for the benefit of Vnesheconomonstroy’s personnel. In the year under review, financial support was provided on the occasions of child birth (1 officer) and jubilee (1 officer), as well as in connection with funeral of a close relative (1 officer).

In 2016, no professional injuries were reported. Prevention of workplace injuries is organized and coordinated by general contractors.

Under contractor’s work agreements, general contacting organizations shall be held liable for compliance with the environmental legislation. Observation of the environmental law is controlled by the Minsk City Committee on Natural Resources and Environmental Protection.

With a view to ensuring fire safety, the company’s office was equipped with fire evacuation schemes. In 2016, the personnel entirely complied with the national labor protection and fire safety legislation. No professional injuries or complaints regarding working conditions, labor protection or fire safety were reported or submitted to the company’s management or the regulator.

Vnesheconomonstroy’s employees are granted the opportunity to visit fitness centers and other sporting facilities.
5.1 Subject of the Report
5.2 Preparation of the Report
5.3 Scope
5.4 Principles
5.5 Limitations
5.6 GRI Application Level
5.7 Contact Information
5.8 GRI Guidance Compliance
This Sustainability Report is the sixth non-financial report of the Bank containing data as at end-2016. The Report was prepared in accordance with GRI’s G4 Sustainability Reporting Guidelines and Financial Services Sector Supplement and covers the key 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.

The Report was prepared in compliance with Guidelines for Non-Financial Reporting approved by the Board on 21.12.2011 under No. 501 (as revised on 18.04.2012 under No. 203 and on 08.06.2016 under No. 290).

The Report is based on:
- internal by-laws related to economic, social and environmental matters;
- state mass media highlighting the Bank’s activities; and
- feedback from the Bank’s structural units and branches.

The Report was prepared in consultation with the Analysis and Sustainable Institutional Development Division of the Strategic Development Department of Vnesheconombank.

Completeness and correctness of the data are corroborated by reference to measurement methods and sources of information for the purpose of verification (see GRI Compliance Table).

The Bank plans to publish Sustainability Reports annually.

All data is given as at end-2016 but most important events that took place thereafter are also highlighted.

The Report was approved the Management Board on 24.05.2017.

The following principles were applied to the Report:
- importance and completeness of the data;
- sustainability pertaining information;
- account of stakeholders’ interests;
- balanced information; and
- authentic data.

The Report contains information on the Bank’s subsidiary companies.

The Bank estimates GRI standards application at ‘C’ level.

The Bank certifies that the Internal Audit Department conducted selective check of the data included into the Report.

Pobediteley Ave. 29, 220004, Minsk City, Republic of Belarus
You are welcome to send your enquiries and comments to II.Yusha@BelVeb.by.

The Report reflects aspects concerning the Bank’s input into sustainable development including its investment activities. Financial results are included into the Bank’s Annual Report. For additional information you may visit www.belveb.by.
5.8 GRI Guidance Compliance

<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>Page/Comments and Additional Information/ References to Other Sources</th>
</tr>
</thead>
<tbody>
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<td>1.1 Statement from the most senior decision-maker of the reporting organization about the relevance of sustainability for the organization</td>
<td>P. 6-7</td>
</tr>
<tr>
<td>1.2 Description of key impacts, risks and opportunities</td>
<td>P. 13</td>
</tr>
<tr>
<td>2.1 Name of the organization</td>
<td>P. 10</td>
</tr>
<tr>
<td>2.2 Primary brands, types of products and/or services</td>
<td>P. 10  See 2016 Annual Report <a href="http://www.bveb.by">http://www.bveb.by</a></td>
</tr>
<tr>
<td>2.3 Operational structure of the organization</td>
<td>P. 12</td>
</tr>
<tr>
<td>2.4 Location of the organization's headquarters</td>
<td>P. 71</td>
</tr>
<tr>
<td>2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report</td>
<td>Republic of Belarus</td>
</tr>
<tr>
<td>2.6 Nature of ownership and legal form</td>
<td>P. 10</td>
</tr>
<tr>
<td>2.8 Scale of the reporting organization</td>
<td>P. 10, 12, 15-16  See 2016 Annual Report <a href="http://www.bveb.by">http://www.bveb.by</a></td>
</tr>
<tr>
<td>2.9 Significant changes during the reporting period regarding size, structure, or ownership</td>
<td>P. 6-7, 15-16  See 2016 Annual Report <a href="http://www.bveb.by">http://www.bveb.by</a></td>
</tr>
<tr>
<td>2.10 Awards received in the reporting period</td>
<td>P. 16</td>
</tr>
<tr>
<td>3.1 Reporting period for information provided</td>
<td>P. 68</td>
</tr>
<tr>
<td>3.2 Date of most recent previous report</td>
<td>28.07.2016</td>
</tr>
<tr>
<td>3.3 Reporting cycle</td>
<td>P. 68</td>
</tr>
<tr>
<td>3.4 Contact point for questions regarding the report or its contents</td>
<td>P. 69</td>
</tr>
<tr>
<td>3.5 Process for defining the report content</td>
<td>P. 68</td>
</tr>
<tr>
<td>3.6 Boundary of the report</td>
<td>P. 69</td>
</tr>
<tr>
<td>3.7 Any specific limitations on the scope or boundary of the report</td>
<td>P. 68-69</td>
</tr>
</tbody>
</table>

