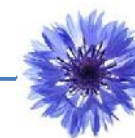




Republic of Belarus
February 2018

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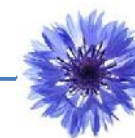
- ❑ **Key Highlights**
- ❑ **Economic Landscape**
- ❑ **Monetary Policy and the Banking Sector**
- ❑ **Government Budget**
- ❑ **Public Debt**

Key Highlights



Minsk-Arena Ice Hockey Complex

Overview



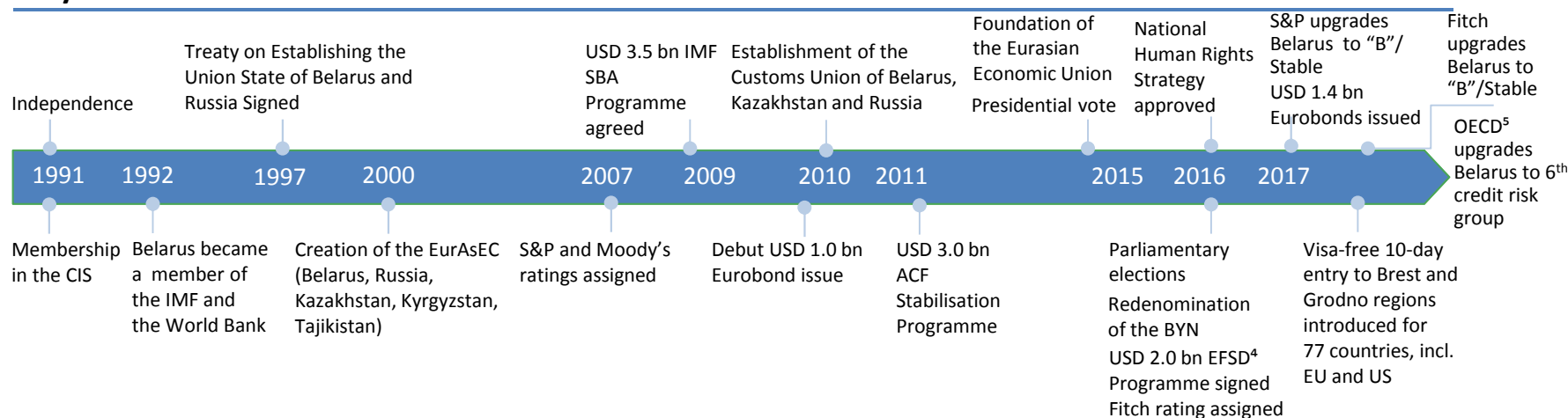
Geographical Position



Key Indicators - 2017

Area	207,595 km ²
Population	9.5 mn
Currency (as of 13.02.2018)	USD/BYN = 1.9959
Current Credit Ratings (S&P/F/M)	B (Stab.) / B (Stab.) / Caa1 (Stab.)
GDP, USD bn ¹	54.4 bn (BYN 105.2 bn)
GDP growth y-o-y ¹	2.4%
GDP per capita, USD (PPP), thsd. ²	18.6
Foreign trade turnover ³ , USD bn	63.4
Industrial production, % of GVA	31.0%
Inflation, Dec / Dec ¹	4.6%
Budget balance, % of GDP ¹	3.0%
Public debt, % of GDP	39.3%
External public debt, % of GDP	30.7%

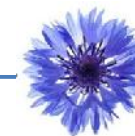
Key Historical Events



Sources: National Statistical Committee of the Republic of Belarus, National Bank, Ministry of Finance, International Monetary Fund ("IMF")

¹ On a preliminary basis. ² IMF estimate. ³ Includes data on trade of goods. ⁴ Eurasian Fund for Stabilisation and Development. ⁵ Organisation for Economic Cooperation and Development

Key Investment Highlights



Industry oriented economy, supported by skilled human capital



Economy returned to growth path, prudent policies resulted in macroeconomic stabilisation



Fiscal discipline and conservative debt management reflected in continuous budget surplus, manageable debt level and proven track record of debt servicing



Key structural and SOE¹ reforms are on track with notable progress. Stable government and institutional capacity to drive further reforms

Deep network of IFI and bilateral partners continues to be broadened and diversified



External liquidity position has stabilised and strengthened through proactive government policy and external financing

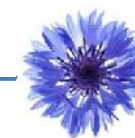


Investor friendly environment evident in high FDI per capita, as compared to peer countries. Continued deepening economic cooperation with China



¹ State owned enterprises

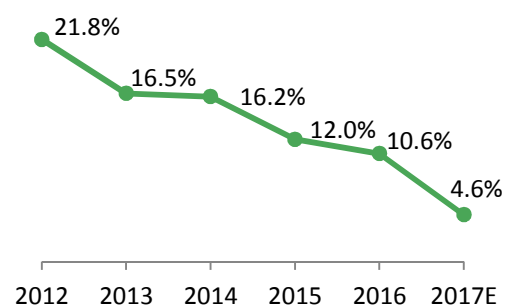
Successful Macroeconomic and Fiscal Stabilisation



Despite recent externally-driven headwinds, Belarus has managed to restore its macroeconomic stability and foreign trade. In 2017, the country resumed its economic growth

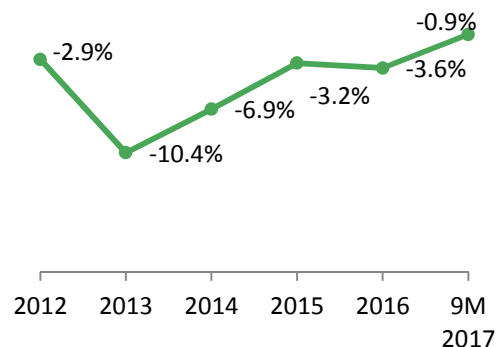
Record Low Inflation

CPI, % Dec / Dec



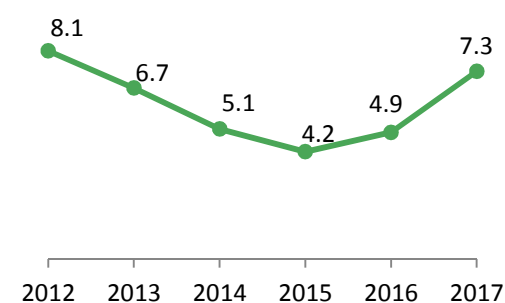
Narrowing Current Account Deficit

Current Account Balance, % of GDP



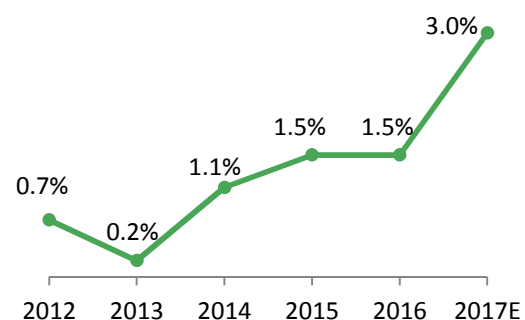
Strengthened Foreign Reserves

USD bn



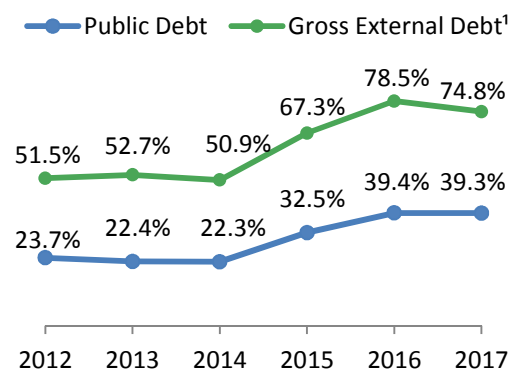
Robust Public Finance Position

Public Sector Budget Balance, % of GDP



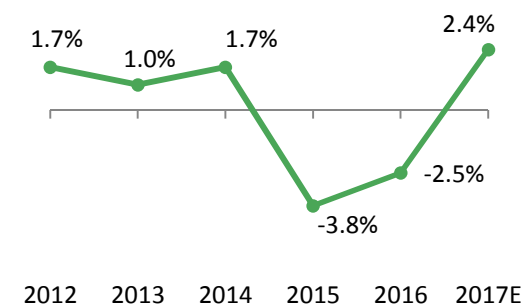
Manageable and Stable Debt

% GDP



Return of Real Growth

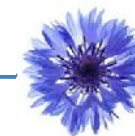
Real GDP Growth, % Y-o-Y



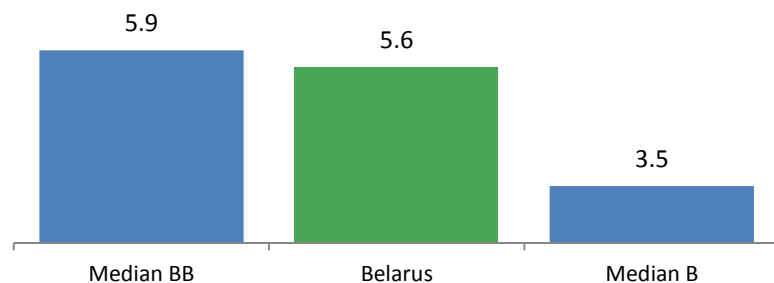
Source: National Statistical Committee, National Bank, Ministry of Finance

¹ Includes total debt of the General Government, Central Bank, deposit organisations and other sectors. Data as of 30.09.2017.

