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## REPORT

of the National Bank of the Republic of Belarus  
for 2021

Minsk

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## **Introduction**

The Report of the National Bank for 2021 was prepared in accordance with Article 46 of the Banking Code of the Republic of Belarus.

In 2021, the monetary policy of the Republic of Belarus as part of the unified economic policy was implemented in line with the Monetary Policy Guidelines of the Republic of Belarus for 2021 approved by Edict of the President of the Republic of Belarus No. 481 dated December 22, 2020, having regard to the current macroeconomic situation.

The National Bank's activities in 2021 were aimed at attaining its main targets and performing the functions of the central bank assigned thereto by legislation.

## Chapter 1

### Economic and financial situation in the Republic of Belarus

#### 1.1. Macroeconomic conditions of monetary policy implementation and banking sector development\*

In 2021, the economy of the Republic of Belarus was functioning under the conditions of growing external demand and sanctional pressure of Western countries.

In the year under review, the **volume of Gross Domestic Product (hereinafter – “GDP”)** amounted to BYN173.2 billion in current prices. In comparable prices the volume of GDP went up by 2.3 percent versus 2020 (in 2020, decreased by 0.7 percent) (Attachment 1.1).

**Retail turnover** (in comparable prices) went up in 2021 by 1.6 percent compared with 2020 (in 2020, by 2.1 percent).

**Households’ real wages** (excluding small and microorganizations) grew up in 2021 by 4.4 percent compared with 2020 (in 2020, by 8.2 percent); real disposable money income went up by 2 percent (in 2020, by 4.7 percent).

**Investment in fixed capital** decreased in 2021 (in comparable prices) by 5.6 percent (in 2020, by 6 percent). The annual volume of investments in fixed capital totaled BYN30.1 billion; their share in GDP – 17.4 percent (in 2020, 19.8 percent).

In the technological structure of investment in fixed capital the expenditures for construction and installation works (49.8 percent) dominated, while investments in assets (machinery, equipment, and vehicles) amounted to 39.8 percent and other works and costs – 10.4 percent of the total volume of capital investments.

**Industrial output** increased in 2021 by 6.5 percent versus 2020 (in 2020, went down by 0.7 percent).

**Finished industrial stock** at the enterprises’ warehouses amounted as at January 1, 2022 to BYN5.4 billion, having increased by 7.3 percent since the beginning of the year. With respect to the monthly average volume of production, it amounted as at January 1, 2022 to 52.7 percent compared with 65.3 percent as at January 1, 2021.

**Financial condition of non-financial organizations** in 2021 was characterized by improvement of certain main financial indicators versus 2020 (Attachment 1.2).

Revenues from the sale of products, goods, works, and services amounted in 2021 to BYN316 billion, having grown in nominal terms by 23.4 percent compared with 2020.

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\* This section was prepared based on the National Statistical Committee’s data.

Profit from the sale of products totaled BYN26.3 billion, a 32.7 percent increase (in nominal terms) versus 2020. Profit before tax went up 2.4 times; net profit – 2.8 times.

In real terms, there was an increase in profit from the sale of products, goods, works and services, as well as in all indicators of profit.

Due to the outstripping growth of profit from the sale of products compared with the revenues from and manufacturing cost of sold products, the return on sales increased from 7.7 percent in 2020 to 8.3 percent in 2021; return on sold products – from 9.7 percent to 10.4 percent respectively.

The number of loss-making organizations went down from 1,009 organizations in 2020 to 826 organizations in 2021. The share of loss-making organizations in the total number of organizations decreased from 15.1 percent to 12.4 percent respectively. In 2021, the amount of net loss per one organization in the red in the country on average totaled BYN1.8 million (in 2020, BYN6.5 million).

According to the preliminary data of the Ministry of Finance, in 2021 the Government ran a **consolidated budget** deficit of BYN0.05 billion, or 0.03 percent of GDP (in 2020, 1.8 percent of GDP).

In 2021, consolidated budget revenues went up by 19.1 percent, amounting to BYN46.8 billion, or 27 percent of GDP (26.2 percent of GDP in 2020) (Attachment 1.3). Consolidated budget expenses increased by 11.6 percent, amounting to BYN46.9 billion, or 27.1 percent of GDP (in 2020, 28 percent of GDP).

According to the preliminary data of the Ministry of Finance, in 2021 the **republican budget** ran a deficit as well in the amount of BYN1 billion, or 0.6 percent of GDP (in 2020, the deficit totaled 1.5 percent of GDP). Republican budget revenues went up in 2021 compared with 2020 by 17.8 percent and totaled BYN27.9 billion, or 16.1 percent of GDP (15.8 percent of GDP in 2020). Republican budget expenses increased by 11.7 percent, totaling BYN28.9 billion, or 16.7 percent of GDP (17.3 percent of GDP in 2020).

According to the data of the Ministry of Finance, as at January 1, 2022, **the Government debt of the Republic of Belarus** amounted to BYN58.3 billion, having increased over 2021 by BYN0.5 billion, or by 0.9 percent.

As at January 1, 2022, the Government domestic debt totaled BYN11.8 billion (6.8 percent of GDP), having increased over 2021 by BYN2 billion (adjusted for the currency translation differences), or by 19.9 percent.

In 2021, domestic government bonds for legal and natural persons denominated in foreign exchange and Belarusian rubles worth USD1,237.8 million and BYN191 million were placed. In the year under review, government bonds for legal and natural persons denominated in foreign exchange and in Belarusian rubles worth USD333.1 million and BYN145 million, respectively, were retired.

The Government external debt amounted as at January 1, 2022 to USD18.2 billion (26.7 percent of GDP), having decreased over 2021 by USD0.4 billion (adjusted for the currency translation differences), or by 1.9 percent. In 2021, the Government attracted external loans in the amount equivalent to USD1,273.1 million and repaid – USD1,609 million.

## **1.2. The balance of payments and gross external debt**

In 2021, the balance of payments ran a surplus, which was, mainly, caused by the considerable surplus under current account.

In 2021, the balance of the current account of the balance of payments was positive worth USD1.8 billion, having improved by USD2.1 billion compared with 2020 (Attachment 1.4).

In the year under review, the surplus of foreign trade in goods and services totaled USD3.8 billion (in 2020, USD1.9 billion).

According to the balance of payments, the balance of foreign trade in goods amounted to minus USD0.8 billion (in 2020, minus USD2 billion). In 2021, export of goods increased by 37.4 percent, or by USD10.6 billion, amounting to USD39 billion. The growth in the value of export was observed under all groups of goods. Import of goods increased in 2021 by 31 percent, or by USD9.4 billion, amounting to USD39.8 billion.

A trade in services made a positive impact on the improvement of the foreign trade balance. The balance of foreign trade in services in 2021 totaled USD4.6 billion, an increase by USD0.7 billion versus 2020. The export of services went up by 16.4 percent, totaling USD10.2 billion. The import of services went up by 15.8 percent, amounting to USD5.7 billion.

The balance of primary income remained in 2021 at the level of 2020 and stood at minus USD2.6 billion.

The balance of secondary income totaled USD0.7 billion against USD0.4 billion a year earlier.

According to the financial account data (excluding transactions with reserve assets), net lending totaled USD0.2 billion, while in 2020 net lending amounted to USD2.3 billion.

Attraction of financial resources at the expense of foreign direct investments remained in 2021 at the level of 2020, totaling USD1.3 billion. The inflow of foreign direct investments (excluding reinvested incomes) amounted to USD0.6 billion versus USD0.3 billion in 2020.

In 2021, the balance of portfolio investments totaled USD0.1 billion, while in 2020 net inflow of capital totaled USD1.3 billion due to placement of eurobonds.

Net lending under transactions involving other investments totaled USD1.4 billion, including transactions of the banking sector – USD0.2 billion, and

transactions of other sectors – USD1.4 billion. Under transactions of the Government and the National Bank of the Republic of Belarus the inflow stood at USD0.3 billion.

As a result, the surplus of the balance of payments totaled USD0.9 billion versus the deficit worth USD2.7 billion in 2020.

As at January 1, 2022, **gross external debt of the Republic of Belarus** amounted to USD42 billion, or 61.4 percent of GDP, having decreased since the beginning of the year by USD0.1 billion (Attachment 1.5).

As at January 1, 2022, the external debt of the government agencies sector of the Republic of Belarus totaled USD18.2 billion, having decreased over 2021 by USD0.4 billion, or by 1.9 percent (with long-term credits and loans accounting for 80.6 percent and long-term securities for 19.4 percent of liabilities of this sector).

The National Bank's external debt totaled USD1.5 billion as at January 1, 2022, having increased over 2021 by USD0.6 billion, or 1.8 times. The National Bank's external debt went up due to distribution of the IMF's special drawing rights, which account for 98.5 percent of the National Bank's total external debt.

The deposit organizations' liabilities (excluding intercompany financing) went up over 2021 by USD0.5 billion, or by 9.7 percent, amounting to USD5.6 billion as at January 1, 2022. The liabilities grew at the expense of the increase in the short-term external liabilities by USD0.6 billion, or by 27.2 percent, of which the growth of foreign exchange in cash and deposits totaled USD0.6 billion.

Debt of the other sectors (excluding intercompany lending) amounted to USD14.4 billion as at January 1, 2022, having decreased since early 2021 by USD0.9 billion, or by 5.6 percent. The liabilities declined, mainly, at the expense of the long-term credits and loans worth USD1 billion.

External liabilities on debt instruments between the direct investors and enterprises involved in direct investment (intercompany lending) totaled USD2.3 billion.

As at January 1, 2022, long-term borrowings accounted for 75.3 percent of the total volume of external borrowings.

### **1.3. Financial sector**

#### **1.3.1. Banking sector**

##### **1.3.1.1. Institutional characteristics**

As at January 1, 2022, the banking activities in the Republic of Belarus were carried out by 23 banks and three non-bank financial institutions. In 2021, JSC "MTBank" was reorganized by means of affiliation of JSC "Idea Bank"



therewith. Two banks underwent liquidation (JSC “Delta Bank” (bankruptcy) and CJSC “BIT-Bank”). JSC “Eurobank” was excluded from the Unified State Register of Legal Persons and Independent Entrepreneurs on July 20, 2021.

The total number of banks’ and non-bank financial institutions’ organizational units (branches, banking services centers, settlement and cash centers, exchange offices, and remote working places) in the country dropped in 2021 by 4.7 percent, amounting as at January 1, 2022 to 2,953.

As at January 1, 2022, there were four representative offices of foreign banks\* in the Republic of Belarus, including those of the Russian Federation, the People’s Republic of China, the Federal Republic of Germany, and the Interstate Bank. Belarusian banks had three representative offices abroad.

Foreign capital participated in the authorized capital of 17 banks. At 14 banks the share of foreign investors in the authorized capital exceeded 50 percent (of which three banks were wholly-foreign owned). Capital from the Russian Federation, Republic of Cyprus, Republic of Austria, Swiss Confederation, Republic of Kazakhstan, United Arab Emirates, Georgia, United Kingdom of Great Britain and Northern Ireland, Federal Republic of Germany, and other countries participates in the authorized capital of Belarusian banks.

As at January 1, 2022, the banks’ aggregate registered authorized capital amounted to BYN6.6 billion, having increased over 2021 by 14.2 percent.

In 2021, a redistribution of shares in the aggregate authorized capital of the operating banks between the groups of banks by the form of ownership took place:

- the share of state-owned banks went up from 76.9 percent to 80.4 percent, with the share of the above-mentioned banks in the operating banks’ assets increasing from 64.6 percent to 66.5 percent and in the operating banks’ authorized capital – from 59.3 percent to 60.6 percent;

- the share of foreign banks decreased from 20.0 percent to 17.6 percent. The share of such banks in the aggregate authorized capital went up from 35.9 percent to 36.7 percent, while in the operating banks’ assets it decreased from 32 percent to 31.8 percent; and

- the share of private banks in the aggregate authorized capital of the operating banks declined from 3.1 percent to 2 percent. The share of these banks in the aggregate regulatory capital decreased from 4.7 percent to 2.6 percent. The share in the operating banks’ aggregate assets declined from 3.3 percent to 1.7 percent.

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\* For the purposes of this report:

- state-owned banks are banks in which the state owns more than 50 percent of shares (equity interest) in the authorized capital;

- foreign banks are banks in which the share of foreign investors in the authorized capital exceeds 50 percent;

and

- private banks are banks other than foreign and state-owned banks.

### 1.3.1.2. Sustainability and efficiency of the banking sector

In 2021, the banking sector maintained sustainability and improved efficiency compared with 2020.

As at January 1, 2022, banks' regulatory capital\* totaled BYN13.9 billion, having increased over 2021 by 13.8 percent. The main source of the regulatory capital growth in the banking sector was an increase in the registered authorized capital and in the funds established at the expense of banks' profit. The regulatory capital/GDP ratio was 8 percent.

In the year under review the banking sector's income\*\* had the following structure: interest income – 59.9 percent, commission income – 22.8 percent, other banking income – 14.1 percent, other operational income – 3.1 percent, and receipts under written-off debts – 0.1 percent.

In the structure of expenditures\*\* the interest expenses totaled 35.8 percent, operational expenditures – 32.4 percent, other banking expenditures – 10.2 percent, and commission expenses – 8.6 percent. Net allocations of special provisions to cover potential losses under assets exposed to credit risk and transactions, which are not reflected in the balance sheet (hereinafter – the “special provisions”), totaled 9.6 percent in banks' expenditures.

In 2021, the operating banks' aggregate profit\* totaled BYN1.3 billion, a 30.9 percent growth compared with 2020 (BYN1 billion). A decline in net allocations to the special provisions and growth in net commission income led to increase in profit. The volume of net allocations to special provisions declined in 2021 versus 2020 by 34.9 percent, amounting to BYN0.9 billion. Net commission income of operating banks went up in 2021 by 17.1 percent (mainly due to transactions with cheques, bank payment cards, e-money, and documentary operations).

Following the growth of profit obtained by banks, their efficiency indicators improved. Thus, return on assets went up from 1.1 percent to 1.4 percent, return on regulatory capital – from 8.9 percent to 10 percent.

Over 2021, the growth of the banking sector's assets exposed to credit risk, which amounted as at January 1, 2022 to BYN76 billion (as at January 1, 2021 – BYN71.6 billion), took place.

As at January 1, 2022, the share of non-performing assets at banks totaled 5.3 percent (as at January 1, 2021, 4.8 percent). At that, the volume of non-performing assets was BYN4 billion, having increased by BYN571.2 million, or by 16.5 percent, over the year. The volume of restructured debt (Risk Groups IV - VI) totaled 75.9 percent of the amount of non-performing assets.

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\* The data prior to confirmation by the audit organization.

\*\* Are reduced by the volume of incomes and expenditures under transactions between the branches within a bank and adjusted by the balance of incomes from reduction of provisions and expenditures under allocations to reserves.

Despite a decrease in net allocations to special provisions in 2021, the value of this indicator went up over the year under review, amounting to BYN5.2 billion as at January 1, 2022 (BYN4.8 billion as at January 1, 2021). The extent of coverage of assets exposed to credit risk by special provisions increased from 6.6 percent as at January 1, 2021 to 6.9 percent as at January 1, 2022. The adequacy of formation of special provisions by the operating banks, as a whole, totaled 100 percent.

Banks met the National Bank's requirements as to the regulatory capital adequacy, including with account of the values of the conservation buffer. The regulatory capital adequacy ratio totaled 17.9 percent as at January 1, 2022, with the prescribed minimum requirement for an individual bank being 10 percent (with account of the conservation buffer – 12.5 percent). With a view to reducing the level of systemic risks of the banking sector and preventing their occurrence, additional requirements to the systemically important banks' capital were implemented and are complied with.

Banks met the secure functioning requirements with regard to liquidity. The Liquidity Coverage Ratio (LCR) for the whole of operating banks totaled 141.9 percent as at January 1, 2022, with the prescribed requirement being no less than 90 percent. The Net Stable Funding Ratio (NSFR) for the whole of operating banks totaled 123.8 percent as at January 1, 2022, with the prescribed requirement being no less than 100 percent.

### **1.3.2. Non-banking sector**

#### **1.3.2.1. Institutional characteristics**

As at January 1, 2022, 112 organizations were in the Register of Leasing Organizations. In 2021, the number of leasing organizations did not change (11 organizations were included and 11 organizations were struck off).