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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. 69 |

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. 68 |

3.10 Explanations of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement | P. 68 |

3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | P. 69 |

3.12 Table identifying the location of the Standard Disclosures in the report | P. 70-75 |

3.13 Policy and current practice with regard to seeking external assurance for the report | P. 69 |

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. 11-12 |

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. 23-26, 26-27 |

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. 28 |

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. 11  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 20 May 2011, Minutes No. 4 |
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization

The Bank does not directly address the precautionary principle to its activities. Approach to the risk management is described in the Annual Report. See 2016 Annual Report: http://www.bveb.by/

4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses

P. 27-28, 29, 33-36, 38

4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations

P. 10, 29

4.14 List of stakeholder groups engaged by the organization

P. 23

4.15 Basis for identification and selection of stakeholders with whom to engage

P. 23-24

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

P. 23-24, 24-27

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. 26-27

GRI FINANCIAL SERVICES SECTOR SUPPLEMENT

F51 Policies with specific environmental and social components applied to business lines

P. 22, 29, 31-33, 34, 35-36, 42-43, 57-59

F52 Procedures for assessing and screening environmental and social risks in business lines

P. 24-26, 35, 35-36

F53 Processes for monitoring clients’ implementation of compliance with environmental and social requirements included in agreements or transactions

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Disclosure/GRI Performance Indicator | Page/Comments and Additional Information/References to Other Sources | Page/Comments and Additional Information/References to Other Sources
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F56 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector | P. 38 | 

FS16 Initiatives to enhance financial literacy by type of beneficiary

P. 31-32

FS17 Management Approach

P. 13-17

ECS Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation

P. 55

EC8 Development and impact of infrastructure investments and services provided primarily of public benefit through commercial, in-kind, or pro bono engagement

P. 36-40, 42-43

ENVIRONMENTAL PERFORMANCE INDICATORS

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. 57

EN7 Initiatives to reduce indirect energy consumption and reductions achieved

P. 57

EN21 Total weight of waste by type and disposal method

P. 59

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

P. 57-59

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 non-monetary sanction were imposed on the Bank for non-compliance with environmental laws and regulations. 2016 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. 58
## Labor Practices Performance Indicators

<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>Page/Comments and Additional Information/References to Other Sources</th>
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</thead>
<tbody>
<tr>
<td>LA1 Total workforce by employment type, employment contract, and region</td>
<td>P. 51-52, 63-64, 65</td>
</tr>
<tr>
<td>LA2 Total number and rate of employee turnover by age group, gender, and region</td>
<td>P. 51-52, 63-64, 65</td>
</tr>
<tr>
<td>LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations</td>
<td>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 Belvneshekonombank OJSC and welfare payments define welfare payments and compensation to the employees, except part-time and temporary employees</td>
</tr>
<tr>
<td>LA4 Percentage of employees covered by collective bargaining agreements</td>
<td>P. 50</td>
</tr>
<tr>
<td>LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements</td>
<td>P. 50-51</td>
</tr>
<tr>
<td>LA6 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region</td>
<td>P. 55</td>
</tr>
<tr>
<td>LA7 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases</td>
<td>P. 55</td>
</tr>
<tr>
<td>LA8 Health and safety topics covered in formal agreements with trade unions</td>
<td>P. 55</td>
</tr>
<tr>
<td>LA9 Average hours of training per annum per employee, by employee category</td>
<td>P. 53</td>
</tr>
<tr>
<td>LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td>P. 52-53</td>
</tr>
<tr>
<td>LA11 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity</td>
<td>P. 51-52, 63-64, 65</td>
</tr>
<tr>
<td>LA12 Ratio of basic salary of men to women by employee category</td>
<td>P. 55</td>
</tr>
</tbody>
</table>

## Human Rights Performance Indicators

<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>Page/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR4 Total number of incidents of discrimination and actions taken</td>
<td>Cases of discrimination against employees on the grounds of gender, ethnicity, race were not revealed in the practice of the Bank</td>
</tr>
</tbody>
</table>

## SOCIETY Performance Indicators

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures</td>
<td>P. 19</td>
</tr>
<tr>
<td>SO4 Actions taken in response to incidents of corruption</td>
<td>During 2016, there was no court litigation on incidents of corruption</td>
</tr>
<tr>
<td>SO5 Public policy positions and participation in public policy development and lobbying</td>
<td>P. 29</td>
</tr>
<tr>
<td>SO6 Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes</td>
<td>During 2016, there was no court litigation for anticompetitive behavior</td>
</tr>
<tr>
<td>SO7 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations</td>
<td>In the reporting year, the Bank was not liable to any significant fines or non-monetary sanctions for noncompliance</td>
</tr>
</tbody>
</table>

## Product Responsibility Performance Indicators

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<tbody>
<tr>
<td>PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</td>
<td>P. 24-26, 31-33, 33</td>
</tr>
<tr>
<td>PR6 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>There were no recorded complaints regarding breaches of the Bank’s customer privacy and losses of customer data</td>
</tr>
<tr>
<td>PR7 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</td>
<td>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</td>
</tr>
</tbody>
</table>