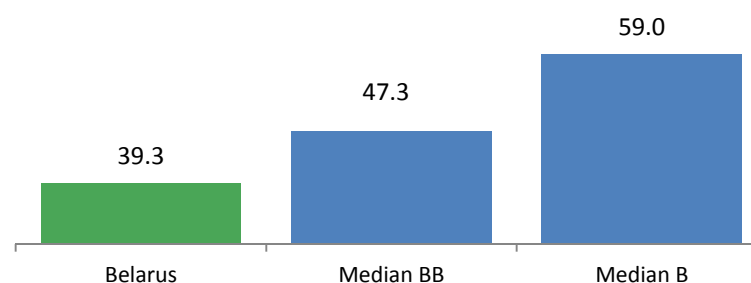
Single B Rating with a Strong Credit Profile



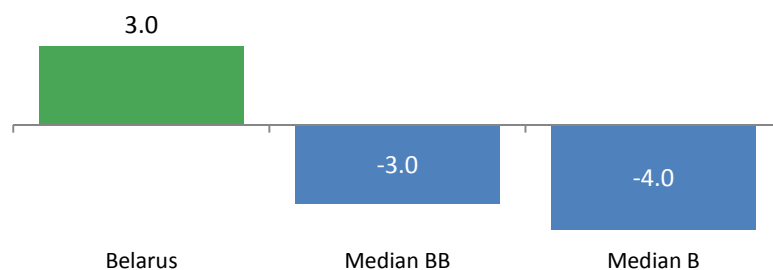
GDP per Capita, USD thsd, 2017E



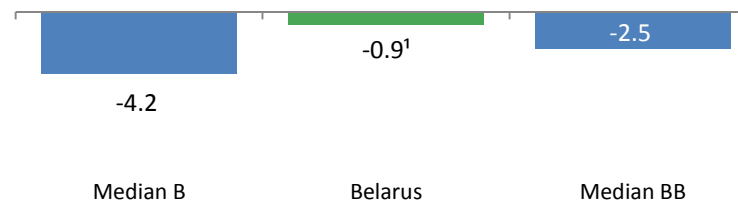
Public Debt, % of GDP, 2017



Budget Balance, % of GDP, 2017E

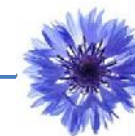


Current Account, % GDP, 2017E



Sources: S&P - Sovereign Risk Indicators (14 December 2017), Ministry of Finance, National Statistical Committee, IMF
¹ 9M 2017 data.

Recent Foreign Policy Developments



Relations with the EU

- ☐ Trade and industrial cooperation increased. Textile quotas for Belarus were abolished in February 2017
- ☐ Within EU's technical assistance programmes Belarus can apply for EUR 29 mn annually
- ☐ European Investment Bank's mandate was extended to Belarus
- ☐ Ongoing negotiations on simplification of visa procedures and on readmission - most issues have been agreed and a draft agreement is under preparation
- ☐ High-level memorandum of understanding ("MoU") on the extension of TEN-T network to Belarus
- ☐ Belarus joined the Eastern European Energy Efficiency and Environment Partnership (E5P), funded by the EU
- ☐ The EU will allocate EUR 3 mn for a project, supporting the economic policy of Belarus. The project will involve the World Bank and will be running in 2018-2020

Relations with China: "One Belt, One Road" Initiative

- ☐ Development of industrial projects, similar to the Great Stone Industrial Park
- ☐ Signing agreements allowing participation of Chinese investors in the capital structure of Belarusian companies

Relations with the World Trade Organisation

- ☐ Belarus has accelerated its negotiations with the World Trade Organisation ("WTO"). As of December 31, 2017, 16 bilateral market access protocols with WTO members had been successfully closed
- ☐ Bilateral protocols with China, the EU and the US are expected to be concluded in 2018 – 2019, with a goal of becoming a WTO member by 2019 year-end

Relations with the OECD

- ☐ Belarus' position in organization's country risk classification improved in January 2018

Economic Landscape



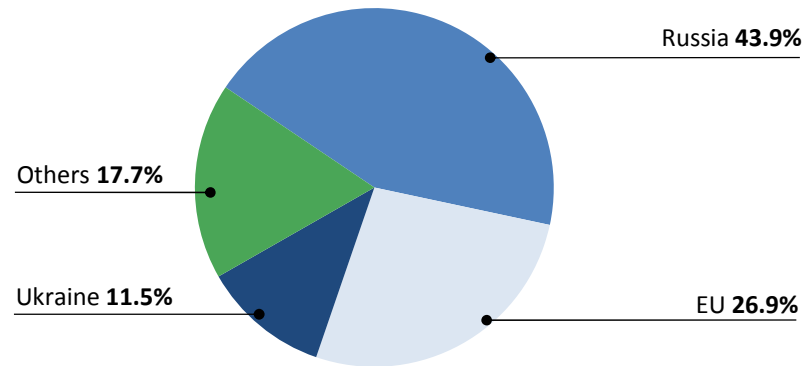
BelAZ 75710 – the world's largest haul truck

Highly Diversified and Industry Focused Economy

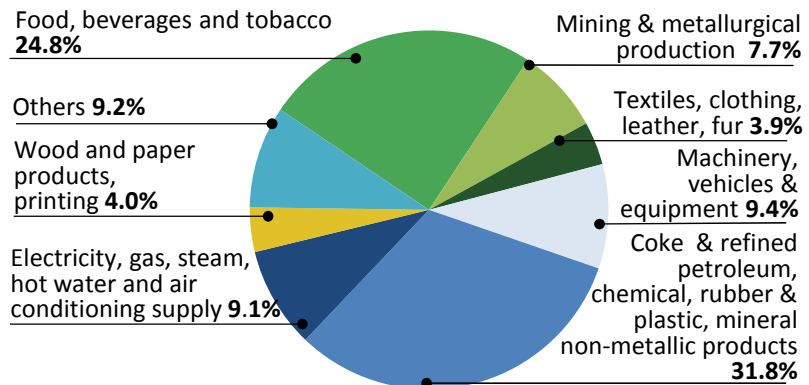


Notable results in industrial production growth and exports have driven the economic growth of Belarus in 2017

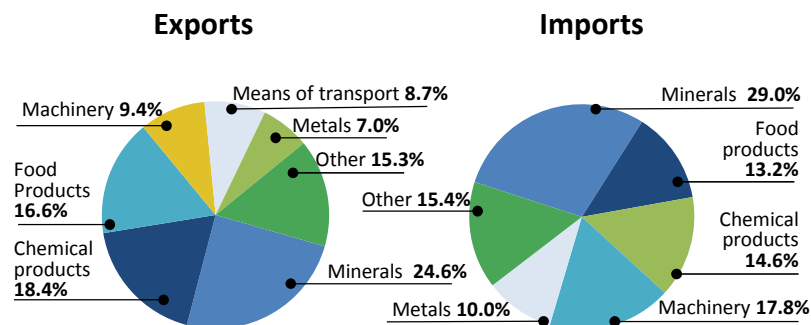
Export Destinations, 2017¹



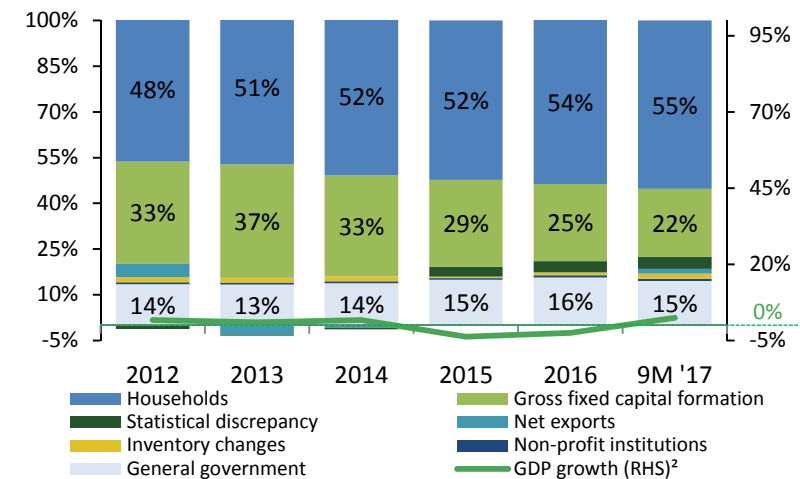
Industry Structure, % of Total Industrial Production, 2017E



Exports and Imports Structure, 2017



Components of GDP, %

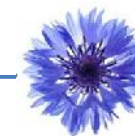


Source: National Statistical Committee

¹ Exports of goods.

² Represents year-end growth for 2016 and 2017E

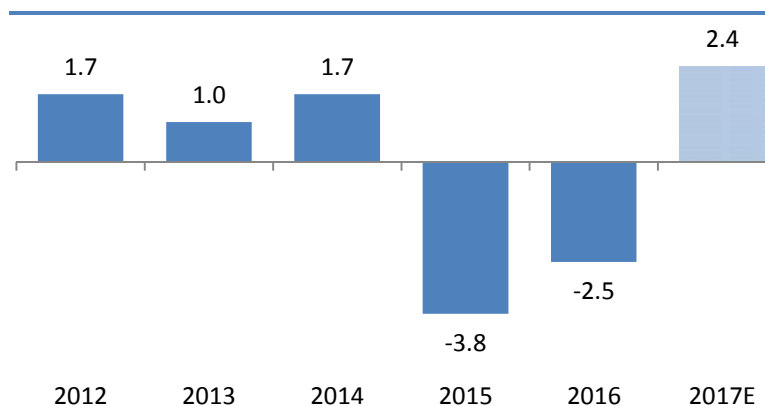
Belarus is on a Path of Economic Growth



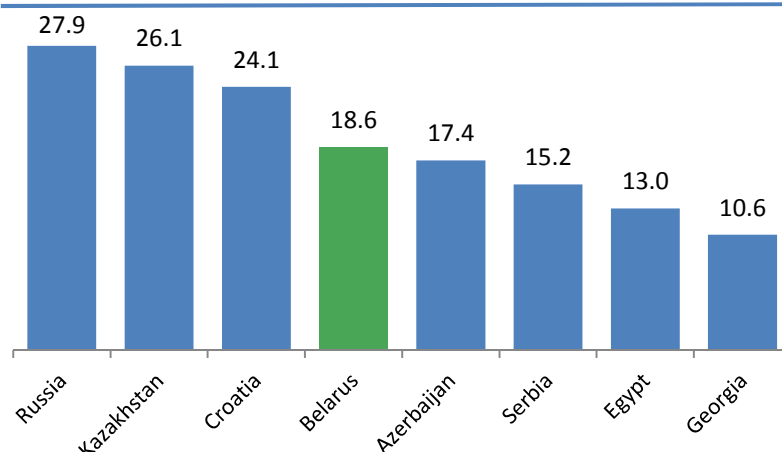
Proactive actions taken by the Government mitigated the negative impact of external shocks on the economy and established a foundation for growth. Belarus possesses a vast growth potential based on development of private sector, effective foreign investments, financial market development and new technologies.