Foreign capital participated in the authorized capital of 29 leasing organizations. At that, in 24 leasing organizations the share of foreign investors' participation in the authorized capital totaled 50 percent and more (of which 12 organizations were wholly-foreign owned). Capital from the Republic of Cyprus, Republic of Estonia, Russian Federation, Republic of Latvia, Grand Duchy of Luxemburg, Italian Republic, Federal Republic of Germany, Republic of Austria, United Kingdom of Great Britain and Northern Ireland, Hellenic Republic, State of Israel, United Arab Emirates, and Republic of Azerbaijan participated in the authorized capital of leasing organizations.

Banking capital participated in the authorized capital of 10 leasing organizations.

The leasing organizations' aggregate authorized capital totaled BYN996.5 million as at January 1, 2022, having decreased over 2021 by 15.8 percent, that

was due to withdrawal of the leasing organization with a high amount of authorized capital from the register.

The volume of the leasing organizations' leasing portfolio increased, while under the residential property leasing agreements it went down. The ratio of the aggregate price of the leasing agreements concluded by leasing organizations in 2021 to GDP totaled 2.8 percent (in 2020, 2.5 percent).

As at January 1, 2022, 82 microfinance organizations (two consumer cooperatives and 80 legal persons engaged in lombard activities) were on the Register of Microfinance Organizations. In 2021, the number of microfinance organizations in the Register went down by two, with six organizations being included therein and eight organizations being excluded therefrom.

The aggregate authorized capital of the profit-making microfinance organizations (lombards) totaled BYN5.5 million as at January 1, 2022, having decreased over 2021 by 1.5 percent. Foreign capital from the Russian Federation, Ukraine, Republic of Latvia and Republic of Lithuania participated in the lombards' authorized capital.

The activities of microfinance organizations in 2021 were characterized by the growing volume of provided monetary funds and the number of borrowers, as well as a slight decline in the number of microloan agreements.

As at January 1, 2022, 22 organizations were in the Register of Forex Companies, of which five forex companies were included therein in 2021.

In the authorized capital of forex companies participated foreign capital from such countries as the Russian Federation, Ukraine, Republic of Cyprus, Republic of Poland, Saint Vincent and the Grenadines, Commonwealth of Dominica, Republic of Panama, Principality of Liechtenstein, People's Republic of China, Cayman Islands, British Virgin Islands, Republic of Kazakhstan, Grand Duchy of Luxembourg, State of Kuwait, and Republic of Cuba. At that, the share of foreign investors in the authorized capital of 21 forex companies totaled 100 percent.

As at January 1, 2022, the aggregate authorized capital of forex companies totaled BYN38.5 million, having grown 2.8 times over 2021.

Save the forex companies, JSC "MTBank" and JSC "Technobank" carried out activities involving transactions initiated by natural and legal persons with non-deliverable over-the-counter financial instruments (activities in the over-the-counter forex market).

In 2021, the number of clients of forex companies and banks increased 3.3 times and the number of non-resident clients – 3.8 times, that improved the indicators characterizing the results of activities in the over-the-counter forex market.

### **1.3.2.2. Key indicators of the non-credit financial organizations' activities**

Over 2021, the aggregate leasing portfolio\* went up by 16.8 percent and as at January 1, 2022 totaled BYN7.4 billion.

The volume of new business (the aggregate value of the agreements entered into by the leasing organizations) stood in 2021 at BYN4.8 billion, being by 32.1 percent higher than the value of this indicator in 2020, while the value of items of leasing passed in 2021 totaled 17.9 percent of the volume of the long-term credits issued by banks (in 2020, 12.5 percent).

The aggregate net profit of the leasing organizations in 2021 stood at BYN0.2 billion.

Financial leasing operations accounted for more than 99 percent of the leasing organizations' leasing portfolio. The share of agreements entered into in the national currency amounted to 99.3 percent of the leasing portfolio.

As at January 1, 2022, the share of the lessees' overdue liabilities under leasing payments totaled 2.2 percent of the total volume of their liabilities under financial lease (leasing) agreements (as at January 1, 2021 – 3.8 percent).

As at January 1, 2022, six leasing organizations (OJSC "Promagroleasing", "ASB Leasing" LLC, "Raiffeisen - Leasing" JLLC, "RESO - BelLeasing" JLLC, OJSC "Agroleasing", and "VTB Leasing" JLLC) accounted for about 77 percent (BYN5.7 billion) of the aggregate leasing portfolio.

As at January 1, 2022, the export leasing operations\*\* accounted for 0.3 percent of the total leasing portfolio. The majority of export operations was carried out by OJSC "Promagroleasing" (66.2 percent), "ASB Leasing" LLC (12.3 percent) and SOJSC "ATEP-5" (12.1 percent).

As at January 1, 2022, four organizations ("ASB Leasing" LLC, OJSC "Agroleasing", "Raiffeisen - Leasing" JLLC and "Blesavaris Leasing" LLC) carried out leasing activities with residential property. As at January 1, 2022, the volume of the leasing portfolio under the residential property leasing agreements totaled BYN188 million, having dropped over 2021 by BYN11.5 million, or by 5.8 percent. Over 2021, 106 agreements worth BYN29.2 million, under which the subject of leasing was residential property, were entered into with natural persons (in 2020, 181 agreements worth BYN86.4 million).

According to the reports as at January 1, 2022, the microfinance organizations' assets totaled BYN55.3 million, own capital – BYN42.3 million, and liabilities – BYN13 million. Aggregate net profit of the microfinance organizations obtained over 2021 stood at BYN13.3 million. Compared with January 1, 2021, the microfinance organizations' assets grew by BYN14.5 million (35.5 percent), own capital – by BYN11.1 million (35.6 percent), and liabilities – by BYN3.4 million (35.4 percent). Net profit of the microfinance

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\* An amount of the lessees' debt to lessors under leasing payments and surrender value as at the reporting date.

\*\* International leasing, where a lessor and a seller (deliverer) of an item of leasing are entities of the Republic of Belarus, while a lessee is an entity of other state.

organizations went up over 2021 compared with 2020 by BYN2.9 million (27.9 percent).

The amount of microloans issued in 2021 totaled BYN186.4 million, an increase by BYN13 million, or by 7.5 percent, compared with 2020.

Consumer cooperatives granted BYN0.7 million (a decline by BYN0.6 million, or by 46.2 percent, compared with 2020). In 2021 Q4, the average annual rate on microloans totaled 15 percent (in 2020 Q4, 14.7 percent).

Lombards granted BYN185.7 million (an increase by BYN13.6 million, or by 7.9 percent, compared with 2020). In 2020 Q4, the average daily interest rate on microloans was the same as in 2020 Q4 – 0.9 percent.

According to the reports, as at January 1, 2022, the forex companies' assets totaled BYN248.9 million, own capital – BYN43.8 million, and liabilities – BYN205.1 million. As compared with January 1, 2021, the forex companies' assets went up by BYN157.7 million (2.7 times), own capital – BYN28.3 million (2.8 times), and liabilities – BYN129.4 million (2.7 times).

The amount of funds in foreign exchange invested by the clients of forex companies and banks for the purpose of opening and/or maintaining their open position (the amount of marginal security) totaled USD83 million as at January 1, 2022.

In 2021, the average per quarter number of clients of forex companies, including JSC “MTBank” and JSC “Technobank”, totaled more than 129 thousand. The non-resident clients of forex companies accounted for 90 percent of their total number. About 60 percent of transactions brought about a positive financial result for clients.

### **1.3.3. Financial market**

#### **1.3.3.1. Foreign exchange market**

In 2021, the volume of the domestic foreign exchange market totaled USD93.7 billion, an increase by 12.6 percent versus the level of 2020. The stock market volume totaled USD10.8 billion (a decline by 7.6 percent) and the over-the-counter market volume stood at USD68.6 billion (an increase by 16.7 percent). The cash foreign exchange market turnover totaled USD14.3 billion, having increased by 12.5 percent versus 2020.

In the year under review, resident economic entities sold foreign exchange worth USD27.3 billion and purchased foreign exchange in the amount of USD26.6 billion, an increase by 23 percent and 14.9 percent (by USD5.1 billion and USD3.4 billion) compared with 2020, respectively.

As a result, net supply of foreign exchange by resident economic entities in 2021 stood at USD0.7 billion (net demand in 2020 totaled USD1 billion) (Attachment 1.6).

In 2021, households sold on a net basis USD53.4 million (over 2020, purchased USD2 billion) (Attachment 1.7). At that, net supply under operations involving foreign exchange in cash totaled USD1.6 billion; net demand under operations involving non-cash foreign exchange amounted to USD1.5 billion.

Banks performed the functions of intermediaries in the foreign exchange market. Over 2021, they sold foreign exchange worth USD48.4 billion, a 12.9 percent increase (by USD5.5 billion) versus 2020, and purchased foreign exchange worth USD48.3 billion, an increase by 14.4 percent (USD6.1 billion) versus 2020. Net supply of foreign exchange in this segment of foreign exchange market totaled USD0.15 billion (in 2020, USD0.7 billion) (Attachment 1.8).

In 2021, non-residents sold on a net basis USD0.6 billion (in 2020, USD0.6 billion) (Attachment 1.9).

49.7 percent of operations involving foreign exchange was carried out in the US dollars. The share of operations with this currency went down by 3.1 percentage points in the total volume of transactions compared with 2020, with the share of euro decreasing from 24.6 percent to 24.5 percent and the share of the Russian ruble growing from 22.3 percent to 25.2 percent. The volume of operations involving other foreign currencies remained insignificant (0.7 percent).

The official exchange rate of the Belarusian ruble appreciated over 2021 versus the US dollar by 1.2 percent (to BYN2.5481/USD1), the euro – by 9 percent (to BYN2.8826/EUR1), and versus the Russian ruble by 1.6 percent (to BYN3.4322/RUB100).

The index of real effective exchange rate of the Belarusian ruble calculated using consumer price index (REER) went down by 0.66 percent in January - December 2021 compared with January - December 2020.

### **1.3.3.2. Interbank credit market**

In 2021, unsecured interbank credits in the national currency continued to be one of the main instruments regulating banks' liquidity.

Compared with the previous year, the volume of transactions carried out by banks in the interbank market went up from BYN14.1 billion to BYN19.4 billion.

The structure of the interbank market by terms saw changes compared with 2020. While in 2020 the intraday interbank credits accounted for 78.3 percent, in 2021 the share of such credits went up and stood at 88.3 percent of the aggregate volume of the interbank market. The share of transactions concluded for the term of 2 - 7 days decreased over the year from 13.8 percent to 7.1 percent; the share of transactions concluded for the term of 8 days and more – from 7.7 percent to 4.6 percent.

At the same time, the banks continued in 2021 to attract/place resources in

the national currency in the interbank market through repo and swap transactions. The share of such operations in the turnover of the interbank market between the resident banks totaled 1 percent and 8.6 percent respectively.

The average weighted rate for resident banks in the intraday interbank market dropped from 6.09 percent per annum in December 2020 to 1 percent per annum in December 2021 (Attachment 1.10).

### **1.3.3.3. Credit and deposit market**

**The credit market.** In 2021, banks and JSC “Development Bank of the Republic of Belarus” ensured provision of credit support to the sectors of the economy with account of the economic entities’ solvent demand for monetary resources.

Lending to the economy totaled BYN105.5 billion, a BYN10.5 billion (or by 11 percent) increase compared with 2020.

The claims of banks and JSC “Development Bank of the Republic of Belarus” on the economy increased by BYN3.6 billion, or by 5 percent, amounting as at January 1, 2022 to BYN75.6 billion. The claims in Belarusian rubles went up by 9.6 percent, totaling BYN41 billion; in foreign exchange (in dollar terms) – by 1.3 percent, amounting to USD13.6 billion.

The share of claims of banks and JSC “Development Bank of the Republic of Belarus” in the national currency in the total amount of claims on the economy went up in the year under review by 2.2 percentage points, amounting as at January 1, 2022 to 54.2 percent, with the forecasted level set by the Republic of Belarus Monetary Policy Guidelines for 2021 being no less than 50 percent.

Without account of partial substitution of liabilities under credits by other liabilities within provision of state support to certain organizations, the claims of banks and JSC “Development Bank of the Republic of Belarus” on the economy went up by 8.2 percent.

The economic entities’ credit portfolio at banks and JSC “Development Bank of the Republic of Belarus” went up by BYN2.8 billion, or by 6 percent, amounting as at January 1, 2022 to BYN49.9 billion. The long-term credits accounted for 59.3 percent in its structure.

By the types of economic activity a considerable amount of credits was granted to the processing industry, the amount of debt under which totaled BYN25 billion, or 50.1 percent of the total debt under credit, as at January 1, 2022. They are followed by wholesale and retail trade, vehicles and motorcycles maintenance (BYN8.5 billion, or 17.1 percent), and agriculture, forestry and fishery (BYN3.5 billion, or 7 percent).

In 2021, the natural persons’ credit portfolio increased by BYN779.6 million, or by 5 percent, amounting to BYN16.4 billion as at January 1, 2022.



At that, on the background of high base of 2020, the natural persons' debt under consumer loans declined in 2021 by BYN310.2 million, or by 5.6 percent, amounting as at January 1, 2022 to BYN5.2 billion.

Under the real estate loans for natural persons the debt stood at BYN11.2 billion. Its growth versus 2020 by BYN1.1 billion, or by 10.8 percent, was, mainly, due to lending to citizens for house construction supported by the Government.

This lending was carried out in line with Resolution of the Council of Ministers of the Republic of Belarus No. 24 "On Measures Designed to Fulfil the Tasks on Construction of Houses and Objects of Engineering and Transport Infrastructure Thereto for 2021". Within this lending facility banks granted BYN1.2 billion, including soft credits worth BYN117.2 million, and credits involving subsidies to pay the interest and (or) to repay the principal debt in line with Edict of the President of the Republic of Belarus No. 240 "On State Support of Citizens in the Process of Building (Reconstruction) of Residential Premises" dated July 4, 2017 – BYN1.1 billion.

Banks and JSC "Development Bank of the Republic of Belarus" provided credit support to economic entities to implement government programs and measures following the decisions of the President and the Council of Ministers of the Republic of Belarus. Over 2021, credits worth BYN5.3 billion were granted for these purposes (by banks – BYN4 billion and by JSC "Development Bank of the Republic of Belarus" – BYN1.3 billion).

Debt under credits issued by banks and JSC "Development Bank of the Republic of Belarus" under government programs and measures totaled BYN21.2 billion as at January 1, 2022, having increased over 2021 by BYN1.3 billion, or by 6.7 percent. Its share in the claims of banks and JSC "Development Bank of the Republic of Belarus" on the economy totaled 28.1 percent as at January 1, 2022, having grown by 0.5 percentage point versus January 1, 2021.

**Deposit market.** In 2021, attractive terms as to the level of return on deposits, which were ensured by banks, and the stable situation in the foreign exchange market led to improvement of trends in the deposit market.

Natural persons' bank deposits in the national currency increased by BYN1.1 billion, or by 15.4 percent, amounting as at January 1, 2022 to BYN8.5 billion, of which bank time deposits and deposits in escrow went up by BYN566.2 million, or by 12.5 percent, amounting to BYN5.1 billion.

Despite the fact that the outflow of the natural persons' foreign exchange deposits from banks had been ceased since 2021 Q3, the natural persons' bank deposits in foreign exchange (in US dollar terms) declined over 2021 by USD662.1 million, or by 11.3 percent, totaling USD5.2 billion as at January 1, 2022, including term and contingent bank deposits, which went down by USD674.4 million, or by 14.5 percent, amounting to nearly USD4 billion.

On the whole, households' funds placed with banks (including bank deposits, deposits in precious metals, saving certificates and bonds) declined over the year by BYN981.3 million in the equivalent, or by 4.2 percent, totaling BYN22.4 billion in the equivalent as at January 1, 2022, of which:

- funds attracted from households in the national currency stood at BYN8.5 billion, having increased by BYN1.1 billion, or by 15.4 percent; and
- funds attracted from households in foreign exchange totaled BYN13.9 billion in the equivalent, having decreased by BYN2.1 billion in the equivalent, or by 13.2 percent.

The bulk of the natural persons' deposits was placed with the banks of the Group of Systemic Importance I – JSC “JSSB Belarusbank”, JSC “Belagroprombank”, “Belinvestbank” JSC, “Priorbank” JSC, Sber Bank, Bank BelVEB OJSC, and Belgazprombank – the share of which in the natural persons' deposit market amounted as at January 1, 2022 to 85 percent (BYN18.5 billion).