- Real GDP growth in 2017, according to preliminary estimates, has been positive (+2.4% YoY), after two years of economic downturn. The key drivers behind the GDP performance include the stronger industrial sector output, increased exports (+22% 9M 2017), in particular, higher prices of oil and oil products (key components of the Belarus' exports) and the economic recovery of the main trading partners of Belarus – Russia, the EU and Ukraine
- Industrial growth of +6.0% in 2017 was mainly attributed to sectors such as machinery and equipment (+25%), wood & paper products (+14%), pharmaceutical (+12%) and chemical (+11%) products. At the same time, improvements in quality parameters, such as profitability, net profits and lower inventory levels are also observed
- Additionally, consumer demand, underpinned by the credit growth in the banking sector has also had a positive effect on the rebounding of the economy in 2017

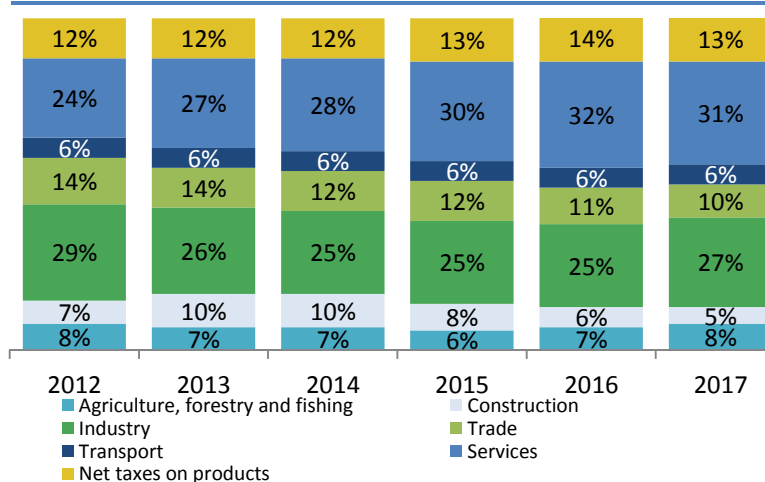
Real GDP Growth, % Y-o-Y



GDP per Capita (USD thsd PPP), 2017E

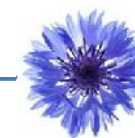


GDP Composition by Economic Sector



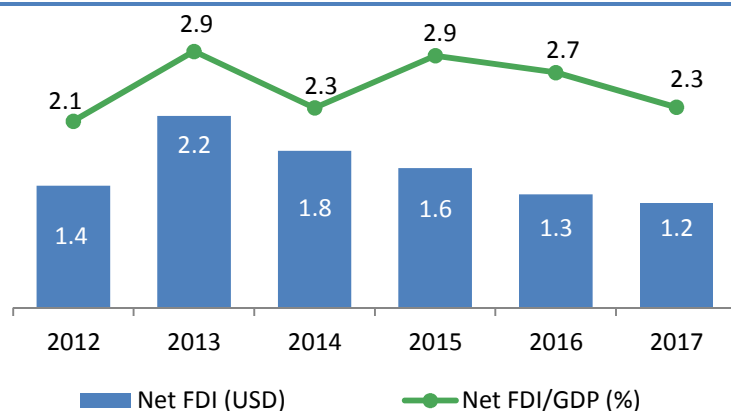
Sources: National Statistical Committee, Ministry of Economy, IMF for "GDP per Capita (USD thsd PPP), 2017"

The Government has Prioritized Attracting FDI

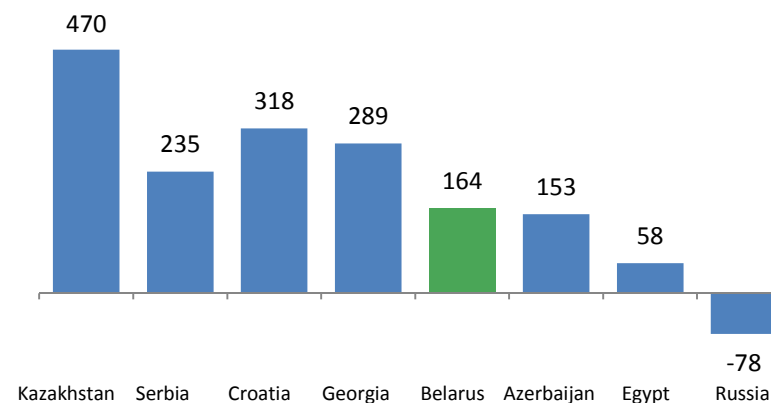


...and has put in place arrangements that are expected to have positive impact on FDI in the coming years. Additionally, Belarus has taken recent steps to lift restrictions on profit repatriation.

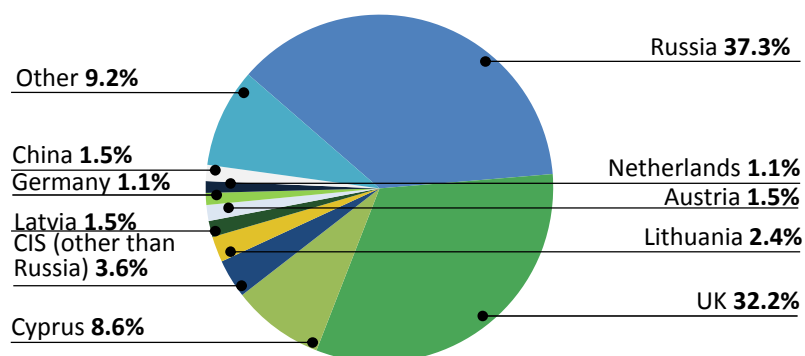
FDI Inflow, USD bn / %



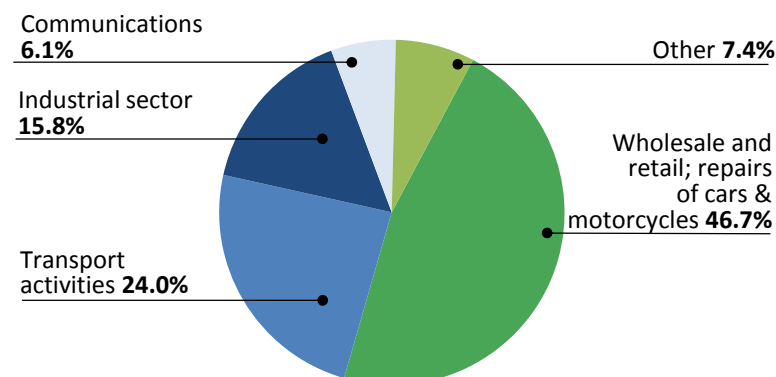
Net FDI per Capita 2012 – 2016 Average, USD thsd



FDI Inflows by Country, 2017¹



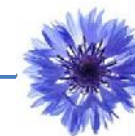
FDI Inflows by Sector, 2017¹



Sources: National Statistical Committee, National Bank, IMF for countries other than Belarus

¹ Excluding the banking sector.

IT Sector is Steadily Growing and has a Prominent Role in the Economy



Belarus has become a leading Eastern European IT hub and the development of the sector is prioritised by the Government

IT sector highlights

32,000

software engineers employed in the IT sector of the HTP

> USD 1.0 bn

HTP software and IT-services export expected in 2017

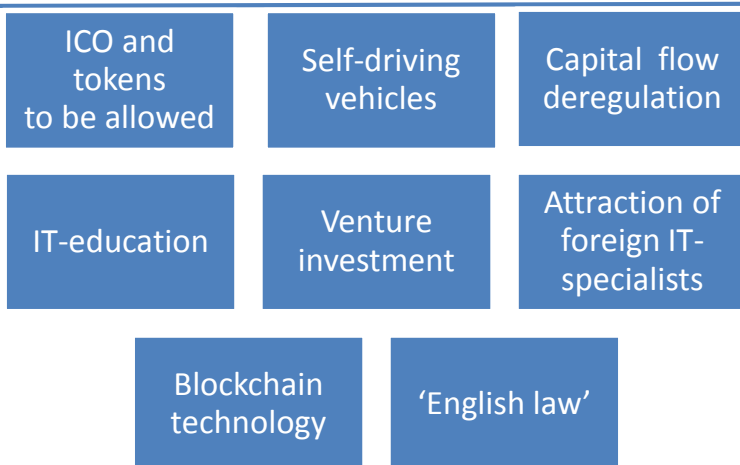
20x

increase export volume between 2006 and 2016

Top 9

in Primary Locations for Outsourcing & Service Delivery centres in EMEA¹

Decree on Development of Digital Economy Adopted in December 2017²



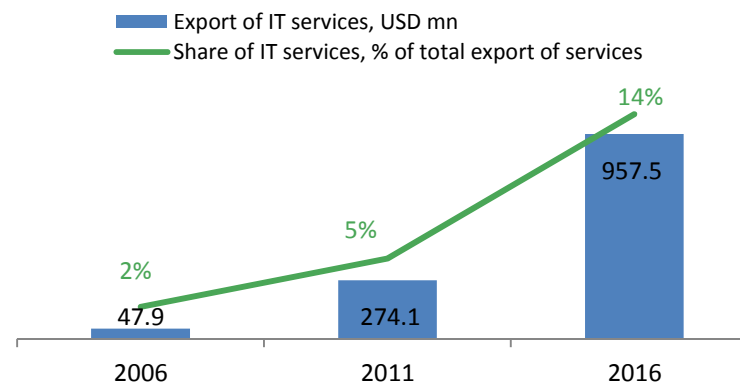
¹ According to the global IT research and consultancy company Gartner

² To come in force in March 2018

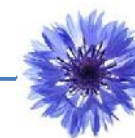
Belarus Hi-Tech Park **HTP** BELARUS

- Providing services globally to 60+ of Fortune's 200 largest companies
- HTP residents with foreign or joint ownership amount to 59% of the total 192 resident companies
- 91% of the software products of HTP are exported
- Preferential treatment for resident companies:
 - favourable tax regime until 2020 (incl. exception from income tax and VAT)
 - lower personal income tax
 - extraterritorial principle of registration
 - access to qualified workforce

IT Services Growth



Continuing the Constructive Dialogue with the IMF



... with a view of further implementation of crucial economic reforms.

Current status

- ☐ Annual consultations under Article IV of the IMF's Articles of Agreement held in October - November 2017
- ☐ Belarus and the IMF agreed on the direction and scope of required policy measures, keeping different views on the pace of their implementation
- ☐ IMF Directors welcomed the progress made in strengthening financial sector's stability, narrowing the current account deficit, growing the foreign reserves as well as stronger monetary policy and inflation targeting results achieved by the Government and National Bank of Belarus
- ☐ The IMF raised its 2018 growth forecast for the economy of Belarus to 1.8% (from below 1.0%)
- ☐ In 2018, the IMF will continue to provide technical assistance to Belarus, in particular, in respect to monetary policy modelling process
- ☐ Discussions toward an IMF's Extended Fund Facility programme are on hold.

Completed reforms in line with recommendations

- ✓ Financial sector action plan detailing measures and timeframe for each of the FSAP 2016 recommendation
- ✓ New Emergency Liquidity Assistance framework
- ✓ Utility tariffs adjustment
- ✓ Targeted social support programme, offsetting utility reforms
- ✓ Central fiscal risk function set up at the Ministry of Finance
- ✓ SOE legislation amended
- ✓ 2017 budget execution expected with a surplus

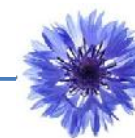
Areas of recommended improvement

Speed of structural reforms

Budget policy and public debt management, in line with recommended deficit and debt levels

Further financial stability due to the still high NPLs and dollarization of the economy

Belarus Follows a Systematic Reform Process



...to achieve macroeconomic stability and build a foundation for growth.

Reforms implemented in 2016 - 2018

Price regulation	Generally abolished (save for social important goods within 90 days during the year)
Utility tariffs for households	Increased
FX export revenues	The share of surrender requirement decreased from 30% to 10%
Pensions	Gradual increase of the retirement age from January 2017 by six months till target age of 63 / 58 years for men / women is reached
Public finance management	Transition to medium-term (three-year) performance-oriented budget planning
Business environment	Measures aimed at entrepreneurship development, stimulating business activity and ease of administrative barriers for doing business
Taxation	Implementation of a wide range of reforms, concerning transfer pricing, VAT invoicing, taxes on gambling, tax controls

Government plans for structural transformations by 2020

- 1 SOE reform and privatisation process
- 2 Enhancement of market competitiveness
- 3 Full utility cost recovery (except heating)
- 4 Phasing-out of directed lending
- 5 Improvement of the financial market
- 6 Adoption of fiscal risks' assessment system
- 7 Continuous improvement of the business environment
- 8 Reforms of the labour market and social safety nets

□ In addition, the Government intends to terminate subsidies to utility sector by 2025

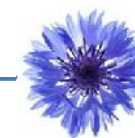
Source: Ministry of Finance

Monetary Policy and the Banking Sector



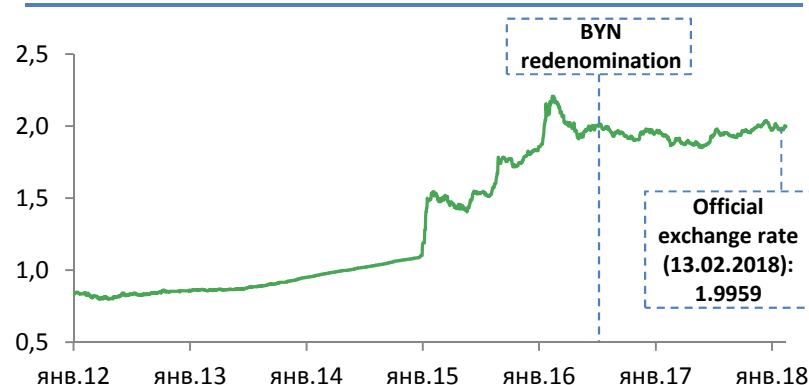
National Bank's commemorative coins – repeated winners of international contests

Reserves Have Strengthened



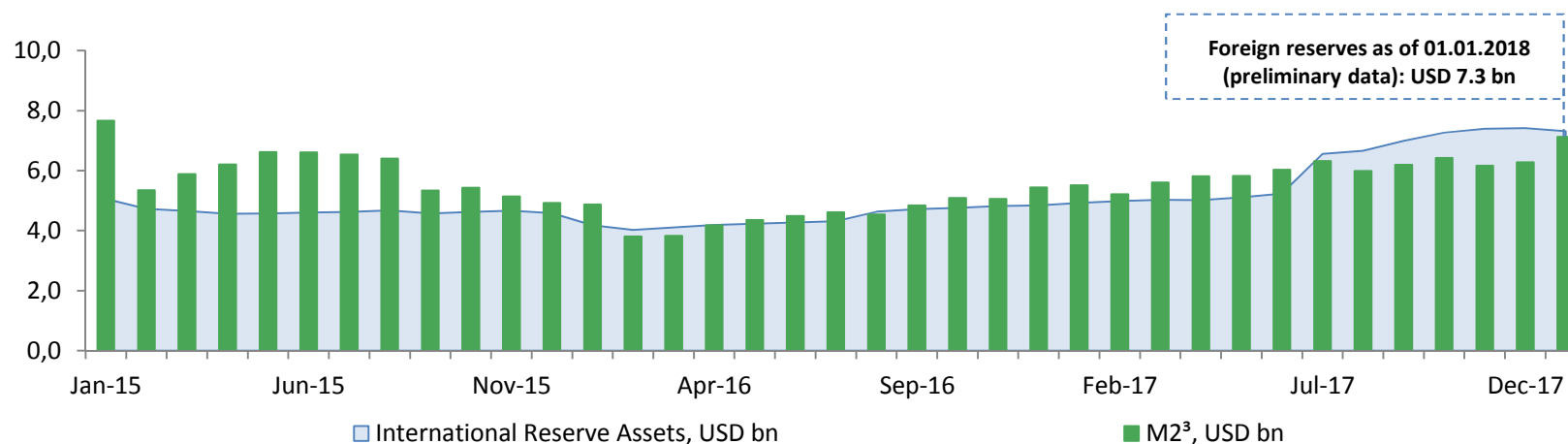
...as a result of proactive policy and efforts to attract external liquidity. In 2017, the consolidation of positive trends in the economy and monetary sector continued. Domestic foreign exchange market is functioning steadily and the foreign currency supply consistently exceeds the demand.

BYN / USD Exchange Rate Dynamics¹



- The main objective of the monetary policy of the National Bank of the Republic of Belarus (the “National Bank”) is to provide price stability
- In 2015, the National Bank switched from a crawling peg of the BYN to a floating exchange rate regime
- Interventions of the National Bank are limited and done only to smoothen out the currency basket² trading
- In 2017, Belarus replenished its foreign exchange reserves via dual-tranche Eurobond transaction. Gold and foreign exchange reserves have grown by USD 2.4 bn in 2017 to USD 7.3 bn or 2.5 months of import cover as of January 1, 2018. The target is to reach 3.0 months of import cover by 2020

International Reserves and M2 Development, USD

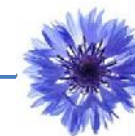


Source: National Bank (<https://www.nbrb.by/enq/statistics/MonetaryStat/BroadMoney/>; <https://www.nbrb.by/enq/statistics/Rates/RatesDaily.asp>; <https://www.nbrb.by/enq/statistics/ReserveAssets/assets.asp>)

¹ Redenominated values. ² Set as of November 1, 2016 as: RUR – 50% (from 40%), USD – 30% (unchanged), EUR – 20% (from 30%)

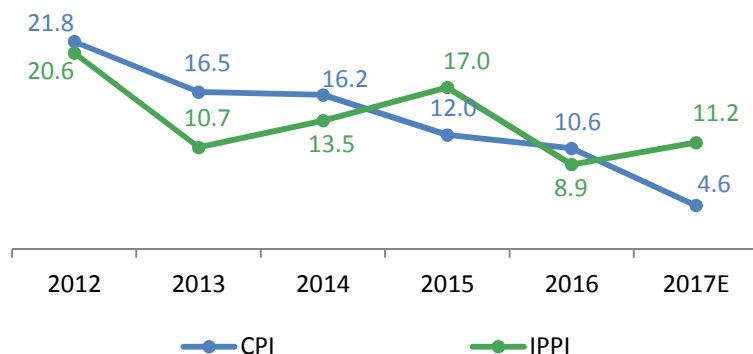
³ M2 data converted in USD using the official exchange rates of the BYN for respective months.

Monetary Policy Measures Have Successfully Brought the Inflation Down



Consumer inflation has decreased from 10.6% in 2016 to a record low level of 4.6% in 2017E. Price stability remains a key priority for the National Bank

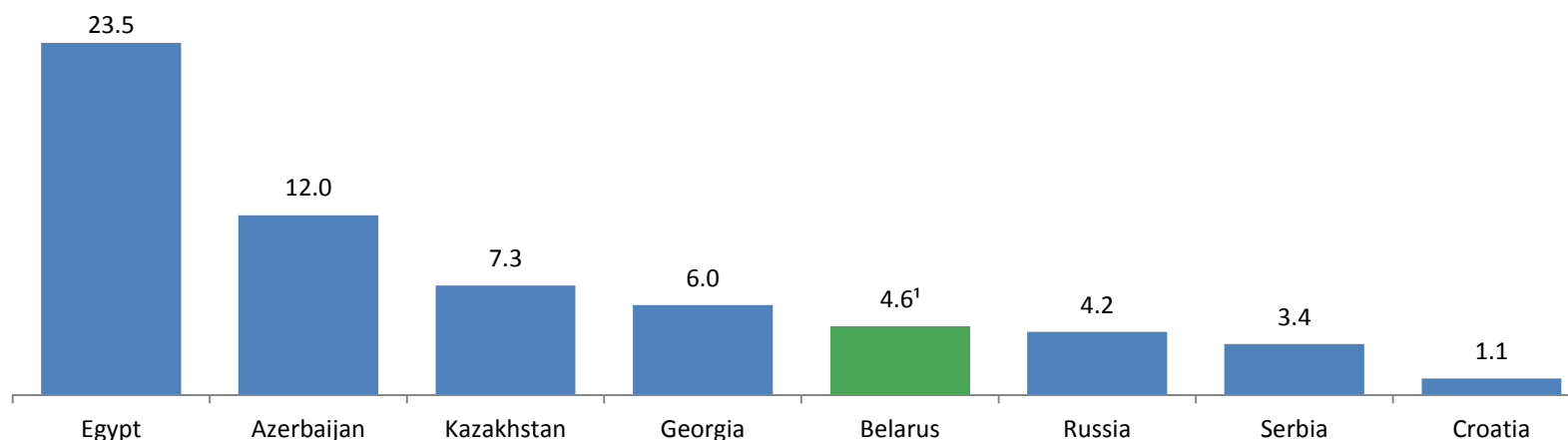
CPI (Dec/Dec) and IPPI Trends



Guidelines

- The CPI growth in annual terms decreased two-fold to an estimated 4.6% in December 2017, compared to 10.6% in December 2016. This was the lowest inflation level on record since the early 1990s
- The target for 2018 is to keep the inflation rate not higher than 6.0%
- The National Bank envisages gradual introduction of inflation targeting in the middle-term and the changes in monetary aggregates in 2017 reflected the policy of control of money supply, which is part of this medium-term goal