At the same time, the legal persons' bank deposits went up over 2021 by BYN3.6 billion in the equivalent, or by 16.6 percent, amounting to BYN25.5 billion as at January 1, 2022, including:

- bank deposits in the national currency increased by BYN2.1 billion, or by 25.8 percent, amounting as at January 1, 2022 to BYN10.4 billion; and
- bank deposits in foreign exchange (in US dollar terms) increased by USD654.4 million, or by 12.4 percent, amounting as at January 1, 2022 to USD5.9 billion.

The positive dynamics of the legal and natural persons' deposits in the national currency led to an increase in the ruble share of the banks' deposit portfolio by 4.7 percentage points up to 40 percent.

Under the conditions of recovering dynamics of deposits, the share of irrevocable deposits in banks' deposit portfolio went up by 0.1 percentage point, totaling 53 percent as at January 1, 2022, including in the natural persons' deposit portfolio – by 3.9 percentage points, up to 73.1 percent.

### **Interest rates of the credit and deposit market.**

In 2021, the level of interest rates was formed under the need to preserve and expand the savings activities of households and economic entities with a view to replenish the banks' resource base and satisfy the needs of the economy in resources (Attachments 1.11 and 1.12).

At that, the average interest rate on the natural persons' fresh time bank deposits in the national currency amounted to 14.92 percent per annum in December 2021 (in December 2020, 17.48 percent per annum); the average interest rate on the legal persons' fresh time bank deposits in the national currency – 5.1 percent per annum (in December 2020 – 12.37 percent per annum).

The level of average rates on credits did not undergo significant changes. In December 2021, the average interest rate on fresh credits\* in the national currency issued to legal persons amounted to 13.92 percent per annum (in December 2020 – 11.37 percent per annum), the average interest rate on fresh credits\* in the national currency issued to natural persons stood at 11.48 percent per annum (in December 2020 – 9 percent per annum).

The average interest rate on the households' time bank deposits in foreign exchange went up by 2.32 percentage points versus December 2020, amounting to 3.71 percent per annum in December 2021. The average interest rate on the legal persons' fresh time deposits in foreign exchange went up by 1.01 percentage points, amounting to 2.6 percent per annum.

The average interest rate on fresh bank credits\* in foreign exchange issued to legal persons totaled 7.32 percent per annum in December 2021, having increased by 1.25 percentage point compared with December 2020.

#### **1.3.3.4. Trust management carried out by banks, including bank management funds**

In 2021, 11 banks worked as trust managers: Alfa-Bank, “Priorbank” JSC, Sber Bank, JSC “JSSB Belarusbank”, JSC “Belagroprombank”, Bank BelVEB OJSC, Belgazprombank, OJSC “Paritetbank”, JSC “BSB Bank”, “Bank Dabrabyt” JSC, and JSC “Absolutbank”.

Monetary funds placed by obligees in trust management, including bank management funds, increased over 2021 by 61.6 percent, amounting as at January 1, 2022 to BYN1.1 billion.

In the year under review, monetary funds placed in trust management, were invested, mainly, in securities (72.7 percent) and in deposits (16.9 percent).

As at January 1, 2022, three bank management funds were in operation.

In 2021, two banks were involved in trust management. Securities placed in trust management were, mainly, represented by:

- the shares owned by government employees, which are placed thereby in trust management of JSC “JSSB Belarusbank” for the time of government service in line with Article 20 of the Law of the Republic of Belarus No. 305-3 “On Combating Corruption” dated July 15, 2015; and

- the shares of JSC “Asset Management Agency” placed in trust management of JSC “Belagroprombank” in December 2016 on the basis of Edict of the President of the Republic of Belarus No. 268 “On Establishment and Activities of JSC “Asset Management Agency”” dated July 14, 2016.

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\* Excluding soft credits granted pursuant to decisions of the President and the Government of the Republic of Belarus at the expense of the republican and local executive and regulatory agencies.

Following the termination of trust management by JSC “Belagroprombank” of securities (shares) of JSC “Asset Management Agency” in accordance with Edict of the President of the Republic of Belarus No. 391 “On Stabilization of the Organizations’ Financial Condition”, the volume of securities transferred by banks in trust management reduced by BYN1.7 billion, amounting to BYN0.8 million as at January 1, 2022. As a result, the volume of monetary funds and securities in banks’ trust management (transferred in trust management and obtained in the process of trust management) reduced by 48 percent over 2021, amounting to BYN1.4 billion as at January 1, 2022.

#### **1.3.3.5. The National Bank’s securities market**

In 2021, the National Bank placed bonds denominated in Belarusian rubles worth BYN190.1 million at placement value, or worth BYN191.8 million at face value, with earlier issued bonds worth BYN210.3 million being repaid at face value. Over 2021, the volume of the National Bank’s circulating bonds denominated in Belarusian rubles decreased by 33.2 percent, totaling BYN37.3 million as at January 1, 2022.

In 2021, the National Bank did not place bonds denominated in foreign exchange. There were no bonds of this kind in circulation.

As at January 1, 2022, securities of the National Bank were lacking in the banks’ securities portfolios.

## Chapter 2

### The National Bank's activities

In 2021, the National Bank's activities were aimed at maintaining price stability, ensuring stability of the banking system of the Republic of Belarus, and ensuring efficient, reliable and secure functioning of the payment system. The work on developing the financial market, liberalizing foreign exchange relations, strengthening confidence in the national monetary unit and decreasing the amount of foreign exchange in the economy continued.

#### 2.1. Monetary policy

##### 2.1.1. Monetary policy target

Limiting inflation to no more than 5 percent was the major monetary policy target in 2021. According to the National Statistical Committee's data, the consumer prices grew in 2021 by 9.97 percent versus 7.4 percent in 2020 (Attachment 2.1). The main reasons for exceeding the target parameter were the heightened external inflationary background, established as a result of implementing the extremely soft monetary policy by the leading countries of the world, the accelerated growth of global prices for foodstuffs due to imbalance of demand and supply, as well as a poor crop of certain agricultural plants in the country. At the same time, the remaining high inflationary expectations of economic agents prevented a decrease in the intensity of inflationary processes.

In the period under review, consumer prices and tariffs grew to the utmost in the sphere of food products (by 11.4 percent versus 6.2 percent in 2020). The prices for non-foods went up by 9.9 percent (in 2020, by 8.1 percent), the prices and tariffs for chargeable services to households – by 7.6 percent (in 2020, by 8.4 percent).

In 2021, the core inflation stood at 9.8 percent (7.1 percent in 2020) and, according to the National Bank's estimates, led to the increase in consumer prices by 7.03 percentage points (the share of this factor totaled 70.6 percent in 2021 against 69.1 percent in 2020).

According to the National Bank's estimates, regulated prices and tariffs went up in 2021 by 9 percent (in 2020, by 6.7 percent), contributing to the growth in the consolidated consumer price index by 2.26 percentage points (the share of this factor was the same as in 2020 – 22.6 percent).

The prices for fruit and vegetable products in the year under review increased by 17.4 percent (in 2020, by 16 percent), contributing to the consumer prices growth by 0.68 percentage point (the share of this factor amounted to 6.8 percent against 8.3 percent in 2020).

### **2.1.2. Monetary policy implementation**

In 2021, the National Bank continued to implement the monetary policy in the monetary targeting regime, under which the key tool of attaining the ultimate target was control over money supply.

In December 2021, the average broad money supply (intermediate target) went up in annual terms by 6.6 percent, having reached the lower border of the target indicator – 7 - 10 percent. Such dynamics of money supply made a constraining impact on the intensity of inflationary processes in the country.

In 2021, the ruble monetary base (operational monetary policy target) went up by BYN1.3 billion, or 12.4 percent, with the target range being 10 - 13 percent. The growth was, mainly, caused by purchasing by the National Bank of foreign exchange worth BYN3.2 billion (USD1.3 billion) in the domestic foreign exchange market. The growth in ruble monetary base was constrained by accumulation of ruble resources by banks and the Government of the Republic of Belarus. Banks' ruble deposits with the National Bank, which are not included in calculation of the monetary base, went up by BYN1.2 billion; the ruble deposits of the Government of the Republic of Belarus – by BYN1.1 billion.

With a view to maintaining banks' liquidity, credit auctions for the six-month term were held at the quoted interest rate. On October 1, 2021, the weekly credit and deposit auctions for the seven-day term were resumed in the form of the interest rates auction.

The average balance of debt under credits issued by the National Bank for the term of six month stood in 2021 at BYN0.6 billion (as at January 1, 2022 – BYN370 million); the average surplus of ruble liquidity of the banking system – BYN2 billion (as at January 1, 2022 – BYN3.3 billion).

Along with exercising control over money supply, the National Bank's instruments were aimed at constraining inflationary processes and maintaining macroeconomic balance.

For the purpose of constraining inflationary risks under conditions of continued high inflation in the countries being main trade partners, the National Bank took decisions to increase the refinancing rate twice (in April and July). On July 21, 2021, it was set at 9.25 percent per annum (the rate on standing and bilateral facilities designed to support banks' current liquidity – at the level of 10.25 percent per annum; the rate on standing facilities on banks' liquidity withdrawal – at the level of 8.25 percent per annum). In the time following, the refinancing rate remained unchanged.

In 2021, the ratio of required reserves in respect of the attracted funds in Belarusian rubles was preserved in the amount of 4 percent; in respect of the attracted funds in foreign exchange – 17 percent.

In the year under review, implementation of the exchange rate policy in the floating exchange rate regime continued, that made it possible to react in the flexible manner on the changes in economic infrastructure and maintain the exchange rate close to its equilibrium.

Over 2021, the Belarusian ruble appreciated versus the main currencies traded in the domestic market (mainly due to positive trends in foreign trade), that neutralized inflationary risks from the side of the exchange rate.

### **2.1.3. Key monetary indicators**

As at January 1, 2022, the broad money supply (M3) amounted to BYN54.4 billion, having increased by BYN3.6 billion, or by 7 percent, over 2021. As at January 1, 2022, foreign exchange component of the broad money supply in the US dollar equivalent totaled BYN11.5 billion, having decreased by USD0.1 billion, or by 0.7 percent (Attachment 2.2).

The share of foreign exchange constituent in the broad money supply decreased over 2021, amounting to 54.1 percent as at January 1, 2022 (as at January 1, 2021 – 59 percent).

As at January 1, 2022, the ruble money supply (M2\*) totaled BYN24.9 billion, having increased over the year by BYN4.1 billion, or by 19.8 percent. Among the main constituents of the ruble money supply, legal persons' transferable deposits accounted for the largest growth (in relative and absolute terms), increasing in the year under review by BYN1.2 billion, or by 37.3 percent.

As at January 1, 2022, international reserve assets amounted to USD8.4 billion (2.2 months of import), a USD1 billion increase in the year under review.

Increase in the level of gold and foreign exchange reserves was due to purchase by the National Bank of foreign exchange on the floor of the JSC "Belarusian Currency and Stock Exchange", distribution of the IMF's special drawing rights, receipt of foreign exchange to the budget, including from export duties and placement by the Ministry of Finance of bonds denominated in foreign exchange in the domestic market, as well as attraction of external government loans.

In 2021, the Government and the National Bank of the Republic of Belarus ensured repayment of external and domestic liabilities in foreign exchange worth USD3.1 billion. The National Bank's liabilities under credits, loans and securities in foreign exchange dropped by USD0.2 billion.

## **2.2 Supervision of banks' activities**

### **2.2.1. Streamlining regulatory legal framework for banking supervision**

In 2021, the work on streamlining regulatory legal framework governing banking supervision and bringing it into line with international standards having regard to the experience of practical application continued (Resolution of the Board of the National Bank of the Republic of Belarus No. 207 “On Amending Regulatory Legal Acts of the National Bank” dated July 19, 2021).

In the year under review, in the context of improvement of supervisory requirements and supervisory procedures, the National Bank streamlined approaches to supervision of banking activities on the consolidated basis. Certain requirements in the field of consolidated banking supervision were applied to JSC “Development Bank of the Republic of Belarus” as the headquarters of the bank holding company. In particular, the requirements to submission of the information on the activities of the bank holding company JSC “Development Bank of the Republic of Belarus”, consolidated prudential reports and consolidated accounting (financial) statements, information on organization of the risk management system in the bank holding company on the consolidated basis, and inclusion of information on cooperation of JSC “Development Bank of the Republic of Belarus” with participants of its bank holding company into the strategic development plan, were established.

The procedures for disclosing information on their own activities by banks, JSC “Development Bank of the Republic of Belarus”, and non-bank financial institutions were updated with account of the current practice. The scope, procedures and terms of placement of individual and consolidated accounting reports in the global computer network Internet and their publication in print media, as well as the procedures for their submission to the National Bank, were defined more exactly. In addition, the requirements to compilation and submission to the National Bank of consolidated balance sheet and report on profit and loss in accordance with the national accounting standards, accounting (financial) statements and other regulatory legal acts on accounting and accounting (financial) statements as at April 1, July 1, and October 1, were annulled.

In order to continue the provision of financial support to the real sector of the economy, as well as soften the impact of negative external factors and ensure sustainable functioning of the banking sector, in 2021, the National Bank took a decision to provide banks with the possibility of applying certain already adopted countercyclical measures with regard to:

- secure functioning requirements as relate to the regulatory capital adequacy, liquidity coverage, and concentration of risk per debtor; and
- certain requirements to the classification of assets exposed to credit risk, contingent liabilities and formation of special provisions thereon.

In addition, the measure regarding the application of the value of the minimum regulatory capital requirement, being in force as at October 1, 2021, without adjustment for inflation, was introduced.



In the year under review, within the framework of improvement of the system preventing money laundering, terrorism financing and financing proliferation of weapons of mass destruction (hereinafter – the “AML/CFT”), the work on the incorporation of the FATF\* international standards into the legislation of the Republic of Belarus continued with a view to improving the efficiency of the internal control systems at banks, non-bank financial institutions, JSC “Development Bank of the Republic of Belarus”, and non-credit financial institutions (Attachment 2.3). The obligation to implement the AML/CFT measures was established for new financial market participants – providers of online borrowing services.

In accordance with Resolution of the Board of the National Bank of the Republic of Belarus No. 164 “On the Reporting Form of Institutions Carrying Out Financial Operations” dated June 16, 2021, off-site control over non-credit financial institutions through the use of Reporting Form 2100 “Information on Financial Operations, Clients and Activities of Institutions Carrying out Financial Operations in the Field of Preventing Money Laundering, Terrorism Financing and Financing the Proliferation of Weapons of Mass Destruction” was established. The indicators of off-site control over banks, non-bank financial institutions, JSC “Development Bank of the Republic of Belarus” were improved by means of amending Reporting Form 1050 “On Financial Operations and Clients Subject to Identification”, established by Resolution of the Board of the National Bank of the Republic of Belarus No. 388 dated December 16, 2021.

The results of the national AML/CFT risk assessment have been implemented into the National Bank’s internal procedures for ranking banks and non-credit financial institutions by the risk levels.

In 2021, as part of the regional assessment of the money laundering and terrorism financing risks conducted by The Eurasian Group on Combating Money Laundering and Financing of Terrorism, the National Bank took part in the assessment of the banking sector and the sector of non-credit financial institutions to identify risks inherent in the Eurasian region and the Russia - Belarus sub-region.

### **2.2.2. Off-site supervision**

In 2021, within the framework of the off-site supervision of banks (bank holding companies), non-bank financial institutions and JSC “Development Bank of the Republic of Belarus” (hereinafter for the purposes of this section – the “banks”), the activities of the National Bank were aimed at ensuring their

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\* FATF (The Financial Action Task Force) is an inter-governmental body establishing the standards and developing the policy in the sphere of combating money laundering and terrorism financing.

stable and safe functioning, protecting the interests of depositors and other creditors, including by means of reducing (limiting) risks accepted by banks.

In 2021, in order to reveal the problems in banks' activities at an early stage of their occurrence, the early warning indicators, banks' performance efficiency indicators, levels of risks assumed by banks, as well as their compliance with the secure functioning and other prudential requirements, were monitored on a permanent basis, including with account of use by banks of countercyclical measures designed to provide banks with the opportunity to continue provision of financial support for the real sector of the economy, which were adopted by the National Bank in the year under review.