CPI Inflation was Significantly Lower in 2017 and is in Line with Peers



Source: National Statistical Committee and IMF 2017 data for peer statistics. ¹ Estimate

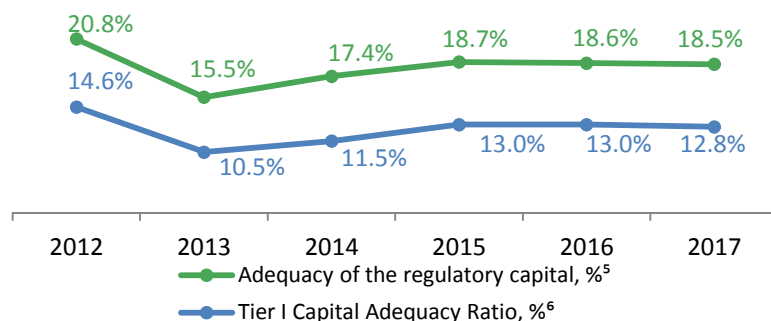
Banks Remain Well Capitalised and Regulations are Tightened



Belarusian banks remain resilient, although macroeconomic conditions pose challenges. The measures implemented by the authorities in order to improve the governance and to protect banks have sustained the strength of the key indicators in the sector in 2017

- There are 24 active banks in Belarus: 5 state-owned, 14 controlled by foreign investors and 5 controlled by private local capital¹
- The minimum regulatory capital requirement is met by all banks and the average capital adequacy ratio in the sector continues to be high: 18.5% as at December 31, 2017.
- NPLs are reduced due to transfer of bad agricultural loans from banks to the Asset Management Agency, dealing with defaulting debts of agricultural producers
- Since January 1, 2018, Basel III liquidity indicators, i.e. the liquidity coverage ratio and the net stable funding ratio have been implemented as secure functioning requirements. Additionally, in relation to the sufficiency of Core Tier I Capital, a countercyclical buffer and a buffer of system significance have also been introduced
- New Basel Committee standards for determining credit, operational and market risk will be implemented in 2018

Banking Sector Capital Adequacy Ratios



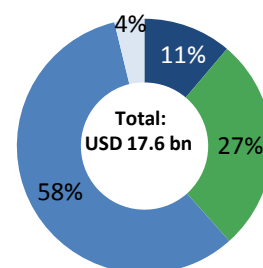
Source: National Statistical Committee, National Bank

¹ Excluding banks in process of liquidation. ² Converted with USD/BYN exchange rates of the National Bank as of December 31st of each year. ³ Share of assets from groups IV and V to gross assets (see Appendix). ⁴ Share of assets from groups III, IV and V to gross assets (see Appendix). ⁵ As per Basel III, regulatory capital consists of Tier I and Tier II, capital previously subject to regulatory restrictions excluded; off-balance reserves for doubtful losses deemed as necessary; trust property assets; previously issued senior loans; subordinated loans. ⁶ Tier I Capital Adequacy (Basel III) set at 6.0% since 01.01.2016.

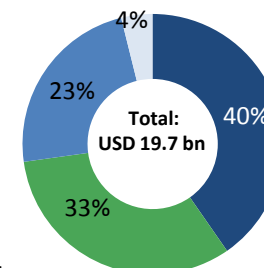
Key Parameters of the Banking Sector

	2012	2013	2014	2015	2016	2017
Total Assets, USD bn ²	38.5	44.5	47.1	39.7	32.4	34.5
Deposits / Liabilities, %	45	44	45	47	47	52
NPL ³ , %	0.7	1.3	0.9	1.9	4.0	2.0
Problem Assets ⁴ , %	5.5	4.4	4.4	6.8	12.8	12.9
Return on Total Assets, %	1.8	1.9	1.7	1.0	1.3	1.4
Return on the Regulatory Capital, %	12.7	13.8	13.1	8.4	10.8	9.6

Deposits by customer type as of 31.12.2017

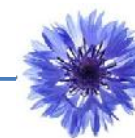


Loans by borrower type as of 31.12.2017



Public Sector
Private Sector
Individuals
Non-bank Financial Institutions

Financial Sector Reform is Underway

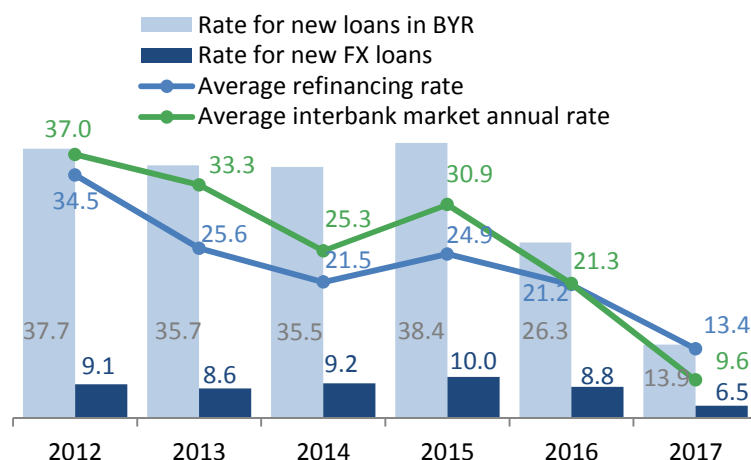


Top 5 Commercial Banks in Belarus as of 31.12.2017¹

	Total Assets, bn USD ²	% of Banking Sector Assets	Total Equity, bn USD ²	% of Banking Sector Equity
BELARUSBANK *	14.3	42%	1.9	40%
belagroprombank *	5.1	15%	0.9	18%
BPS-SBERBANK	2.2	7%	0.3	6%
BelVEB	2.2	6%	0.3	5%
Belgazprombank Energy of your future!	2.2	6%	0.3	5%

* Indicates state-owned banks.

Average Refinancing and Loan Rates



Source: National Bank of the Republic of Belarus.

¹ Excluding the Development Bank of Republic of Belarus (operating as agency for state funding, aiming to reduce the excessive credit growth through direct lending and to enable commercial banks to operate at market terms). ² Converted at a USD/BYN rate of 1.9727.

Privatisation Targets

- The Government has plans to privatise stakes of Bank Moscow-Minsk and Belinvestbank in the period 2018 - 2020:

Belinvestbank

- the Government will be seeking a strategic investor for not less than 75% of the capital of the bank
- EBRD has an active MoU with the government regarding technical support for the privatisation of the bank until January 2020
- In December 2017, EBRD provided a loan of EUR 50.0 mn to Belarus, which was on-lent to Belinvestbank in support of its Tier II capital. EBRD is also considering to join the share capital of the bank in 2018

Bank Moscow-Minsk

- the National Bank has an active MoU with EBRD, supporting the privatisation of the bank, incl. via a pre-privatisation lending support, designated for SME loans, totaling USD 20 mn
- the MoU supports possible minority acquisition of EBRD (25% + one share) via subscription of future share issuance
- the Government and EBRD intend to limit their share participations via the sale of a controlling stake in the capital of the bank to a strategic investor by January 1, 2020

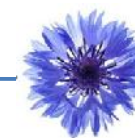
Government Budget



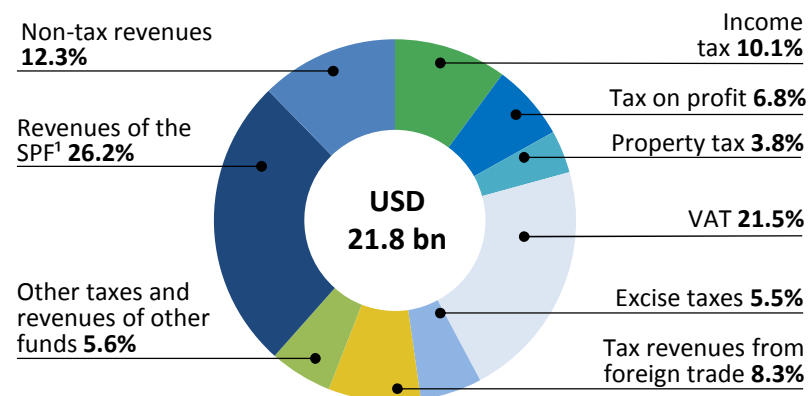
"Students' Village", Minsk

Prudent Budget Oversight

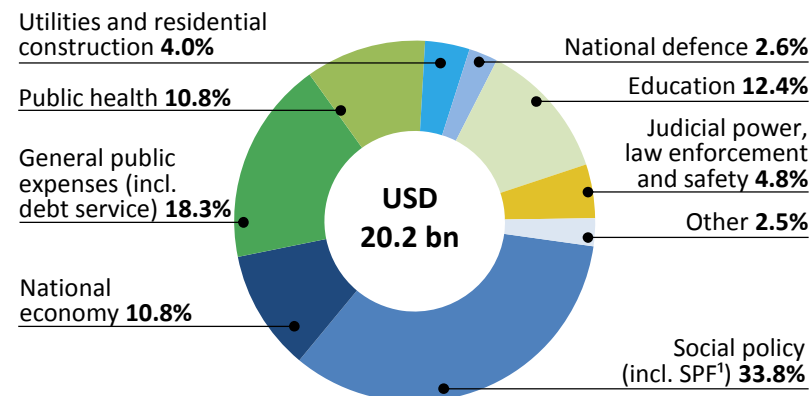
...and diversified revenue base are evidenced in continuous budget surpluses year after year.



Revenue Structure, 2017E

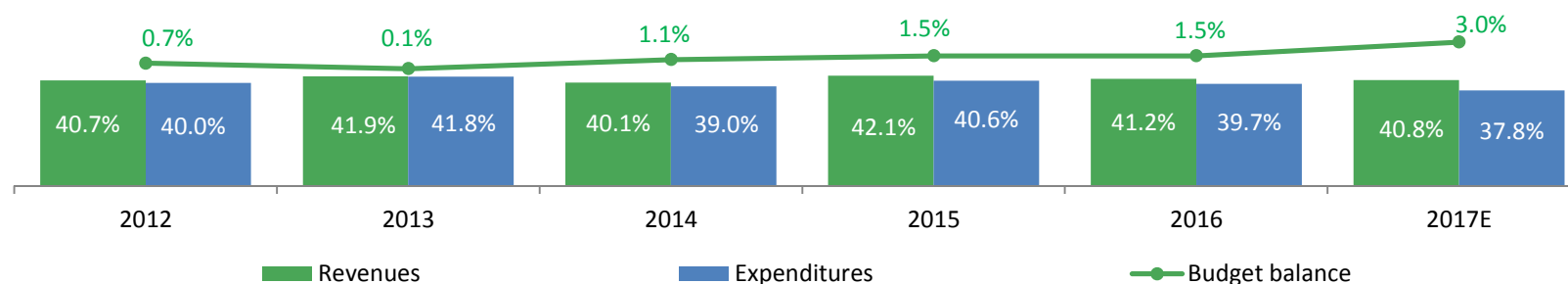


Expenditure Structure, 2017E



- Strong budget performance with expected surplus in 2017 attributed to: an estimated annual GDP growth of 2.4% (vs. 0.2% projected), slow-down of estimated CPI to 4.6% in 2017 (vs. 12.6% projected), recovering oil prices and additional revenues from export customs duties on petroleum products

Public Sector Budget, % of GDP²

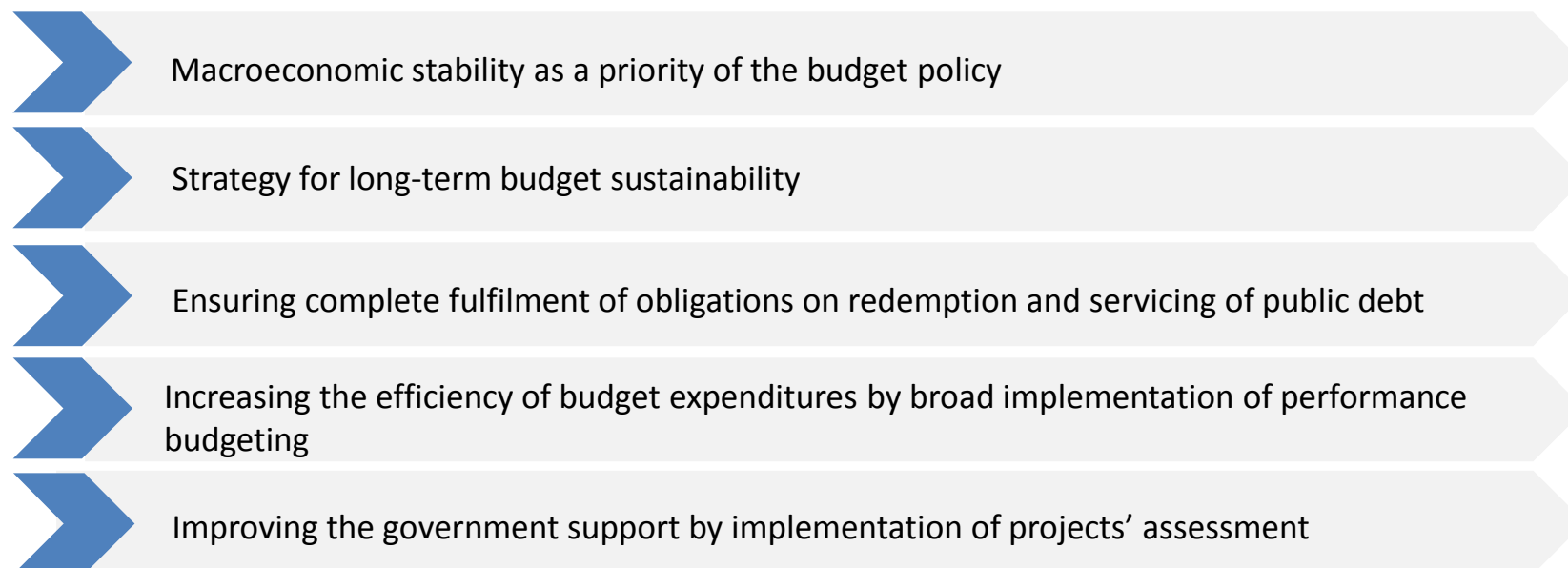
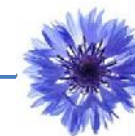


Source: Ministry of Finance

¹ Social Protection Fund

² Public sector budget consists of consolidated budget, extra-budgetary funds and extra-budgetary assets of budget organisations.

Key Budget Policy Targets and Measures



Budget Policy - Restrictive Measures:

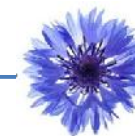
- ❑ Optimisation of public investments
- ❑ Reduction of budget cross-subsidies
- ❑ Decreasing of direct lending to SOE (up to BYN 1.2 (approx. USD 0.6 bn¹) in 2018 from BYN 1.9 bn (approx. USD 1.0 bn¹) in 2017), this form of funding is expected to be narrowed over time

Medium-Term Budget Limits:

- ❑ Budget surplus targets
- ❑ Debt to be partially redeemed from the budget surplus
- ❑ Public debt: the Debt Management Strategy sets out a maximum limit of 45% of GDP

¹ USD/BYN exchange rate of 1.9727 as of December 31, 2017

2018 Budget Based on Conservative Assumptions



The key targets of the 2018 budget are fiscal system's sustainability and efficient usage of budget resources

Budget Parameter	2018
Projected budget surplus	BYN 766 mn (approx. USD 390 mn)
Projected budget surplus, % GDP	0.68
Revenues, % GDP	40.84
Expenditures, % GDP	40.16
External public debt limit	USD 19.6 bn
External guaranteed debt limit	USD 3.0 bn
Domestic public debt limit	BYN 10.0 bn (approx. USD 5.1 bn)
Domestic guaranteed debt limit	BYN 3.1 (approx. USD 1.6 bn)

Goal: utilise the results from the outperformance to create budget buffers for possible absorption of shocks

Base Assumptions of Budget 2018

- ❑ Positive GDP growth at 1.2%
- ❑ The 2018 budget has assumed a CPI (Dec/Dec), which is lower or equal to 7.4% (vs. 12.4% projected in Budget 2017)
- ❑ Budget surplus will be used for repayment of part of public sector external debt

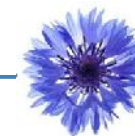
Principles of Budget 2018

1. Tax burden equal to 2017
2. Performance budgeting
3. Excess of budget revenues over budget expenses

Source: Ministry of Finance (Law on the 2018 Republican Budget and Law on the 2018 Social Protection Fund Budget from 31 December 2017)

Ongoing Tax Reforms

...aimed at improving investment climate, reducing tax burden and stimulating private sector growth.



Major Tax Reforms

2012

- profit tax¹ reduced from 24% to 18%
- reduced profit tax for innovative and high-tech companies
- simplified tax rates for SMEs introduced

2013

- further reduction of taxes for SMEs

2014

- companies' taxable profit reduced by R&D and investment deductions
- simplified tax accounting rules introduced

2015

- profit tax¹ for banks and insurers increased from 18% to 25%
- personal income tax increased from 12% to 13%
- local taxes adjusted

2016

- improved supervision of transfer pricing
- electronic VAT invoicing introduced as of 01.07.2016

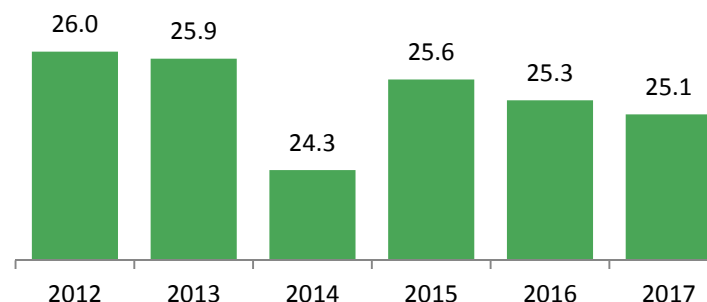
2017

- increase of gambling tax rates, depending on income (up to 2.3 times)
- improved tax control due to introduction of “economically justified costs”

2018 – 2020

- expansion of tax bases by reducing tax benefits
- moratorium on the increase of tax rates and introduction of new taxes, duties

Tax Burden, % of GDP



□ A new edict “On Taxation” from January 2018 provides for:

- indexation by 7.4% of tax rates in BYN, deductions – by 10.1% and income tax relief – by 10.1%
- 20% increase of the gross operating income in the simplified taxation criteria
- new income tax treatment rules for corporate bond incomes of foreign legal entities not operating through a permanent establishment in Belarus

In the 2016 Fiscal Freedom category of the US research centre The Heritage Foundation Belarus ranks 89.8 (out of 100 total score)

In World Bank's “Doing Business-2018” report Belarus takes 96th place in the “Paying Taxes” category (i.e. an improvement by 87 points since 2011)

Source: Ministry of Finance

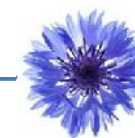
¹ Tax on income and capital gains. ² Preliminary estimate

Public Debt



The M1 (E30) highway, reconstructed with EBRD support, toll equipment by Kapsch TS (Austria)

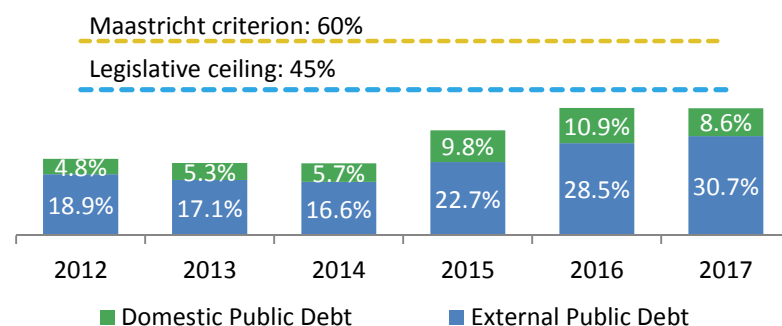
Belarus Consistently Demonstrates Conservative Debt Management