A general supervisory assessment of the activities of a number of banks (taking into account the nature, scale and complexity of their activities) over 2020 was carried out, which included a comprehensive assessment of their strategic development, performance efficiency, corporate governance systems, risk management and internal control systems, capital adequacy and liquidity to ensure their safe and stable operation. Based on the results of the assessment, appropriate recommendations were submitted to the banks.

In order to avoid the development of negative trends, resolve or prevent the situations threatening the interests of creditors and other depositors from happening, the early and/or supervisory response measures, including those aimed at increasing banks' capitalization, ensuring profitable work and stable functioning, improving corporate governance, risk management, internal control, including in the area of AML/CFT, as well as excluding participation of banks in non-core activities, were taken with respect to banks when violations and drawbacks in the banks' activities were revealed.

Based on the results of the independent audit of banks' information technologies conducted in 2021, the National Bank submitted recommendations to banks on improving the processes of managing information technologies and increasing the level of information security and cyber-resilience.

In the year under review, special attention was paid to the system of corporate governance at banks. The National Bank initiated the assessment by banks of compliance of the compensation and remuneration system at banks with the scale, results and effectiveness of their activities, as well as compliance of the procedures for the establishment and powers of the management bodies of banks with their size, structure, economic significance, scope and complexity of operations, and risk profile, followed by consideration of these issues at the meetings of collegial bodies of banks and making the necessary decisions.

Strategic plans of banks' development were considered with the purpose of assessing their ability to ensure financial reliability and sustainability in the long-term perspective. The issuance of licenses for participation of banks in the

authorized capital of other legal entities, including banks, was considered with account of the assessment of effectiveness and expediency of such investments.

### **2.2.3. Audits of banks**

In 2021, the National Bank conducted eight audits, of which seven selected audits were carried out according to the schedule of selected audits, one unscheduled audit was carried out on the initiative of the National Bank.

The audits of banks were aimed at assessing the level of risks accepted thereby, quality of risk management, capital adequacy, level of cost effectiveness (profitability) and sustainability of the business model, efficiency of the systems of corporate governance, internal control and risk management, as well as identifying situations in the activities of banks threatening the interests of creditors and depositors.

Within the framework of performed audits, special attention was paid to the issues of corporate governance organization, distribution of the areas of responsibility and compliance with powers, interaction of a bank with shareholders, conflict of interest management, transparency and relevance of decision-making by the bank's management bodies, management and control of the level of risks in the group and/or the bank holding company, assessment of sufficiency and effectiveness of the measures taken by banks to remedy previously revealed violations and/or drawbacks, and compliance with the prescriptive orders, recommendations and other decisions of the National Bank.

Credit risk made a major impact on the sustainability of the banking system. That is the reason why the quality of banks' assets, compliance of the amount of established special provisions with the level of accepted risks, the quality of work with non-performing assets, as well as the impact of credit risk on other risks of the bank were assessed.

In the course of the audits, other significant risks inherent in a bank were assessed, including the liquidity risk of banks. The activities of banks aimed at managing part of the capital adequacy audit, major attention was paid to the organization liquidity during crisis were analyzed.

As of the internal procedure of capital adequacy assessment.

In the context of digitalization of banking activities, the role of assessment of risks related to the use of information technologies by banks has increased. For this purpose, the assessment of the operational risk of banks in 2021 was carried out with account of the assessment of risks emerging from transactions with e-money and bank payment cards, during authentication in the remote banking service systems (hereinafter – the “RBSS”), as well as the assessment of assurance by banks of continuous operation and working capacity of the software and hardware infrastructure involved in payments and settlements. Special

attention was paid to the issues of assessing the quality of information technology and cyber-risk control procedures applied by banks, as well as the risks arising from outsourcing of a number of bank's processes.

A comprehensive analysis of the measures taken by the audited entity to strengthen internal control in the field of AML/CFT in terms of a detailed study of the profile of customers and their transactions using a risk-based approach to identify suspicious financial transactions and exercise the right to refuse to conduct these transactions was carried out.

The conclusions on the level of accepted risks were formed with account of the results of audits based on the analysis of quantitative and qualitative factors, operational risks, as well as the measures implemented by the management of banks to minimize the impact of negative factors and shocks on the activities of banks, as well as an understanding of strategic goals and sustainability of the business model.

Based on the results of the performed audits, the instructions to remedy revealed violations, the recommendations on the actions to be taken to prevent emergence of conditions conducive to committing violations, and/or creation of the situation threatening secure functioning of a bank, interests of its depositors and other creditors, or stability of the banking system, were submitted to banks. An administrative penalty in the form of a warning was imposed on the official of one of the banks.

## **2.3. Control of activities of the non-credit financial institutions**

### **2.3.1. Off-site control**

In 2021, the National Bank executed off-site control over the promptness and completeness of the reporting submitted by leasing and microfinance organizations, as well as reporting related to the activities in the OTC Forex market, compliance with the financial regulations and requirements applied to the consumer cooperatives and forex companies, and authenticity of data provided by the microfinance and leasing organizations to the Credit Register.

The National Bank monitored on a permanent basis the official sites of leasing, microfinance organizations and forex companies in the Internet as to availability of information specified by legislation therein.

The control over the promptness and authenticity of the information submitted for inclusion into the registers of leasing and microfinance organizations and forex companies was carried out.

In the course of consideration of citizens' appeals, the measures designed to protect the financial services consumers' rights and satisfy the well-reasoned complaints of the citizens were taken.

In case of revealing violations in the activities of leasing and microfinance organizations, as well as non-compliance with legislation regulating the activities in the OTC Forex market, corresponding orders (prescriptions) as to remedying thereof were submitted. 74 orders (prescriptions) were issued in 2021 with respect to the violations revealed.

Two microfinance organizations were excluded from the register for non-fulfillment of the requirements of the National Bank in 2021, for non-performance of microfinance activities within six months – one microfinance organization.

When violations were revealed in other spheres of control, information was submitted to the authorized government agencies for the purpose of taking response measures within their competence.

### **2.3.2. Audits of the non-credit financial institutions**

Inspection control over the activities of non-credit financial institutions was carried out in the form of selected audits.

In 2021, audits of three forex companies, five leasing and 10 microfinance organizations were carried out. The following issues were a subject of special attention: fulfilment by non-credit financial institutions of AML/CFT measures; observance by leasing organizations of the restriction on concluding the leaseback contracts, under which the lessees are natural persons; compliance by forex companies with the procedures for carrying out transactions with non-deliverable over-the-counter financial instruments; and meeting by microfinance organizations the limits on the collection of interest and forfeits that may be charged under microloan agreements.

Based on the results of audits, administrative penalties were imposed on 13 officials in the form of a warning or fine, and orders were issued on non-credit financial institutions to remedy violations, except for cases when the revealed violations were remedied by the audit entities directly during the audits.

### **2.4. Regulation of separate banking operations**

In 2021, with a view to increasing sustainability of the banking sector and developing it, the legislation regulating banking operations was further improved.

### **2.4.1. Regulation of credit and deposit operations, operations on the current (settlement) bank accounts, financing against the assignment of a monetary claim (factoring)**

In 2021, the work on the legal regulation of credit and deposit operations, operations on the current (settlement) bank accounts, and financing against the assignment of a monetary claim (factoring) continued.

Ensuring completeness of disclosed information and transparency of the terms of bank services provision, as well as improving their quality, remained the priorities of streamlining the legislation and elaborating relevant recommendations to banks.

Within the reporting year, the work on preventing excessive debt burden on borrowers, ensuring the proportionality of sanctions for a failure to fulfill (improper fulfillment of) obligations under loan agreements, determining the list of cases, when a bank has the right to demand early repayment (redemption) of the loan continued. Corresponding provisions were included in the draft Law of the Republic of Belarus providing for the comprehensive adjustment of the Banking Code of the Republic of Belarus.

In 2021, with the aim of improving the conditions of carrying out consumer lending and providing microfinancing to natural persons, as well as harmonizing certain standards, regulating the same relations in the Russian Federation, the Concept of the draft Law of the Republic of Belarus “On Consumer Lending (Microloan)” was prepared. This Concept provides for the improvement of the legal mechanism in the field of lending and providing microfinancing to natural persons, and introduction of norms, regulating the issues of protection of the rights of financial services consumers in the mentioned area.

In 2021, implementation of partnership programs of banks and trade (service) organizations on stimulation of purchasing goods produced in the Republic of Belarus continued, in the framework of which natural persons were offered corresponding loans.

The National Bank took part in developing Edicts of the President of the Republic of Belarus, aimed at providing state support to citizens (Attachment 2.4).

According to Edict of the President of the Republic of Belarus No. 375 “On Measures of State Support” dated October 1, 2021, large families, having three or more children under the age of 23, are given the right to get state support in repayment of soft term credits, and subsidies for repayment of principal debt under loans, granted with the use of state support in accordance with Edict of the President of the Republic of Belarus No. 240 dated July 4, 2017.

Edict of the President of the Republic of Belarus No. 389 “On the Use of Family Capital” dated October 12, 2021, expands the scope of early use of family

capital. Since January 1, 2022, this capital may be used to repay debts under credit (including on the grounds of agreements on debt transfer, acceptance of debt under credit), organizations' loans, provided for construction (reconstruction), purchase of housing, and payment of interest for their use, and improvement of housing conditions through purchasing of share (shares) in the right of housing ownership.

In the year under review, the National Bank took part in the consideration and development of regulatory legal acts, aimed at providing financial support to the economic entities' activities, stimulating their business activities and determining the measures of state support and financial recovery of organizations of the real sector of the economy.

Within the framework of amending Edict of the President of the Republic of Belarus No. 534 "On Promoting the Development of the Exports of Goods (Works, Services)" dated August 25, 2006, the list of participants in financial support of export and instruments thereof was enlarged.

For the purpose of improving efficiency of investment projects implementation under the State Program "Agricultural Business" for 2021 - 2025, approved by Resolution of the Council of Ministers of the Republic of Belarus No. 59 dated February 1, 2021, the approaches to the provision of subsidies for repayment of the part of interest for use of credits, granted for investment projects implementation on the terms of banks with annual aggregated volume of BYN150 million, were enshrined.

For the purpose of financial recovery of organizations of the real sector of the economy, Edict of the President of the Republic of Belarus No. 391 dated October 15, 2021, determining the possibility of acquiring by JSC "Asset Management Agency" the banks' indebtedness under credits and bonds of organizations, with subsequent restructuring of debts of these economic entities, was issued.

Regulations of Edict of the President of the Republic of Belarus No. 279 "On Amending Edict of the President of the Republic of Belarus" dated July 20, 2021, according to which JSC "Belagroprombank" and JSC "Development Bank of the Republic of Belarus" transferred credit indebtedness of these organizations worth BYN20.4 million, to JSC "Asset Management Agency", made a positive impact on financial state of a number of fish farms.

#### **2.4.2. Regulation of non-cash settlements**

In 2021, the work was going on to streamline the regulatory legal acts, governing the execution of non-cash settlements (Attachment 2.4).

Within the efforts on developing legal conditions for carrying out non-cash settlements in the course of fulfillment of monetary obligations by payers:

- Edict of the President of the Republic of Belarus No. 462 “On Special Aspects of Conducting Settlements” dated December 2, 2021, which is aimed at optimizing the priority of payments carried out from accounts (digital wallets) on the territory of the Republic of Belarus, and ensuring the payment of the whole amount of salary out of turn, was issued; and

- Resolution of the Ministry of Finance and the Board of the National Bank of the Republic of Belarus No. 4/10 “On Amending Resolution of the Ministry of Finance of the Republic of Belarus and the Board of the National Bank of the Republic of Belarus No. 159/176 dated December 23, 2005” of January 12, 2021, providing for the execution of payment instructions for transferring monetary funds as payments to the budget with account of functioning of the automated system of the monetary obligations execution (AIS MOE), was adopted.

With a view to expanding the areas of implementing digital technologies, when carrying out monetary transfers, Resolution of the Board of the National Bank of the Republic of Belarus No. 87 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 376 dated June 22, 2015” of April 5, 2021 was adopted. This Resolution provides banks’ clients with an opportunity to carry out monetary transfers by means of using the RBSS, different mobile applications and self-service terminals, and reference of natural persons to the sites of the money transfer systems in the global computer network Internet

As part of the measures aimed at streamlining the order of carrying out bank operations with the use of banking instruments of trade financing:

- the mechanism of application of bank guaranties in the tourist industry was established; and

- the agreement on exchange of information with the Ministry of Taxes and Duties of the Republic of Belarus in the area of bank guaranties was signed.

For the purpose of implementing industry-specific projects and events of state significance, the National Bank took part in establishing regulatory legal framework providing for application of the institute of special accounts as an effective mechanism of retaining monetary funds from encumbrances and using them for intended purposes. (Attachment 2.5).

## **2.5. Formation of credit histories and provision of credit reports**

In 2021, the National Bank continued to form credit histories of natural and legal persons and provide the users of credit histories and subjects of credit histories with credit reports.

As at January 1, 2022, 4.95 million credit histories were formed in the Credit Registry, including 4.9 million credit histories of natural persons and 0.05 million credit histories of legal persons. Credit histories contain information on 31.1 million credit transactions, of which 7.77 million credit transactions are the



current ones. In 2021, the number of current credit transactions decreased by 5 percent.

Banks of the Republic of Belarus, JSC “Development Bank of the Republic of Belarus”, leasing, microfinance and specialized organizations were the sources of formation of credit histories. As at January 1, 2022, 25 banks, 101 leasing organizations, 84 microfinance organizations and one specialized organization were connected to the Credit Registry as the sources of formation of credit histories.

Within further development and improvement of the process of the credit histories formation, the list of sources of their formation was enlarged by means of including providers of online borrowing services therein. In accordance with Resolution of the Board of the National Bank of the Republic of Belarus No. 312 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 291 dated June 22, 2018” of October 28, 2021, the agreements concluded through online borrowing services were included into credit transactions, the information on which is incorporated in credit histories, and peculiarities of formation of data on these transactions were determined.

As at January 1, 2022, the users of credit histories were 160 legal persons, including 25 banks, three mobile operators, 66 leasing organizations, 15 microfinance organizations, 23 credit brokers, 14 trade organizations, four insurance companies, and other users.

In the year under review, the main users of credit histories were banks, mobile operators and leasing organizations. Banks submitted 3.97 million requests for credit histories to the Credit Registry (of which credit reports were presented on 3.67 million of them), mobile operators – 0.9 million requests (credit reports were presented on 0.78 million requests), and leasing organizations – 0.42 million requests (credit reports were presented on 0.38 million requests). The number of requests from leasing organizations went up 2.1 times in 2021, from credit brokers – 1.6 times.

For the purpose of expanding the list of operations available to the natural persons in the electronic form, the web-portal of the Credit Registry was modified for the purpose of ensuring users of credit histories with a possibility to fill out an application for return of advanced payment for provision of credit history and to provide contact information (phone number, e-mail). In 2021, natural persons submitted 191.8 thousand requests, an increase by 29 percent versus 2020, via the web-portal of the Credit Registry in the online mode. Credit reports in the electronic form were presented on 175.43 thousand requests.

To improve the accuracy of assessing the creditworthiness of the natural persons with the help of a credit history, a new scoring model was developed on the basis of the Credit Register data, and put into operation in October 2021. This model makes it possible to assess the possibility of occurrence of the overdue debt exceeding 90 days within subsequent 12 months, and take into account

additional information incorporated in credit histories in accordance with Law of the Republic of Belarus No. 441-3 “On Credit Histories” dated November 10, 2008.

With a view to improving the efficiency of the use by the National Bank of the data of credit histories when supervising the activities of banks and monitoring financial stability, the new types of analytical reports were developed and implemented on the basis of the information and analytical complex of the Credit Register.

## **2.6 Regulation of activities of non-credit financial institutions**

In 2021, the National Bank continued the work on improving regulatory legal acts governing the activities of non-credit financial institutions, as well as establishing legal conditions for the development of new financial instruments and the instruments in the segment of non-credit financial institutions (Attachment 2.6).

### **2.6.1. Regulation of leasing activities**

In 2021, the systematic work designed to develop leasing activities and increase protection of rights and legal interests of lessees and leasing organizations was carried out.

With a view to preventing an increase in debt burden and considerable worsening of the financial condition of lessees being natural persons, as well as unfair practice of entering into leasing agreements, Edict of the President of the Republic of Belarus No. 196 “On Online Borrowing Services and Leasing Activities” dated May 25, 2021 amended Edict of the President of the Republic of Belarus No. 99 “On Issues of Leasing Activities Regulation” dated February 25, 2014. In particular, the norms were established, which provide for the limiting of:

- the maximum amount of excess of the price of a leasing agreement, under which the lessee is a natural person (excluding independent entrepreneurs), over the price of a leasing item; and
- the maximum amount of the forfeit (fines, penalties), payable by lessees.