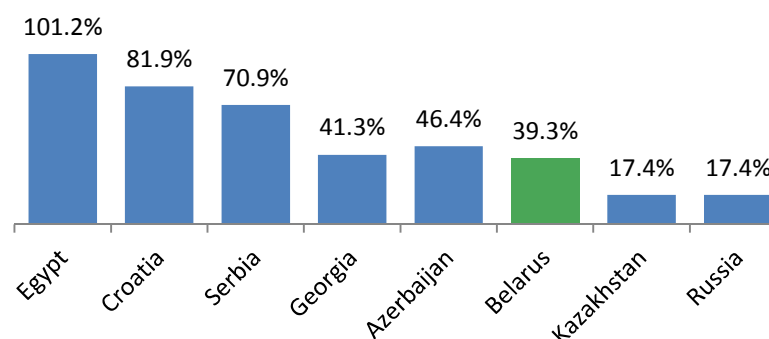
The Sovereign has an impeccable track record of timely and unconditional service of its debt obligations. All sources for public debt redemption and service in 2018 are secured or defined

- As of December 31, 2017, the public debt of Belarus stood at USD 21.4 bn or 39.3% of GDP (well below Maastricht criterion (60%) and EU-28 levels (82.5% Q3'17))
- Debt service and principal dues as per the Budget Code of Belarus are prioritised over other payments in the central government budget

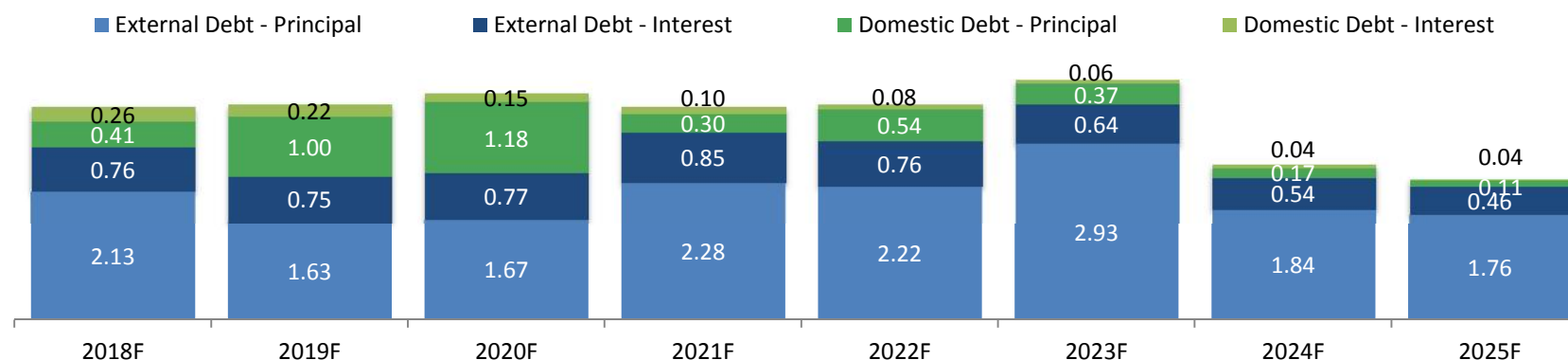
Public Debt, % of GDP



Comparison of Public Debt Levels, % of GDP 2017E

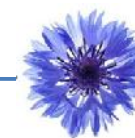


Public Debt Repayment Schedule, USD bn



Sources: Ministry of Finance and IMF 2017 data for peer statistics.

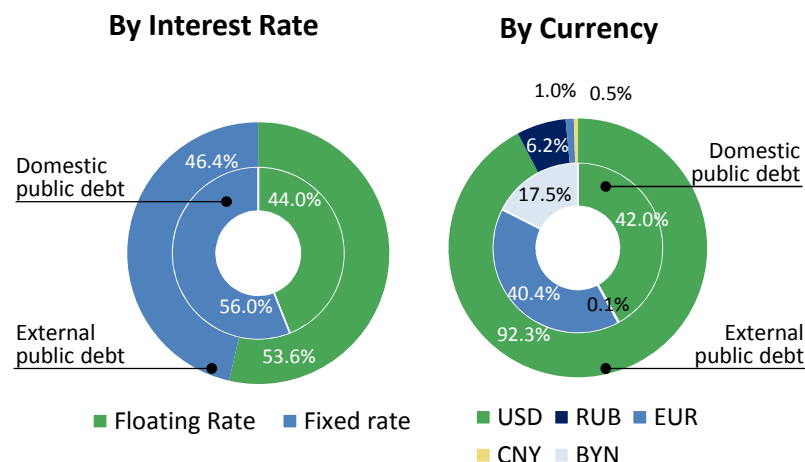
Debt Management Strategy Sets Clear Targets



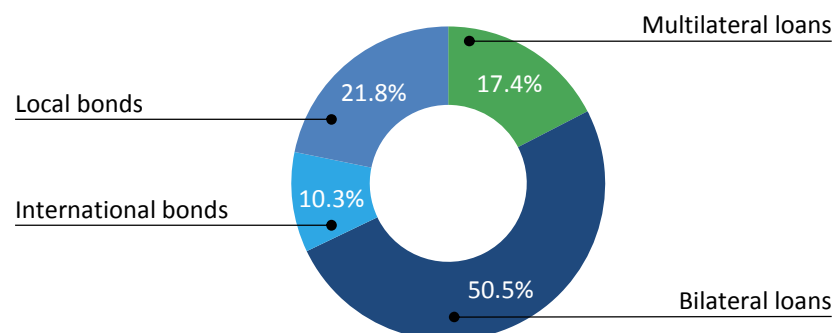
The objectives and tools of public debt management and their further development are advised by the IMF and IBRD.

- External loans are aimed at: (i) developing country's economic potential (i.e. project financing), (ii) refinancing the outstanding debt and (iii) supporting currency reserves' build-up
- The Government plans to gradually reduce the amount of guaranteed debt from current USD 3.9 bn (7.2% of GDP) as of December 31, 2017
- As of December 31, 2017, the average residual maturity of external public debt was 5.3 years and its average interest rate - 4.7%

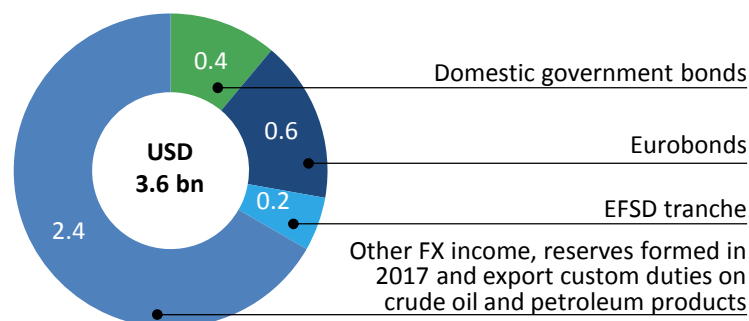
Public Debt Structure as of 31.12.2017



Public Debt by Instruments as of 31.12.2017



Projected External Public Debt Repayment Sources 2018, USD bn



Source: Ministry of Finance

Debt Management Strategy 2015 - 2020

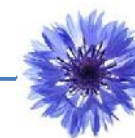
Key Targets

- Decrease future payments' pressure
- Lower cost of borrowing
- Increase average debt maturity
- Create benchmark yield curve





Measures

- Budget surplus will be used for public sector debt repayments
- Diversification of funding sources and available instruments
- Improve legislative framework for local and foreign investors
- Limits on nominal amounts of domestic and external public debt
- Public debt to GDP limited at 45%

Funding from IFIs and Major Bilateral Lenders

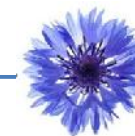


Belarus is diversifying and broadening its already deep network of IFI and bilateral partners.

	<ul style="list-style-type: none"> □ Negotiations regarding the extended fund facility programme are on hold, however Belarus continues its consultative dialogue with the IMF: parties do not have disagreements on the direction of the policy measures, aims and tasks; Belarus aims at a greater flexibility in policy terms and measures and is continuing its dialogue with the IMF
	<ul style="list-style-type: none"> □ On May 15, 2017, the EIB and Belarus signed a framework agreement, which is expected to provide access to the EIB's Eastern Partnership financing
	<ul style="list-style-type: none"> □ Ongoing are eight investment projects and two grants for almost USD 775 mn □ Funding targeted at infrastructure projects, sustainable energy, public services, health, education sectors □ The new Framework Strategy 2018 – 2022 of the World Bank for Belarus is in the pipeline (exp. adoption by March 2018)
<p>ACF¹</p> 	<ul style="list-style-type: none"> □ 10-year USD 3.0 bn credit agreement in support of the balance of payments, currency market, banking sector and the economy, signed in 2011 (o/w USD 2.6 bn disbursed in 2011-2013) □ A three-year stabilisation programme approved in March 2016 and backed by a USD 2.0 bn loan of seven tranches, o/w five (USD 1.6 bn total) already disbursed
	<ul style="list-style-type: none"> □ 2014 – 2017 investments of USD 75 mn focused on financial sector, retail trade, real estate, construction materials and trade finance. An est. USD 50 mn of investments in other sectors received in 2017 □ New investment activities to encompass public-private partnerships, banking sector, projects supporting private sector through trade finance
	<ul style="list-style-type: none"> □ 2016 – 2019 EBRD's strategy for Belarus approved □ MoU on improving the management of state enterprises signed in 2017 □ Active agreements for EUR 163 mn as of December 2017. Programmes, supporting via partner banks SME lending (EUR 7.7 mn), trade facilitation (EUR 36.2 mn), risk allocation programme (EUR 3.2 mn), water supply and sanitation (EUR 40mn) and other lending programmes (EUR 15 mn) □ In 2017, a loan of EUR 50 mn was provided to Belarus to support the capitalisation of Belinvestbank
<p>Other IFIs</p>	<ul style="list-style-type: none"> □ A number of other projects with various IFIs and development banks: Belarus is also working on expanding its cooperation with IFIs such as the Nordic Investment Bank and NEFCO □ The Eurasian Development Bank implemented in the country projects for a total worth of USD 980 million
<p>Russia</p> 	<ul style="list-style-type: none"> □ In September 2017, the Russian Federation disbursed a USD 700 mn loan to Belarus for refinancing its external public debt □ The outstanding bilateral loans from the Russian Government and banks were USD 7.6 bn as of December 31, 2017, o/w the indebtedness related to the financing of the Belarusian Nuclear Power Plant ("NPP") construction was USD 2.7 bn. Additionally, USD 292 mn under a USD 500 mn credit line of Vnesheconombank was utilised in connection with the NPP
<p>China</p> 	<ul style="list-style-type: none"> □ Existing loan agreements for USD 4.6 bn with Eximbank of China and China Development Bank in support of various sectors of the economy (USD 3.2 bn outstanding loans as of 31.12.2017)