Edict of the President of the Republic of Belarus No. 196 dated May 25, 2021 does not allow to recover a forfeit (fine, penalty) from a lessee for early termination of agreement and (or) advanced return of the subject of leasing under the lessor’s demand.

In the framework of implementation of the above-mentioned Edict, the requirements to qualification and business reputation of the head of a leasing organization, as well as to business reputation of its owners, were determined. The corresponding decision was taken by Resolution of the Board of the National

Bank No. 296 “On Establishment of Requirements for Officials and Other Persons of Leasing Organization” dated October 18, 2021, which came into force on November 29, 2021.

In the year under review, the Law of the Republic of Belarus “On Leasing Activities”, which provides for a complex regulation of relations in the area of leasing activities with account of the practice of implementation of Edict of the President of the Republic of Belarus No. 99 dated February 25, 2014, was drafted.

### **2.6.2. Regulation of the microfinance organizations’ activities**

With a view to further increasing economic effectiveness of the microfinance organizations’ activities, the National Bank carried out the systemic work on streamlining the legal base regulating microfinance activities.

In 2021, the draft legislative act was developed, which provided for the introduction of amendments to Edict of the President of the Republic of Belarus No. 394 “On Provision and Attraction of Loans” dated October 23, 2019 aimed at regulating a number of issues involving the microfinance activities, in particular:

- vesting the operators of the cell mobile telecommunications with the right to carry out microfinance activities;
- assessing the paying capacity of a person interested in obtaining a microloan by the organizations involved in microfinance activities;
- complying of beneficiary owners of organizations involved in microfinance activities with the requirements to business reputation set by the National Bank; and
- expanding the types of activities, which profit-making microfinance organizations are entitled to carry out.

### **2.6.3. Regulation of the activities in the OTC Forex market**

In 2021, with a view to maintaining the positive trends of systemic development of activities in the OTC Forex market, as well as maintaining the current balance of the interests of the state, business community and financial services consumers, the legislation governing these activities was improved.

The work on drafting Edict of the President of the Republic of Belarus “On the Market of Non-Deliverable Over-the-Counter Financial Instruments”, the provisions of which are aimed at improving the legislation governing procedures and terms of carrying out activities in the over-the-counter Forex market, was continued.

#### **2.6.4. Regulation of the online borrowing services operators' activities**

In 2021, with a view to developing the mechanisms (alternative to the banking ones) of attraction and provision of monetary funds by natural and legal persons for entrepreneurial purposes through the intermediary of the online borrowing services, the work on formation of the legal basis for regulation of the activities of these services was carried out.

Thus, on November 29, 2021, Edict of the President of the Republic of Belarus No. 196 dated May 25, 2021 came into force, which regulated the issues of performing, regulating and controlling activities of the web-based platforms providing conditions for searching offers by the potential lenders and borrowers. These web-based platforms make it possible to enter into agreements for the purposes of consumer lending (entry into lending agreements between the natural persons only), as well as attract financing for entrepreneurial purposes from natural and legal persons.

The National Bank was appointed as regulator of the on-line borrowing services operators' activities, the authorities of which include, inter alia:

- granting access to the market (inclusion of legal persons into the register of operators of the online borrowing services, under condition of the borrowers' compliance with the established requirements);
- setting requirements to the work of the online borrowing services;
- setting the form, scope, terms, content, and procedures for compilation and presentation of reports submitted by the operator of the online borrowing service to the National Bank;
- setting requirements to the volume of information disclosed by the operators of the online borrowing services and content of the rules of the online borrowing service;
- executing control over compliance with relevant legislation by the operators of the online borrowing services; and
- considering appeals of consumers of the online borrowing services submitted in connection with violation of their rights by the operators of the online borrowing services.

#### **2.7. Foreign exchange regulation and foreign exchange control**

In 2021, the National Bank continued development of the complex regulatory legal base on establishment of an integrated system of foreign exchange regulation and foreign exchange control (Attachment 2.7).

Enactment on July 9, 2021, of the new version of the Law of the Republic of Belarus No. 226-3 “On Foreign Exchange Regulation and Foreign Exchange Control” dated July 22, 2003 was a logical conclusion of a longstanding work of the National Bank designed to improve foreign exchange legislation. The provisions of the above-mentioned Law are aimed at establishing the legal basis of foreign exchange relations regulation based on the principle of the economic interest, as well as establishment of conditions for attraction of the long-term external financing and assurance of innovation-driven development.

The Law “On Foreign Exchange Regulation and Foreign Exchange Control” enshrined the already implemented approaches to foreign exchange regulation and control, as well as those being new to the Belarusian economy. The restrictions on carrying out foreign exchange transactions by residents were annulled, in particular, the resident natural persons do not have to get a permission of the National Bank to carry out foreign exchange transactions involving capital movement; the resident legal persons – to open accounts with a foreign bank.

With a view to decreasing the amount of foreign exchange in the economy, the Law of the Republic of Belarus “On Foreign Exchange Regulation and Foreign Exchange Control” establishes the list of exceptional cases of using foreign exchange in settlements in the Republic of Belarus.

Over 2021, in line with the Strategy of Increasing the Confidence in the National Currency Till 2035, approved by Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No.1/1 dated January 3, 2020, the National Bank in concert with the Government of the Republic of Belarus carried out the systemic and purpose-oriented work aimed at decreasing the amount of foreign exchange in the economy by means of amending legal acts in order to abandon the possibility of using foreign exchange in settlements between residents, as well as in the process of setting tariffs (prices) and nominating payments of state institutions.

The Law of the Republic of Belarus “On Foreign Exchange Regulation and Control” introduced the liability of legal persons and resident independent entrepreneurs to ensure crediting their accounts with banks of the Republic of Belarus with the funds under foreign exchange agreements involving export and import. The terms of crediting are determined by the resident legal person based on the conditions and actual terms of meeting liabilities under foreign exchange agreements involving export and import by the parties.

In addition, Edict of the President of the Republic of Belarus No.178 “On Procedures for Execution of Foreign Exchange Agreements” dated March 27, 2008 was amended as to annul the requirements to the terms and methods of finalizing foreign exchange transactions, as well as the need to obtain the National Bank’s permission to extend these terms.

Having regard to the changes in the core principles of foreign exchange regulation and control and rejection of the authorization-based procedures for carrying out foreign exchange transactions, the work on establishment and development of the foreign exchange monitoring system was carried out. This system is designed to ensure the monitoring of the flows of foreign exchange earnings and payments in the process of carrying out foreign exchange transactions by residents under registered foreign exchange agreements, as well as identification of signs of breach of foreign exchange law.

In the year under review, the automated information system of foreign exchange monitoring was streamlined in the course of the pilot and field testing. The information resource of the National Bank for registration of foreign exchange agreements by residents was put into operation, the measures designed to expand its functional possibilities are implemented.

In the course of monitoring foreign exchange transactions, the National Bank in cooperation with banks revealed the facts of violation of the procedures for registration of foreign exchange agreements by economic entities and took the administrative response measures within its authorities.

The National Bank monitored the external accounts receivable of the economic entities on the ongoing basis. According to the National Statistical Committee's data, the external accounts receivable increased in 2021 by 1.3 percent (from BYN12,638.3 million as at January 1, 2021 to BYN12,807.5 million as at January 1, 2022), the overdue external accounts receivable dropped by 11.9 percent (from BYN893.9 million as at January 1, 2021 to BYN787.4 million as at January 1, 2022).

## **2.8. Macroprudential regulation**

In 2021, the macroprudential policy of the National Bank was aimed at ensuring the stability of functioning of the financial institutions, credit, deposit and foreign exchange markets, and the payment system of the Republic of Belarus by means of reducing systemic risks. In order to identify systemic risks and their sources in a timely manner, financial stability was monitored on a permanent basis and the key threats to and vulnerabilities in the financial system were identified. The results of financial stability monitoring were published in the analytic survey "The Financial Stability of the Republic of Belarus", as well as discussed at the meetings of the interdepartmental Financial Stability Council.

In the reporting year, the regulatory activities of the National Bank designed to ensure financial stability were carried out with the use of the main instruments of macroprudential regulation. Systematic work aimed at improving the methodological and institutional frameworks of ensuring financial stability was continued.

Financial stability was significantly affected by increased uncertainty caused by the response of global markets to the pandemic, volatility in commodity and energy prices, geopolitical challenges, and sanctional pressure.

Against this background, the banks' resource base remained unstable, that put additional pressure on the liquidity of the banking sector. The problem was overcome in 2021 H2, including by raising interest rates on foreign exchange deposits.

The application of a system of measures based on the estimated values of the standard risk was aimed at limiting the credit risk generated by the business models of banks with heightened risk.

The credit risk remained the most significant risk to financial stability, the source of which was, mainly, credit support provided to legal persons. Despite the improvement in a number of indicators characterizing the financial condition of organizations, the share of legal persons' non-performing assets increased by 1.1 percentage points, amounting to 7.8 percent at the end of the reporting period. At certain banks the share of non-performing assets of legal persons exceeded the threshold of 10 percent. Taking into account the current situation in the economy, the National Bank extended the countercyclical measures in 2021.

Insufficient investment activity of organizations and a high debt burden on the economy formed the prerequisites for a moderate growth in lending. As a result, in 2021, the credit gap was within an acceptable range, that indicates the absence of significant imbalances in the lending dynamics. Under these conditions, the National Bank kept the value of the countercyclical buffer of banks' capital at the level of 0 percentage points.

Balanced lending to the economy made it possible to prevent a significant increase in the debt burden. The debt service ratio for 2021 decreased by 3.2 percentage points and amounted to 13.5 percent.

The debt-service-to-income (DSTI) ratio and the loan-to-value (LTV) ratio, used to limit the risks associated with lending to natural persons, contributed to maintaining the level of debt burden of natural persons within acceptable ranges. The credit risk associated with lending to the population reduced, as evidenced by a decrease in the share of non-performing assets of natural persons in 2021 by 0.2 percentage points to 0.6 percent.

Additional capital requirements are applied through a systemic significance buffer, depending on the scale of the bank's activities, its significance for the economy, and its relationship with resident and non-resident banks. Its value is 1.5 percentage points for systemically important banks of Group of Systemic Importance I and 1 percentage point for systemically important banks of Group of Systemic Importance II. In 2021, the composition of systemically important banks changed as a result of transition of Belgazprombank from Group of Systemic Importance I to Group II.

Financial stability was ensured in 2021. The country's financial sector remained stable in relation to the most significant risks. The steady work of insurance and leasing organizations and other financial intermediaries continued. The stable functioning of the payment system and the main financial markets was ensured, the most significant risks were limited, as well as the threat of risks' escalation into the systemic one was prevented from happening.

A prospective assessment of the banking sector's resilience to potential shocks was given in the course of macro-scenario stress testing conducted by the National Bank and systemically important banks. The stress tests were based on the shocks caused by a possible slowdown in the global economy due to the recurrence of outbreaks of the COVID-19 pandemic, price instability, high inflation and devaluation expectations, and sanctional pressure. The results of stress tests indicate that the banking sector has a certain margin of safety. In the event of a negative development of the situation in the economy and the monetary sphere, the National Bank and the Government of the Republic of Belarus have sufficient resources to ensure the banking sector stability.

## **2.9. Accounting and reporting**

In 2021, the work was carried out to improve the legal framework in the field of accounting and accounting (financial) statements, including in terms of convergence with international financial reporting standards (Attachment 2.8).

In cooperation with the Ministry of Finance, the provisions of the draft law on adjusting Law of the Republic of Belarus No. 57-3 "On Accounting and Reporting" dated July 12, 2013 were finalized, providing for the switching of the National Bank, banks, non-bank financial institutions, and JSC "Development Bank of the Republic of Belarus" since January 1, 2024 to the accounting in accordance with the IFRS, as well as compilation of one package of financial statements in line with the IFRS (starting with reporting for 2024).

In 2021, as part of the implementation of measures to switch to the application of international financial reporting standards, drafts of the Chart of Accounts for banks and non-bank financial institutions, JSC "Development Bank of the Republic of Belarus" and the Instructions on the procedures for applying the Chart of Accounts at banks, non-bank financial institutions, and JSC "Development Bank of the Republic of Belarus" were prepared and approved by the Board of the National Bank. These drafts will be adopted in accordance with the procedures established by law, taking into account the adoption of a draft law on amending the Law of the Republic of Belarus "On Accounting and Reporting".

On January 1, 2022, the requirements for the accounting of securities transactions by banks and the disclosure of information about securities in the accounting (financial) statements were established using the provisions of the



International Financial Reporting Standard (IFRS) 7 “Financial Instruments: Disclosure”, Financial Reporting Standard (IFRS) 9 “Financial Instruments” and International Financial Reporting Standard (IFRS) 13 “Fair Value Measurement”.

## **2.10. Cash circulation**

In 2021, cash circulation grew by 9.1 percent (by BYN10.6 billion) compared with 2020 and amounted to BYN127.1 billion. The issue of cash in circulation (M0) totaled BYN596.4 million.

In the year under review, the share of monetary aggregate M0 in the ruble money supply accounted for 19.4 - 21 percent. As at January 1, 2022, this indicator totaled 18.9 percent (as at January 1, 2021, 19.8 percent).

As at January 1, 2022, the National Bank issued banknotes and coins in the amount of BYN5.8 billion.

50-ruble notes (25.5 percent), 5-ruble notes (20.6 percent), 20-ruble notes (19 percent), 100-ruble notes (17.2 percent), and 10-ruble notes (17 percent) accounted for the largest share in the total amount of banknotes in circulation. The share of 200-ruble notes and 500-ruble notes stood at 0.7 percent.

Coins with the denomination of 1 kopeck and 2 kopecks accounted for the largest share in the total amount of kopecks in circulation (30.3 percent and 18 percent respectively). Coins with the denomination of 5, 10, and 20 kopecks totaled 13.4 percent, 12.4 percent, and 9.2 percent respectively. The share of coins with denomination of 50 kopecks, 1 and 2 rubles accounted for 5.4 percent, 5.8 percent and 5.5 percent respectively.

In the year under review, commemorative coins of 23 names were put into circulation by the National Bank. 46,164 commemorative coins were sold in the domestic market, and 5,646 commemorative coins – in the external market by mints. The National Bank sold 1,793 bullion (investment) coins in the domestic market.

With a view to preventing money counterfeiting the National Bank informed the banks’ cashiers about detected counterfeit banknotes. 820 counterfeit banknotes were withdrawn from cash circulation (619 counterfeit banknotes in 2020), including 445 US dollar notes, 294 Russian ruble notes, 69 euro notes, 9 Belarusian ruble notes (4 of them of the 2000 Series), and 3 notes denominated in other currencies.

In 2021, a work was carried out to improve the regulatory legal framework in the field of cash circulation, taking into account the practice of application of legislation and changes therein (Attachment 2.9).

## **2.11. Payment system**

In 2021, the payment system of the Republic of Belarus satisfied the needs of the real sector of the economy, banking system and other financial institutions of the Republic of Belarus in full in terms of timely and qualitative receipt of payments and conduct of settlements in the Republic of Belarus.

### **2.11.1. Payment system management**

With a view to ensuring reliable, secure and efficient functioning of the payment system of the Republic of Belarus, in the reporting year a risk-based supervision of the systems constituting the national payment system was carried out, the operating capacity of software and hardware systems and failures in the operation of the software and hardware infrastructure were monitored, the results of monitoring were analyzed on a regular basis and recommendations to banks and other organizations providing payment services as to eliminating shortcomings in ensuring smooth operation of the payment system were produced. The regulatory legal acts of the National Bank, regulating the functioning of the Belarusian payment system, were kept up to date (Attachment 2.10).

Risks in the systems forming part of the payment system of the Republic of Belarus were managed by the National Bank by means of activities aimed at meeting by these systems of the Principles for Financial Market Infrastructures recommended by the Committee on Payment and Settlement Systems of the Bank for International Settlements and the Technical Committee of the International Organization of Securities Commissions as international standards in the field of building highly efficient payment systems. The National Bank organized risk management processes in the payment system using the approaches provided for in the Strategy of Risk Management in the Payment System of the Republic of Belarus approved by Resolution of the Board of the National Bank No. 471 dated August 9, 2013, as well as adhering to a strategic line towards risk tolerance specified in this document.

With a view to implementing further transformation processes and introducing digital technologies, in 2021 the work designed to streamline the legal framework in order to improve the accessibility and efficiency of the financial sector was continued.

In order to build up open banking in the Republic of Belarus, which implies a convenient and secure way of exchanging information between banks, customers and technology companies through open application programming interfaces (hereinafter – the “APIs”), the Board of the National Bank approved on October 19, 2021 the Concept for the Development of Open Banking APIs of the Republic of Belarus. The purpose of the Concept is to determine a medium-term strategy for the development of the APIs, taking into account the analysis

of world experience and the need to improve the efficiency of the banking system and the payment market of the Republic of Belarus. This Concept sets out approaches to the description, development, and implementation of the APIs, reflects the main information security issues when implementing the APIs, as well as the aspects that must be taken into account when developing technical regulatory legal acts and technical documentation that establish requirements to the APIs.

In the reporting year, in order to expand the access of citizens to financial products and services using the interbank identification system, software and hardware and technologies when providing remote services, the operators of online borrowing services were classified as persons carrying out financial transactions.

### **2.11.2. Functioning and development of the automated system of interbank settlements**

In 2021, a secure and smooth functioning of the core component of the payment system of the Republic of Belarus – automated system of interbank settlements (hereinafter – the “ASIS”) and the ASIS’s functional component – the BISS system – was ensured, the main risks were limited, as well as the threat of risks’ escalation into the systemic risk was prevented from happening. There were no cases of unauthorized access to the ASIS.

Due to the unfavorable epidemiological situation prevailing in the reporting period, additional measures were taken to ensure stable and smooth functioning of the ASIS and other automated information systems aimed at preventing the spread of COVID-19 among employees involved in the work of the ASIS.

The ratio of banks’ accessibility to the ASIS in the reporting period was 100 percent of the ASIS daily production time.

As at January 1, 2022, there were 31 direct participants and one special participant of the BISS system. During the reporting year, the number of direct participants in the BISS system decreased by one participant due to the reorganization of JSC “Idea Bank” by merging with JSC “MTBank”. The number of special participants in the BISS system also decreased by one participant due to the termination of the participation of CJSC “BIT-Bank” in the BISS system as part of the implementation of measures to liquidate it.

In the year under review, 86.1 million payment instructions worth BYN738.7billion were effected in the BISS (Attachment 2.11). Compared with 2020, the effected payment instructions increased by 3.9 million, or 4.8 percent, in terms of their number and reduced by BYN62.4 billion, or 7.8 percent, in terms of their amount.

The average daily turnover amounted to 334.9 thousand in terms of payments number and BYN2.9billion in terms of their value. Compared with

2020, the average daily turnover in terms of the number of payments increased by 12.8 thousand payment instructions, or 4 percent, and decreased by BYN0.3 billion, or 8.5 percent, in terms of its amount.

One of the functional systems of the ASIS is the instant payment system (hereinafter – the “IPS”), which ensures the possibility of performing payments for goods (works, services) and payments to the budget in real time in 24/7/365 mode.

As at January 1, 2022, 12 banks and the National Bank of the Republic of Belarus were participants of the instant payment system.

Legal persons performed payments by dint of IPS using remote banking services. In 2021, 243.7 thousand payments worth BYN3,363.6 million were made within the IPS. The number of payments compared with 2020 increased 2.1 times, the amount of payment instructions – 4.9 times. The average daily turnover in terms of the number of payments amounted to 0.7 thousand payment instructions, in terms of the amount – BYN9.2 million. The main factors in the growth of the volume of instant payments was the popularization of the instant payment service among banks’ customers, as well as an unfavourable epidemiological situation.

In 2021, the compliance by participants of the Belarusian payment system with the requirements of the standard for conduct of settlements CIIP 7.01-2020 “Banking Activities. Information Technologies. Ensuring Continuous Performance and Emergency Recovery of the Payment System Participant. General Requirements”, approved by the Resolution of the Board of the National Bank of the Republic of Belarus No. 552 dated December 31, 2019, was monitored.

Participants of the payment system carried out training (testing, control) to work out the actions provided for by the plans for ensuring continuous performance and emergency recovery, and performed activities on regular revision thereof.

Comprehensive tests were carried out to verify the implementation of actions and measures envisaged by the plans for ensuring continuous performance and emergency recovery of the ASIS and the Belarusian payment system participants, including the actions to switch to the backup communication channels and the backup software and hardware complex “Gateway”, as well as to check the operability of the backup software and hardware complex “Gateway”.

In the reporting year, the performance of the automated systems and software and hardware complexes of the Belarusian payment system participants was monitored. Based on the analysis of the monitoring results, the relevant recommendations were developed and the control over the implementation thereof was carried out.

The coefficient of accessibility of the payment system participant to the ASIS, through which settlements are performed on payments accepted in the payment system of this participant, amounted to 99.96 percent of the production time as at January 1, 2022, with the requirement determined in the Monetary Policy Guidelines of the Republic of Belarus for 2021 being no less than 99.8 percent.

The increase in the value of the coefficient compared with January 1, 2021 by 0.1 percentage point indicates the efficiency of the measures taken by the National Bank and participants of the payment system of the Republic of Belarus to ensure the continuous performance of the payment system and restore its performance in the event of a crisis (failure) situation.

### **2.11.3. Development of the system for non-cash settlements of retail payments**

As of January 1, 2022, the number of bank payment cards (hereinafter – the “cards”) put into circulation reached 15.7 million, of which cards of the domestic payment system BelCard, including BelCard/Maestro co-badged cards, accounted for 3.5 million (22.5 percent of the total number of cards), cards of the international payment system VISA – 6.3 million (40.3 percent of the total number of cards), cards of the international payment system MasterCard – 5.8 million (37.2 percent of total number of cards), cards of the international payment system UnionPay – 8.9 thousand (0.1 percent of the total number of cards).

As many as 4,427 ATMs, 2,404 self-service terminals, and 178,266 payment terminals operating at 133,492 trading (servicing) organizations were functioning as of January 1, 2022.

As at January 1, 2022, the share of non-cash transactions in the general volume of transactions involving this payment instrument amounted to 92.3 percent in terms of their number and 64.2 percent in terms of their amount (as of January 1, 2021, these indicators stood at 91.2 percent and 60.2 percent respectively).

According to the National Statistical Committee, in 2021, the share of non-cash money turnover in the retail trade totaled 50.1 percent (an increase of 1.8 percentage points in 2021) (Attachment 2.12).

In the year under review, the e-money market was developing in the Republic of Belarus following the global trends.

As of January 1, 2022, transactions involving these means of payment were carried out by OJSC Belgazprombank, OJSC “Technobank”, OJSC “Paritetbank”, Reshenie Bank Joint-Stock Company, “Priorbank” JSC, JSC “JSSB Belarusbank”, “Bank Dabrabyt” JSC, Sber Bank”, and “Belinvestbank” JSC. The following systems of settlements based on the e-money were operating: WebMoney Transfer, iPay, V-coin, e-Pay, “Berlio”, “MTS Money”, QIWIBel,

QIWI, “Berliocard”, Euroberlio, “UMoney”, “Oplati” as well as e-money, the access to which is provided by means of issuing the prepaid cards of the MasterCard, VISA, BelCard, UnionPay, American Express, JCB, and “Mir” systems.

In 2021, the National Bank in concert with involved government agencies, carried out work aimed at improving the legislation norms in order to further expand the scope of use of non-cash payments under retail payments. In particular, regulatory legal acts were adopted, which:

- define new approaches to provision of payment services to natural persons by means of ensuring availability of a basic set of the free of charge operations as part of operations on basic accounts, that is aimed at creating conditions making it possible to minimize the costs of the most demanded operations and protect the interests of the most vulnerable categories of citizens (pensioners, students, low-income individuals and others);

- define the requirements for the functional characteristics of cards and the conditions for conducting payments when they are used in the global computer network Internet, as well as make more specific the technologies used to register transactions carried out with the use of cards in the software and hardware infrastructure, in order to ensure the secure operation of the software and hardware infrastructure using cards;

- establish the uniform approaches to the use of QR codes for initiating non-cash payments, in particular, standards for carrying out settlements were approved, which define the requirements for the structure and formats of QR code objects when making non-cash payments using a QR code in user and (or) trade (service) organization modes; and

- set the right for certain groups of business entities to use QR codes to initiate payments, mobile devices as payment terminals, and one payment terminal in several retail facilities.

In 2021, as part of the implementation of Edict of the President of the Republic of Belarus No. 363 “On Current (Settlement) Bank Account of a Natural Person with Basic Terms of Servicing” dated September 23, 2021, the National Bank in concert with the banking sector and government agencies carried out the work on establishment of the automated system for accounting basic accounts.

In the reporting year, the development of remote banking service systems (RBSS) continued. The joint work of the National Bank and banks ensured an increase in the share of banking services provided remotely, as well as in the number of their users.

As of January 1, 2022, the share of banking services provided through the use of RBSS to legal persons amounted to 76.5 percent, and to natural persons – 66.7 percent. The share of legal persons connected to RBSS was 80.7 percent, natural persons – 63.7 percent.

As of January 1, 2022, 23 banks provided remote banking services to natural persons, 22 banks – to legal persons.

The most common RBSS channels for legal persons were Internet banking (more than 418 thousand legal persons, or 90.2 percent of the total number of legal persons connected to RBSS) and mobile banking (more than 168 thousand legal persons, or 36.2 percent of the total number of legal persons connected to RBSS). There was a steady upward trend in the number of legal persons using Internet banking and mobile banking, as well as the migration of customers from the “Client Bank” system to Internet banking.

The most common RBSS channels for natural persons were Internet banking (more than 8.7 million natural persons, or 76.8 percent of the total number of natural persons connected to RBSS) and mobile banking (over 7.3 million natural persons, or 64.4 percent of the total number of natural persons connected to RBSS). There was a gradual increase in the popularity of mobile banking among natural persons.

In the reporting year, banks continued to provide citizens with mobile payment services Samsung Pay, Apple Pay, Wallet Pay, Garmin Pay, FitBit Pay, Xiaomi Pay, PayRing, including banking services BelVEB Pay, SberPay, MTBank HCE, Prior Pay, ”Digital Wallet”, which allow to make contactless payments using the details of cards issued in circulation within the MasterCard and Visa payment systems.

The most widely used mobile payment services are Samsung Pay, Apple Pay, Wallet Pay, Garmin Pay and Xiaomi Pay. Of the 21 card-issuing banks, 13 banks offer Apple Pay and Samsung Pay mobile payment services to their customers.

In 2021, mobile contactless payment services using QR codes (“Oplati”, Onliner Pay, Cashew, Smart Pay, 1Pay) continued to function. In December 2021, a new T-Pay service appeared, which makes it possible to pay for travel using a smartphone in public transport in the city of Brest.

#### **2.11.4. Functioning and development of the interbank identification system**

In 2021, the development of the interbank identification system continued in terms of improving its usability, security and attractiveness for customers. In particular:

- authentication of natural persons through an interbank identification system using biometric data (biometric face model) and an additional authentication factor based on a dynamic password;
- new methods of authentication of individual entrepreneurs, in particular, a static password, dynamic password, biometric data (biometric face and voice model). Previously, authentication of individual entrepreneurs was

carried out only using an electronic digital signature, the public key certificate of which was issued by the Republican Certification Center of the State Public Key Management System, and a mobile electronic digital signature;

- possibility of remote updating (actualization) of data of a client – natural person with his/her consent; and
- possibility of simplified authentication of legal persons and individual entrepreneurs using an electronic digital signature, the public key certificate of which is issued by the Republican Certification Center of the State Public Key Management System, without the need for prior registration in the interbank identification system.

As of January 1, 2022, data on natural persons and legal entities, individual entrepreneurs were uploaded to the interbank identification system by 23 banks, JSC “Development Bank of the Republic of Belarus” and two non-bank financial institutions.

37 users (banks, professional participants of the securities market, insurance and leasing organizations, government agencies, other organizations) receive customer data from the interbank identification system, of which 11 users were connected thereto in 2021.

As of January 1, 2022, the interbank identification system contained information about 6.7 million unique records of natural persons (as of January 1, 2021 – 6.6 million records), 155.5 thousand legal persons (as of January 1, 2021 – 141.7 thousand records), and 168 thousand individual entrepreneurs (as of January 1, 2021 – 146.5 thousand records).

As of January 1, 2022, 2.1 million natural persons were registered in the interbank identification system (as of January 1, 2021 – 1.6 million natural persons), 7.1 thousand legal persons (as of January 1, 2021 – 129 legal persons), 110.8 thousand individual entrepreneurs (as of January 1, 2021 – 67.6 thousand individual entrepreneurs).

A significant increase in the number of legal persons and individual entrepreneurs registered in the interbank identification system is due to the entry into force of a new version of the Law of the Republic of Belarus “On Foreign Exchange Regulation and Foreign Exchange Control” dated July 9, 2021, according to which resident natural persons and legal persons, individual entrepreneurs are obliged to register arrangements (contracts, agreements) made with non-residents and other documents on the basis of which foreign exchange transactions are carried out on the information resource for registration of foreign exchange agreements posted on the website of the National Bank in the global computer network Internet.

### **2.11.5. Introduction of international standards**



In 2021, the National Bank, in concert with the banking sector and government agencies, continued to work on a comprehensive transition to the use in 2022 of financial messages developed in accordance with the methodology of the international standard ISO 20022 “Financial services – Universal financial industry message scheme”. As part of this work, the automated systems included in the ASIS were modernized (the BISS system, the financial information transfer system, the instant payment system, and the automated system “Central Archive of Interbank Settlements”).

The National Bank’s automated systems, which are not part of the ASIS, (automated system for accounting and processing cash, automated system “Centralized Maintenance of Regulatory and Reference Information of the National Bank of the Republic of Belarus”, automated information system for presenting banking information, automated information system for fulfilling monetary obligations, and automated banking system “Accounting and Operational Activities” of the National Bank) were reworked.

In 2021, the pilot operation of the automated systems incorporated in the ASIS began, with the involvement of banks and other participants of these systems. Taking into account the results obtained, the software and formats of financial messages were improved, changes were introduced to the technical documents for the modernization of the ASIS and other automated systems of the National Bank, the automated systems of banks, government agencies and other organizations interacting with the ASIS.

#### **2.11.6. Development of the single settlement and information space**

The development of the single settlement and information space in 2021 was aimed at increasing the number of its participants, expanding the list of goods (works, services) available for payment and payments to the budget, and ensuring provision of convenient and simple payment services for citizens and economic entities.

As of January 1, 2022, the participants of the AIS “Settlement” were 23 settlement agents (22 banks and OJSC “Non-bank Financial Institution “SSIS”) and the payment agent of RUE “Belpochta”. 29,961 service providers are connected to the system (in 2021, their number increased by 1,380).

In 2021, 497.2 million payments worth BYN19,399.9 million under 74,273 services were conducted through the AIS “Settlement”. The increase in payments accounted for 5.3 percent in terms of number and 19 percent in terms of amount.

The average amount of one payment accepted through the AIS “Settlement” was BYN39.02. The increase in the average payment amount compared to 2020 totaled 13.1 percent.

In the reporting year, the share of payments made in a non-cash form through the AIS “Settlement” increased from 74.4 percent to 78.6 percent in terms of number and from 79.1 percent to 81.4 percent in terms of amount. About 78.2 percent of payments were made using remote banking channels and self-service terminals.

In 2021, the share of payments made by RUE “Belpochta” in AIS “Settlement” totaled 19.1 percent in terms of quantity and 12 percent in terms of amount.

In order to further expand the methods of initiating payments and performing settlements in a non-cash form, the development and use of QR code technology, in particular the E-POS service, continued.

As of January 1, 2022, participants of the E-POS service were 12 organizations, which render services with regard to connection to this service. 5,126 service providers are connected to the service (their number increased by 2,554 in 2021).

In the year under review, 1.1 million payments worth BYN69.9 million were made through the E-POS service. The number of accepted payments increased 2.4 times, the amount of accepted payments – 3.6 times. The average amount of one payment accepted through the E-POS service totaled BYN64.8.

The share of non-cash payments carried out through the E-POS service in the reporting year increased from 86.1 percent to 91.2 percent in terms of quantity and from 90.3 percent to 91.2 percent in terms of amount. About 95 percent of payments were made using remote banking channels.