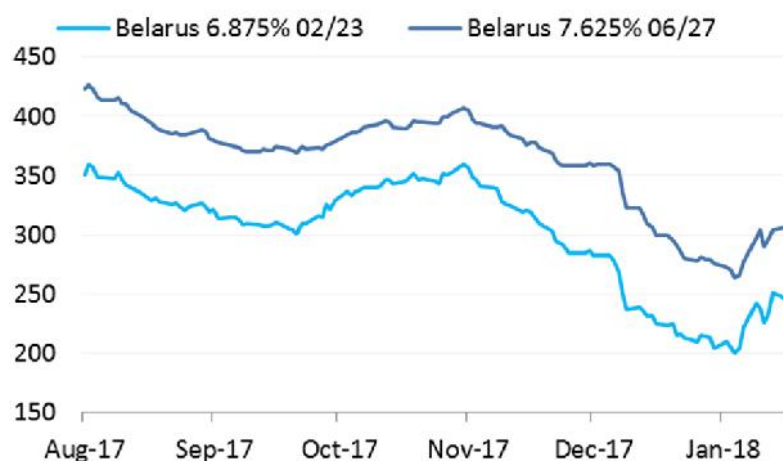
Source: Ministry of Finance ¹ The Anti-Crisis Fund

Belarus' Sovereign Bonds Perform Strongly in the Market



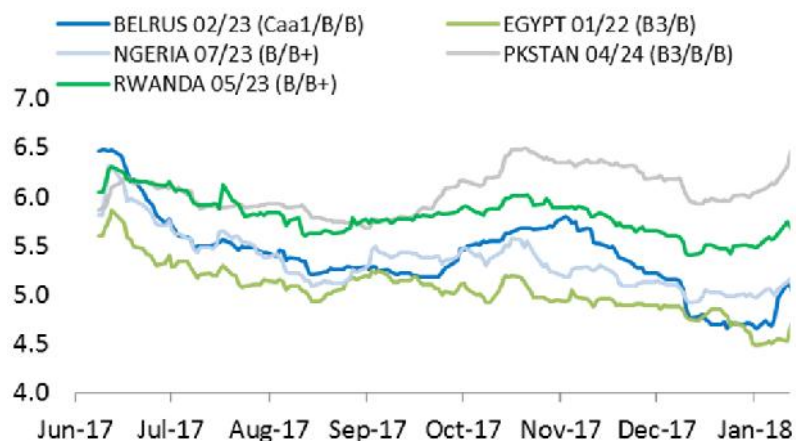
Belarus' outstanding bonds are now trading in yield terms in line with better rated sovereigns

Z-Spreads of Belarus' Sovereign Bonds, bps

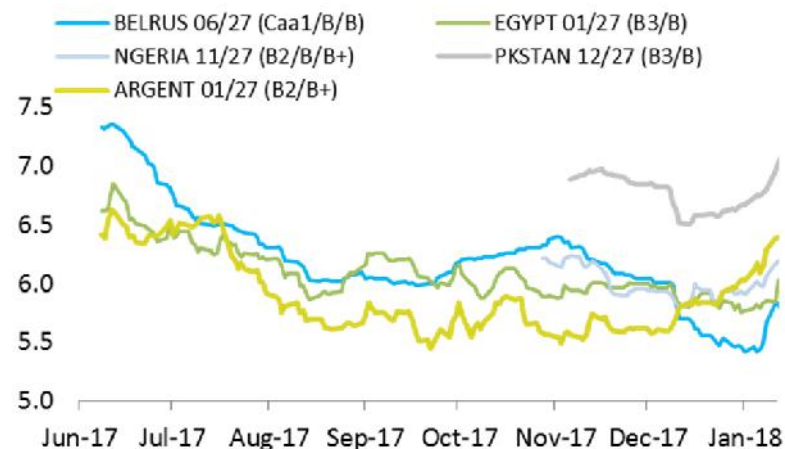


- In 2017, Belarus came with a dual-tranche Eurobond transaction in the international markets: USD 800 mn due 2023 and USD 600 mn due 2027
- The low yield environment, allowed the government to extend its securitised debt duration, establishing a liquid 10-year benchmark in USD and refinancing smoothly its Eurbond maturing in 2018
- Considerable spread compression of Belarus' sovereign bonds 2023s (-210 bps) and 2027s (-214 bps) since their issuance, evidences the favourable investor perception of the credit
- Belarus' positively developing credit story has also been affirmed by the consecutive rating upgrades by S&P (Oct/ 2017) and Fitch (Jan/2018)

Bid Yields of Belarus 2023 and Peers

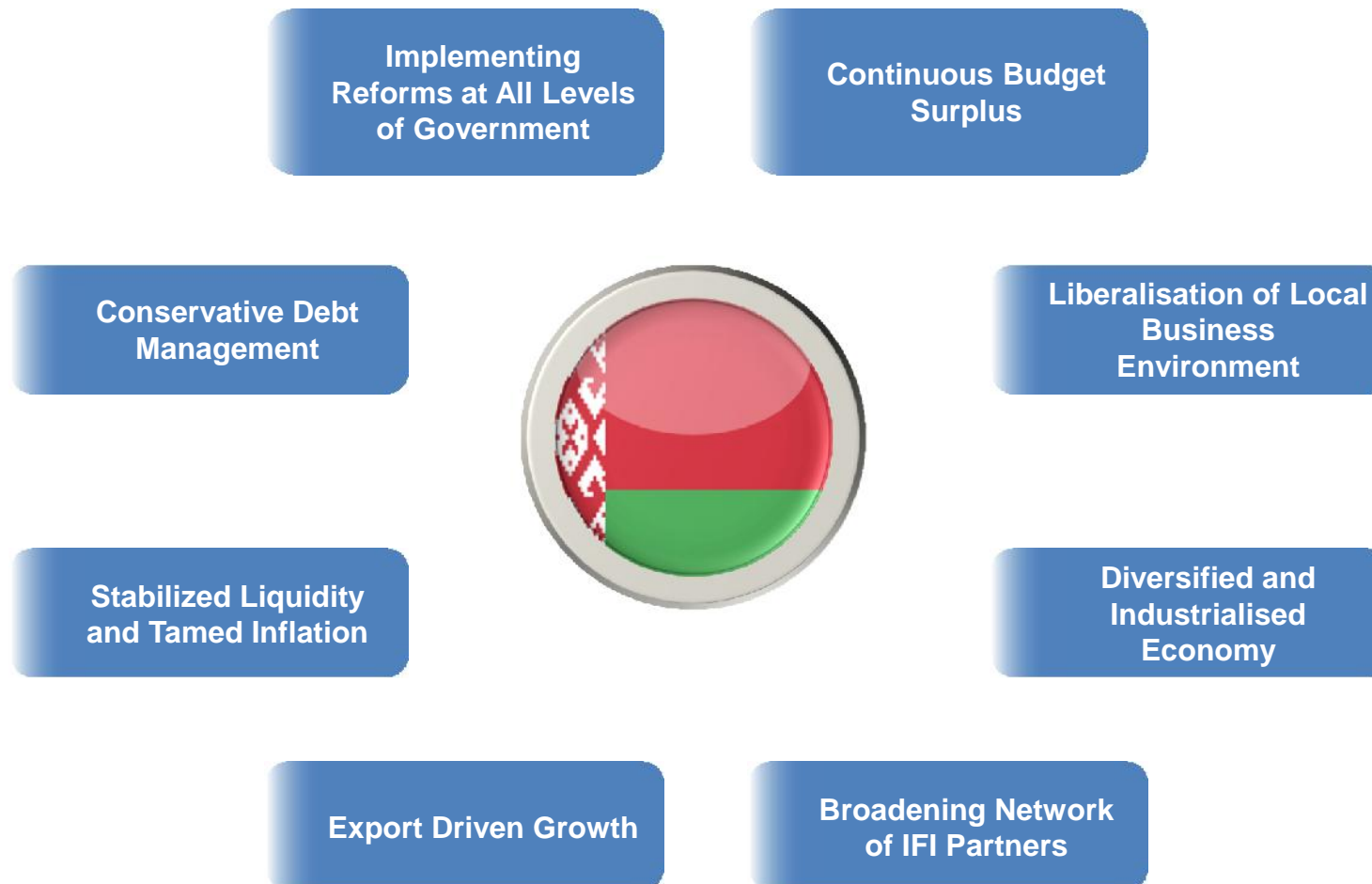


Bid Yields of Belarus 2027 and Peers



Source: Bloomberg

Building a Platform for Future Growth



Appendix



Nesvizh Castle (XVI c.), UNESCO world heritage

Categorisation of Problem Loans



- ❑ From April 1, 2018, as NPL will be classified assets from V-VI risk groups, as well as restructured debt from IV-VI groups
- ❑ The credit risk of banks' assets is measured and classified according to the following principles:
 - i. evaluation of debtor's ability to perform its obligations
 - ii. quality and adequacy of collateral
 - iii. number of renewals and duration of past-due loans
 - iv. available information about any debtor's risk
- ❑ The criterion "90+ days" is not the only one used to classify loans as non-performing. Considered are also:
 - unsecured loans
 - debtor's financial instability
 - loans, extended one and more than one times
 - loans of debtors, whose financial status cannot be assessed
 - non-resident debtors (excl. banks) with no or low ratings
 - loans with encumbered assets

all of which can be at the same time non-performing for less than 90 days.

Classification of Bank Loans

- ❑ Standard - risk group I
- ❑ Under supervision - risk group II
- ❑ Problem assets - risk groups III-V
- ❑ Non-performing loans - risk groups IV-V

Groups of Government Guaranteed Loans

- ❑ 8 - 90 days overdue – risk group III, requiring a special reserve of 30–50% of the liability amount
- ❑ 91 - 180 days overdue – risk group IV, with a special reserve of 50 -100%
- ❑ more than 180 days overdue – risk group V, with a special reserve of 100%

Groups of Loans without Government Guarantees

- ❑ 8 - 90 days overdue – risk group IV, requiring a special reserve of 50-100% of the loan amount
- ❑ 90+ days overdue – risk group V, with a special reserve requirement of 100%