In the reporting year, the automated information system for accounting, calculating and charging fees for housing and communal services and fees for the use of residential premises (AIS “Settlement-Housing and Public Utilities Services”) was further developed. As of January 1, 2022, 388 organizations carried out settlements, accounting and charging of housing and communal services under 4.7 million personal accounts in the AIS “Settlement-Housing and Public Utilities Services”.

For the purpose of implementing the provisions of Decree of the President of the Republic of Belarus No. 322 “On Providing Non-cash Housing Subsidies” dated August 29, 2016, on October 1, 2016, a system of non-cash housing subsidies was introduced on the basis of AIS “Settlement-Housing and Public Utilities Services”, through which 26,471 households obtained assistance in 2021 in the amount of BYN2.2 million in the form of partial payment of housing and communal services (in 2020, 21,911 households in the amount of BYN1.7 million), of which according to the revealing principle – 26,024 households for the amount of BYN2.1 million, in line with the application principle – 447 households for the amount of BYN0.1 million.

In 2021, the service “Service Provider’s Personal Account” was developed, which gives the service provider the opportunity to generate payment requests in

real time, including a payment reference (QR code), receive information on the payment status of the issued claims, process refunds on accepted payments, receive various summaries in the process of interaction with the AIS “Settlement” within the framework of contractual relations with OJSC “Non-bank Financial Institution “SSIS”.

OJSC “Non-bank Financial Institution “SSIS” in concert with RUE “National Center for Electronic Services” continued the implementation of the project for making a collective payment (a basket of payments) to several service providers in the AIS “Settlement” under one issued claim.

## **2.12. Protection of the rights of financial services consumers**

In 2021, the work was carried out to improve the level of protection of the rights of financial services consumers.

The development of the draft law on the protection of the rights of financial services consumers continued. This law regulates the activities of an alternative body for resolving the disputes of consumers and providers of financial services, and establishes the competence of financial market regulators and approaches to the protection of the rights of financial services consumers, which will be detailed in the legislation on the provision of financial services.

The legislation regulating the provision of financial services was improved in terms of consolidating the provisions on the protection of the rights of financial services consumers therein (providing information on the financial service and the provider of financial services, disclosing the essence of legal relations and other provisions).

In 2021, the Memorandum on Cooperation and Interaction of the National Bank and Associations of Financial Market Participants was signed in order to strengthen the confidence of financial services consumers in the financial system.

## **2.13. Financial literacy**

In the year under review, the systemic activities on improving the population’s financial literacy were carried out in accordance with Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 241/6 “On the Joint Action Plan on Improving Financial Literacy of the Population for 2019 - 2024” dated April 12, 2019.

In 2021, with a view to raising financial literacy of citizens of different age categories the following arrangements were held:

- a Financial Literacy Week for Children and Youth, which was held under the motto “Take care of yourself, take care of your money”. About 500 thousand students of educational institutions took part in the information campaign to raise

awareness of the younger generation on the issues of digital security of personal finance;

- a video blogger competition “Money Matters”, the main goal of which was to attract the attention of young people to the topic of financial literacy and popularization of basic knowledge in the field of finance. The relevance of using video blogging in improving financial literacy is confirmed by a large number of works submitted to the competition by participants from all regions of the country (in 2021 – 652 works, in 2020 – 442 works);

- a competition for the best work on economic theme among students, undergraduates and graduate students of higher education institutions and organizations implementing educational programs of postgraduate education, in which 67 scientific papers were presented (in 2020 – 40 papers); and

- a republican competition on financial literacy among students of general secondary education. Since 2021, everyone interested take part in the competition, regardless of the grade of study (previously only students of 10 - 11 grades). The four stages of the competition were attended by over 24 thousand pupils from more than 2,302 educational institutions of all country’s regions.

A continuous updating of the Unified Internet Portal of Financial Literacy of the Population of the Republic of Belarus (<http://fingramota.by>) and accounts on financial literacy in social networks with relevant and useful information for making financial decisions was performed. A number of joint projects with print and electronic media was implemented.

An important event in the work on improving financial literacy was the publication of the first in the Republic of Belarus educational and methodological set “Fundamentals of Financial Literacy” for extracurricular activities, consisting of a manual for pupils of 8 - 9 grades and a manual for teachers. The set was approved by the Scientific and Methodological Institution “National Institute of Education” of the Ministry of Education and recommended for the use in the educational process. By order of the National Bank, 6,000 copies of the set were printed and transferred to the libraries of general secondary education institutions. Electronic versions of the manuals are posted on the Unified Internet Portal of Financial Literacy of the Population of the Republic of Belarus, as well as on the National Educational Portal.

## **2.14. Research activities**

In 2021, the economic studies of the National Bank were aimed at obtaining new knowledge, developing methods, recommendations and tools that are designed to improve the efficiency of measures ensuring dynamic and sustainable development of the monetary sector, banking, payment and financial systems of the Republic of Belarus.

The most significant studies included:

- “Expansion of Central Banks’ Balance Sheets and Inflation: Implications for Monetary Policy”. The study focuses on the issues of equality of opportunities for central banks in industrialized countries, transition economies and developing countries in the application of monetary policy instruments during the crisis caused by the COVID-19 pandemic. The reasons hindering the central banks of countries with economies in transition and developing countries in the implementation of the full-fledged measures designed to support business activity in the economy are outlined. Particular attention is paid to the issues that need to be taken into account by the National Bank when conducting monetary policy in the current conditions;

- “Research on Trust in the National Currency Using the Methods of Psychology”. The paper describes the psychological aspects of trust in the national currency. Using the methods of psychology and behavioral economics, it has been established that the dominant influence on the households’ confidence in the national currency is exerted by external factors that form a stable opinion about the reliability of the national currency as a means of savings. Price stability is of a great importance for the population, which indicates that there is no alternative to the National Bank’s policy with regard to its maintenance. During the period of crisis situations, the information background is also important for the population; and

- “Assessment of the Credit Gap in the Context of a High Level of Foreign Exchange Predominance in the Financial Sector Using Various One-dimensional and Multidimensional Filters”. The work proposes and describes an approach that eliminates the influence of the volatility of the Belarusian ruble exchange rate on the dynamics of banks’ claims in foreign exchange. This approach is used in the Republic of Albania, where there is a similar problem of foreign exchange predominance in the banks’ claims on the economy. The application of the proposed approach using data for the Republic of Belarus showed that the credit gap is less susceptible to fluctuations in nominal exchange rates, synchronously transfers fluctuations in exchange rates both to loans and prices, and, when adjusted for fluctuations in the Belarusian ruble exchange rate, has local maxima, the values of which are comparable throughout the entire historical period.

In the reporting year, studies aimed at solving such topical issues as the analysis of institutional trust, inclusive growth, assessment of inflation expectations, digital currencies of central banks, assessment of the level of financial sector’s digital transformation, as well as evaluation of trend inflation, were conducted.

The results of these studies were published in the section of “Scientific Publications” of the periodical “Bankauski Vesnik” and other scientific publications.

In 2021, in order to stimulate scientific and expert discussions on the issues, which affect the National Bank’s competence and are significant for improving

the efficiency of the monetary policy, financial stability policy, balanced financial development and promoting sustainable economic growth, three round tables were held with the participation of representatives of the expert community and the media on the topics “Central Banks’ Policy in Emerging Markets in the Post-Pandemic Period”, “Central Banks’ Digital Currencies”, and “Central Bank Monetary Policy Regime: Monetary Targeting vs. Inflation Targeting”.

### **2.15. International cooperation**

In 2021, in furtherance of the Treaty on the Eurasian Economic Union the streamlining of the EEU member states’ legal framework was continued. The National Bank took part in drafting international treaties:

- on the standardized license;
- on the supranational body for regulating the common financial market of the Eurasian Economic Union;
- on agreed approaches to the regulation of foreign exchange relations and adoption of liberalization measures;
- on the Advisory Council for Currency Policy of the Member States of the Eurasian Economic Union; and
- on the execution of audit activities in the Eurasian Economic Union (this agreement was signed on December 10, 2021 at the meeting of the Supreme Eurasian Economic Council).

In 2021, the Agreement on the interaction of the EEU member states in the exchange of information included in credit histories was signed, which makes it possible to increase the protection of credit institutions from credit risks, as well as provide equal opportunities for residents of the EEU member states to receive a full range of financial services at banks, located in the territory of other EEU member countries.

Meetings of the Advisory Committee on Financial Markets were held, at which the issues of the monetary policy implementation and the financial sector functioning aimed at developing coordinated decisions, as well as preparing proposals for harmonizing the legislation of the EEU member countries in the financial sector, were discussed.

Meetings of the Advisory Board on Foreign Exchange Policy of the Central (National) Banks of the Member States of the Eurasian Economic Union were held to discuss the economic situation and the implementation of monetary policy in the EEU Member States, the status, functions and powers of the supranational body for regulating the common financial market, as well as the draft Agreement on the Standardized License.

Representatives of the National Bank took part in the work of other advisory bodies operating under the Eurasian Economic Commission.

Within the framework of the Union State of the Republic of Belarus and the Russian Federation, a special attention was paid to the pace of integration processes in the area of activities of the central banks of the two states, in particular, the main stages of the union programs developed in order to fulfill the Guidelines for Implementing the Provisions of the Treaty on the Establishment of the Union State for 2021 - 2023, approved by Decree of the Supreme State Council of the Union State No. 6 “On the Guidelines for Implementing the Provisions of the Treaty on the Establishment of the Union State for 2021 - 2023” dated November 4, 2021.

The state and trends in the development of foreign exchange markets and the banking sector, the state of balances of payments and the dynamics of international reserves, issues of monetary policy and financial stability of the banking sector, measures to ensure stability, liquidity, solvency and smooth functioning of financial system, application and regulation of risk-based supervision, and other topical issues were discussed at the meetings of the Eurasian Council of Central (National) Banks.

At the meetings of the Council of the Interstate Bank the financial statements of the Bank and its performance results were considered, the results of budget execution were summed up, as well as other issues being of interest to its member states were discussed.

In 2021, the National Bank in concert with the Ministry of Finance, the Ministry of Economy and other involved agencies, developed Regulation on Cooperation of the Republic of Belarus with International Financial Organizations, which expanded the list of international financial organizations with which the cooperation and interaction is carried out on the economically beneficial terms for the Republic of Belarus (approved by Decree of the President of the Republic of Belarus No. 337-дсп dated September 10, 2021).

Cooperation with the IMF was carried out within the IMF general supervision over its member countries, consultative dialogue and technical assistance.

The National Bank’s representatives participated in separate meetings during the Spring Meetings of the Boards of Governors of the IMF and the World Bank Group held on April 5 - 11, 2021, and the Annual Meetings held on September 27 - October 8, 2021.

The work was carried out to extend the Permanent Agreement of a Group of Countries of Central and Eastern Europe, the terms of which were discussed over several rounds in a remote format, and the results were consolidated during the face-to-face meeting of deputy chairmen of central banks, held in Budapest (Hungary) on January 14, 2022.

On November 29 - December 16, 2021, the meeting with the IMF mission as part of consultations on Article IV “Obligations Regarding Exchange Arrangements” of the IMF Articles of Agreement was held remotely. In the

course of the meetings with representatives of the National Bank and other agencies, a wide range of issues was discussed. In addition, a number of specialized expert meetings was held on the themes of implementation of the monetary policy and the transition to the inflation targeting regime, financial stability, combating money laundering and financing of terrorism, and other topical issues.

In 2021, international economic and financial organizations continued to provide technical assistance to the National Bank in the following areas:

- convergence of the national accounting system with international financial reporting standards;
- strengthening macrofinancial stability monitoring;
- improvement of legislation in the field of protection of the rights of financial service consumers and development of factoring industry;
- improvement of the functioning of the continuous payments system;
- and
- development of financial education.

As part of the accession of the Republic of Belarus to the World Trade Organization, the work designed to improve the foreign trade regime in terms of liberalizing foreign exchange regulation and bringing legislation in line with the requirements of this organization was continued.

The National Bank in concert with government agencies held negotiations to conclude agreements on free trade in services and investments with the People's Republic of China, the Republic of Singapore and the Republic of Turkey.

## **2.16. Staffing and staff training**

In 2021, activities aimed at optimizing the functions, structure and staffing of the National Bank were continued. As a result, the number of the National Bank's staff was decreased (excluding the personnel in charge of buildings security and maintenance) by 25 staffing positions due to the implementation of measures aimed at improving management processes and bringing the number of employees in line with the volume of the work performed.

In the reporting year, the average age of employees of the National Bank stood at 45 years, of civil servants – 44 years.

All civil servants of the National Bank are graduates of the institutions of higher education, of which 25.9 percent obtained the diplomas of additional higher education or retraining in other fields. 18 employees of the National Bank have academic degrees of candidates of sciences.

In 2021, the automation of human resources management processes continued.



In the reporting period, 664 employees (220 managers and 444 specialists) participated in 267 training events. The number of remote training events more than doubled compared with 2020 (in 2020 – 82 events, or 57 percent of the total number, in 2021 – 212 events, or 79 percent of the total number).

The main study areas included the development of IT competencies, working with big data, project activities, information security, and international financial reporting standards.

## **2.17. Internal audit**

The main task of internal audit at the National Bank is to provide the Board and the management of the National Bank with independent and objective information on the adequacy and efficiency of internal control, risk management, and corporate governance systems. In its activities, the internal audit ensured the compliance with the requirements of international professional standards of internal audit and the Code of Ethics of the international Institute of Internal Auditors.

In the reporting year, audit tasks were performed in the following areas of the National Bank's activities:

- regulation of the banking system's liquidity and stabilization refinancing of banks;
- organization and monitoring of key threats and vulnerabilities of the financial system;
- organization and implementation of project activities;
- formation, accounting, storage and use of the museum fund of the National Bank;
- personnel management in terms of remuneration and incentives;
- organization of the process of construction of real estate units and implementation of procurement activities in the field of construction; and
- organization of the security process at the National Bank.

In the field of information technologies, audit tasks were performed in the following areas:

- ensuring the functioning of objects of the National Bank's corporate information system, in particular, the automated information system of monetary obligations fulfillment and the corporate data transmission network, including the management of outsourcing of the IT functions and the functions on ensuring the information security of these objects; and
- managing information security policy and cyber security.

The best international practices in the sphere of internal audit, national and international standards in the field of information technologies, international methodologies in the field of management, control and audit of the IT processes,

project management and organization of project activities were used in the course of organization and performance of audit tasks.

When performing engagements, the audited processes' efficiency, the adequacy of internal control procedures and risk management measures taken at all stages of the processes implementation, as well as the National Bank's compliance with legislative and other regulatory requirements were assessed. According to the results of the audits performed, the owners and participants of the audited processes ensured, as a whole, the fulfilment of functions assigned thereto, and the internal control and risk management mechanisms applied thereby were adequate to a sufficient degree to the nature and scale of functions performed. The results of the audits were submitted to the Chairman of the Board of the National Bank for consideration, and subsequently to the Board of the National Bank as part of the annual report on the results of the internal audit of the National Bank for 2021.

For the purpose of implementing the recommendations of the internal audit by the organizational units of the National Bank's central office, a set of measures was taken to increase the efficiency of internal control and risk management systems, including the improvement of legal acts and optimization of the National Bank's processes and information technologies used in the implementation thereof. The work was carried out to ensure secure and efficient functioning of the National Bank's information systems.

In the year under review, Internal Audit Directorate cooperated with the audit company Ernst & Young LLC in the process of auditing the annual financial statements of the National Bank.

## **2.18 Regulation of rating activities**

In line with Decree of the President of the Republic of Belarus No. 42 "On Amending and Modifying Decrees of the President of the Republic of Belarus" dated February 7, 2019, since January 1, 2020, the National Bank is empowered to regulate rating activities in the Republic of Belarus (activities on the analysis (assessment) of legal persons and financial instruments issued (provided) thereby).

In 2021, the National Bank accredited JSC "BIK Ratings" and included it in the register of rating agencies, the decision on accreditation of which was made by Resolution of the Board of the National Bank of the Republic of Belarus No. 7 "On Accreditation of the Rating Agency" dated January 12, 2021.

In the reporting year, the National Bank agreed on the methodology for assigning corporate ratings and the methodology for assigning credit ratings to leasing organizations, developed by JSC "BIK Ratings".

As of January 1, 2022, JSC “BIK Ratings” assigned eight corporate ratings (from BB to BBB+). Information on the ratings, rankings and analytical materials are posted on the company’s website in the global computer network Internet.

## **Chapter 3**

### **Annual financial statements**

The annual financial statements of the National Bank are compiled in accordance with legislation, regulatory legal acts and local legal acts of the National Bank.

In the year under review, the operations stemming from the tasks and functions stipulated in the Banking Code of the Republic of Belarus, the Statute of the National Bank of the Republic of Belarus approved by Edict of the President of Belarus No. 320 dated June 13, 2001, and the Republic of Belarus Monetary Policy Guidelines for 2021 were performed.

The audit of the annual accounting (financial) statements was conducted by Ernst & Young LLC. According to the opinion of the audit firm, the National Bank's annual financial statements present fairly, in all material aspects, the financial position of the National Bank as at January 1, 2022, and its financial performance and change in the financial situation therein in 2021.

**BALANCE SHEET**  
as of January 1, 2022

National Bank of the Republic of Belarus

(BYN, thousand)

Item	Note	2021	2020 (restated)
<b>ASSETS</b>			
Cash		1,347,642	24,858
Precious metals and precious stones	4	8,085,229	8,119,760
Assets in special drawing rights	5	3,662,316	1,382,461
Securities	6	3,075,884	3,343,932
Amounts due from banks	7	11,235,414	12,123,991
Loans and other active operations with customers	8	367	21,098
Derivative financial assets		–	–
Long-term financial investments	9	325,362	299,601
Fixed and intangible assets	10	100,459	105,391
Other assets	11	5,234	5,479
<b>TOTAL assets</b>		<b>27,837,907</b>	<b>25,426,571</b>
<b>LIABILITIES</b>			
Cash in circulation		5,812,540	5,238,480
Precious metals	12	317,115	162,049
Liabilities in special drawing rights	13	3,644,488	1,369,490
Amounts due to international financial institutions		6,777	6,111
Amounts due to banks	14	8,000,451	7,264,483
Amounts due to customers	15	15,053,451	16,278,989
Obligatory reserves with banks		504,615	518,152
Securities of the National Bank	16	37,320	55,880
Derivative financial liabilities		–	–
Other liabilities	17	3,179	1,829
<b>TOTAL liabilities</b>		<b>33,379,936</b>	<b>30,895,463</b>
<b>EQUITY</b>			
Charter fund		25,000	25,000
Reserve fund and other funds		832	832
Accumulated loss	18	(12,037,381)	(12,291,140)
Balance sheet items revaluation reserves	19	6,469,520	6,796,416
<b>TOTAL equity</b>		<b>(5,542,029)</b>	<b>(5,468,892)</b>
<b>TOTAL liabilities and equity</b>		<b>27,837,907</b>	<b>25,426,571</b>

**STATEMENT  
of profit and loss  
for 2021**

National Bank of the Republic of Belarus

(BYN, thousand)

Item	Note	2021	2020
Interest income	20	373,227	300,569
Interest expenses	20	(127,572)	(316,710)
Net interest income (expenses)	20	245,655	(16,141)
Fee and commission income	21	7,741	5,894
Fee and commission expenses	21	(6,391)	(3,706)
Net fee and commission income	21	1,350	2,188
Net gain from foreign currency transactions	22	12,582	14,723
Net gain from operations with precious metals and precious stones	23	1,988	59,532
Net gain (loss) from operations with securities	24	(9,729)	5,174
Net loss from operations with derivative financial instruments	25	(211)	(3,826)
Dividend income		36,433	14,808
Net gain from decrease in provisions	26	516	689
Other expenses	27	(112,808)	(107,679)
Other income	27	31,423	27,870
Other expenses, net	27	(81,385)	(79,809)
Allocations to the budget		(88)	(106)
<b>PROFIT (LOSS)</b>		<b>207,111</b>	<b>(2,768)</b>

**STATEMENT  
of changes in equity  
for 2021**

National Bank of the Republic of Belarus

(BYN, thousand)

Item	Equity items					
	Charter fund	Reserve fund	Other funds	Retained earnings (accumulated loss)	Balance sheet items revaluation reserves (restated)	Equity, total
<b>Section I. For the year preceding the reporting year</b>						
Balance as of January 1, 2020	25,000	–	832	(12,290,330)	4,354,430	(7,910,068)
Change in equity items, including:	–	–	–	(810)	2,441,986	2,441,176
Comprehensive income	x	x	x	(2,768)	2,443,944	2,441,176
Distribution of profit	–	–	–	–	x	–
Transfer of the amounts of revaluation of disposed fixed and intangible assets to retained earnings	x	x	x	1,958	(1,958)	–
Other changes	–	–	–	–	–	–
Balance as of January 1, 2021	25,000	–	832	(12,291,140)	6,796,416	(5,468,892)
<b>Section II. For the reporting year</b>						
Balance as of January 1, 2021	25,000	–	832	(12,291,140)	6,796,416	(5,468,892)
Change in equity items, including:	–	–	–	253,759	(326,896)	(73,137)
Comprehensive income	x	x	x	207,111	(280,248)	(73,137)
Distribution of profit	–	–	–	–	x	–
Transfer of the amounts of revaluation of disposed fixed and intangible assets to retained earnings	x	x	x	46,648	(46,648)	–
Other changes	–	–	–	–	–	–
Balance as of January 1, 2022	25,000	–	832	(12,037,381)	6,469,520	(5,542,029)

**INFORMATION**  
on comprehensive income  
for 2021

National Bank of the Republic of Belarus

(BYN, thousand)

Item	Note	2021	2020 (restated)
Profit (loss)	18	207,111	(2,768)
Other components of comprehensive income, including:	19	(280,248)	2,443,944
Revaluation of fixed assets and non-installed equipment		2	20
Revaluation of intangible assets		–	–
Translation differences from foreign exchange revaluation		155,508	(176,219)
Revaluation of precious metals		(435,758)	2,619,899
Revaluation of securities		–	244
Revaluation of hedging instruments		–	–
Revaluation of other balance sheet items		–	–
<b>Total comprehensive income</b>		<b>(73,137)</b>	<b>2,441,176</b>



**STATEMENT**  
of the formation and use of reserves  
for 2021

National Bank of the Republic of Belarus

(BYN, thousand)

Item	Charter fund	Reserve fund	Other funds	Fixed assets and non-installed equipment revaluation reserve	Intangible assets revaluation reserve	Reserve for translation differences from foreign currency revaluation	Precious metals revaluation reserve (restated)	Securities revaluation reserve	Hedging instruments revaluation reserve	Other balance sheet items revaluation reserve	Total
<b>Section I. For the year preceding the reporting year</b>											
Balance as of January 1, 2020	25,000	–	832	113,517	–	176,219	4,064,938	(244)	–	–	4,380,262
Paid into reserves by allocating profit	–	–	–	x	x	x	x	x	x	x	–
Paid into reserves by using other sources	–	–	–	45	–	–	8,969,555	366	–	–	8,969,966
Reserves used	–	–	–	(1,983)	–	(176,219)	(6,349,656)	(122)	–	–	(6,527,980)
Balance as of January 1, 2021	25,000	–	832	111,579	–	–	6,684,837	–	–	–	6,822,248
<b>Section II. For the reporting year</b>											
Balance as of January 1, 2021	25,000	–	832	111,579	–	–	6,684,837	–	–	–	6,822,248
Paid into reserves by allocating profit	–	–	–	x	x	x	x	x	x	x	–
Paid into reserves by using other sources	–	–	–	6	–	155,508	5,791,869	–	–	–	5,947,383
Reserves used	–	–	–	(46,652)	–	–	(6,227,627)	–	–	–	(6,274,279)
Balance as of January 1, 2022	25,000	–	832	64,933	–	155,508	6,249,079	–	–	–	6,495,352

**STATEMENT**  
of maintenance costs of the National Bank  
for 2021

National Bank of the Republic of Belarus

(BYN, thousand)

Description of expenses	2021		Actually for 2020
	Plan	Actual	
Maintenance costs total, including:	111,983	95,045	87,336
Staff costs	52,089	50,281	46,428
Expenses on the use of land, buildings, structures and other fixed assets as well as stocks	11,435	7,071	6,929
Expenses on the consulting, audit, informational, marketing, advertising and other services received	3,315	2,829	2,568
Depreciation and amortization charges	15,126	11,008	13,363
Costs arising from the disposal of long-term financial investments and property	5,979	4,667	93
Costs of operation of the payment system	301	295	265
Other operating costs	23,738	18,894	17,690

**STATEMENT**  
of capital investments budget execution  
for 2021

National Bank of the Republic of Belarus

(BYN, thousand)

Capital investment workstream	2021		Actually for 2020
	Plan	Actual	
Capital investments, total, including:	28,297	10,536	14,887
Capital construction and reconstruction	2,890	2,520	4,645
Measures to develop IT components of the payment system	3,521	565	600
Computer equipment, software and network equipment	12,211	4,329	5,869
Safety enhancement equipment	1,589	1,364	1,688
Cash registers and other equipment to work with valuables	4,400	–	–
Equipment to work with precious metals and precious stones	–	–	–
Staff motorcars and other vehicles	516	438	339
Maintenance equipment for vehicles and buildings	41	15	134
Equipment, hardware and software packages and data protection tools	1,963	905	1,245
Other	1,166	400	367

STATEMENT  
of profit and its allocation  
for 2021

National Bank of the Republic of Belarus

(BYN, thousand)

Item	2021	2020
Profit of the reporting year	207,111	–
Allocation of profit of the reporting year that requires approval:	207,111	–
Prior year losses coverage	207,111	–
Charter fund	–	–
Reserve fund	–	–
Other funds	–	–
Undistributed profit of prior years	46,648	1,958
Allocation of profit of prior years that requires approval:	46,648	1,958
Prior year losses coverage	46,648	1,958
Charter fund	–	–
Reserve fund	–	–
Other funds	–	–

## **Notes to the financial statements of the National Bank for 2021**

### **1. Corporate information**

The National Bank is the central bank and state body of the Republic of Belarus. It operates exclusively in the interests of the Republic of Belarus.

The National Bank operates in accordance with the Constitution of the Republic of Belarus, the Banking Code of the Republic of Belarus, laws and regulatory legal acts of the President of the Republic of Belarus and is independent in its activities.

The National Bank is accountable to the President of the Republic of Belarus.

The primary objectives of the National Bank are:

Maintaining price stability;

Ensuring stability of the banking system of the Republic of Belarus; and

Ensuring efficient, reliable and secure functioning of the payment system.

The Bank's registered legal address is: 20 Nezavisimosty Ave., 220008, Minsk, Republic of Belarus.

### **2. Basis of accounting and reporting**

The National Bank maintains its accounting records and prepares its annual financial statements in accordance with the Banking Code of the Republic of Belarus, Law No. 57-3 of the Republic of Belarus "On Accounting and Reporting" dated July 12, 2013, national financial reporting standards adopted by the National Bank, the Instructions on the Procedure for Organizing Accounting Policies at the National Bank approved by Resolution No. 407 of the Board of the National Bank of the Republic of Belarus dated September 27, 2010, Instructions on the Compilation and Presentation of the Annual Financial Statements by the National Bank approved by Resolution No. 633 of the Board of the National Bank of the Republic of Belarus dated December 28, 2011, and other regulations and local legal acts of the National Bank.

The financial statements of the National Bank for the year ended December 31, 2021 comprise the following:

Balance sheet;

Statement of profit and loss;

Statement of changes in equity;

Statement of the formation and use of reserves;

Statement of maintenance costs of the National Bank;

Statement of capital investments budget execution;

Statement of profit and its allocation; and  
Notes to the financial statements.

Presentation currency of these annual financial statements is the Belarusian ruble. These annual financial statements are prepared in thousands of Belarusian rubles ("BYN") in whole numbers. Accumulated loss, expenses, provisions and accumulated depreciation and amortization are presented in brackets.

Amounts due to JSC "Development Bank of the Republic of Belarus" and JSC "Belarusian Currency and Stock Exchange", as well as amounts due therefrom, are recorded in the respective items of the annual financial statements specified for accounting of transactions with banks.

The annual financial statements are prepared based on the accounting data of the National Bank taking into account the reporting year adjustments with regard to subsequent events, which have been made in accordance with National Accounting Standard (NAS) 10 "Subsequent Events" applicable to the banking system, approved by Resolution No. 201 of the Board of Directors of the National Bank of the Republic of Belarus dated June 25, 2004. The annual financial statements do not include reports of the legal entities in which the National Bank has a shareholding (participating) interest.

### **3. Summary of significant accounting policies**

Accounting and reporting are based on the principles of going concern, independence, accrual, adequacy of income and expenses, credibility, predominance of the economic substance, prudence, neutrality, completeness, transparency, consistency and appropriateness.

The National Bank applied a centralized accounting system using the automated banking system "Transaction activities" and local program packages.

#### **3.1. Assets and liabilities denominated in foreign currency**

Assets and liabilities arising from dealing in foreign currency are divided into monetary and non-monetary items.

Transactions in foreign currency resulting in monetary items are reported in two ways (in a foreign currency and in its equivalent in Belarusian rubles) at the official exchange rate of the Belarusian ruble to the relevant foreign currency set by the National Bank (hereinafter, the "official rate") at the date of recording. Monetary items are revalued to reflect changes in the official exchange rate.

Non-monetary items are recognized by translating the amounts into Belarusian rubles at the official exchange rate at the date of recording, using the method of currency position accounts. Thereafter, non-monetary items are recorded exceptionally in Belarusian rubles. Non-monetary items are not revalued.

Translation differences from revaluation of monetary items denominated in foreign currency are charged to an offset account for dealing in foreign currency at the date of revaluation. Accumulated foreign exchange gains (losses) are recorded on the last working day and should be taken to the following accounts:

To the balance sheet account for recognizing the foreign exchange revaluation reserve (in case of a positive difference) (Note 19); and

To the balance sheet account for recognizing the foreign exchange revaluation reserve or to the balance sheet account for expenses arising from dealing in foreign currency if cash on the balance sheet account for recognizing the foreign exchange revaluation reserve is not available (in case of a negative difference).

The financial result of currency exchange operations arising from dealing in foreign currencies at the exchange rates other than the official exchange rate is taken to the balance sheet accounts for income or expenses arising from dealing in foreign currencies at the date of transactions (Note 22).

As of December 31, 2021, the official exchange rates used for translating the assets and liabilities denominated in foreign currency were as follows:

Currency	Official exchange rate, BYN
1000 Armenian drams (AMD)	5.3230
100 hryvnias (UAH)	9.3319
10 Danish kroner (DKK)	3.8722
1 US dollar (USD)	2.5481
1 euro (EUR)	2.8826
10 zlotys (PLN)	6.2716
100 yens (JPY)	2.2126
1 Canadian dollar (CAD)	1.9896
10 Chinese yuans (CNY)	3.9978
10 Norwegian kroner (NOK)	2.8831
100 Russian rubles (RUB)	3.4322
1 SDR (special drawing rights, (XDR))	3.5663
100 soms (KGS)	3.0042
1000 tenges (KZT)	5.8043
1 pound sterling (GBP)	3.4295
10 Swedish kronor (SEK)	2.8121
1 Swiss franc (CHF)	2.7759

### 3.2. Precious metals and precious stones

Precious metals in standard and small bars, precious metal scrap and balances on metal accounts are recorded at accounting prices for precious metals set by the National Bank and valid at the date of the operation.

Accounting prices are determined based on the USD-denominated precious metal fixing price set in accordance with the rules of the London Bullion Market

Association and translated using the official exchange rate and the troy ounce to gram conversion factor. Accounting prices for precious metals are published on the official website of the National Bank.

Commemorative, bullion (investment) coins made of precious metals issued into circulation by the National Bank and which form a legal means of payment in the Republic of Belarus, are accounted at their nominal value.

The financial result from the National Bank's purchases and sales of precious metals is determined as the difference between the accounting price of precious metals and the transaction (agreement) price. The financial result is recognized on the balance sheet accounts for income (expenses) arising from dealing with precious metals (Note 23).

Revaluation of precious metals is performed in proportion to changes in accounting prices for precious metals set by the National Bank.

Results of revaluation by type of precious metals at the date of revaluation are taken to the following accounts:

To the balance sheet account for recognizing the precious metals revaluation reserve (in case of a positive difference) (Note 19); and

To the balance sheet account for recognizing the precious metals revaluation reserve; if cash on the balance sheet account for recognizing the precious metals revaluation reserve is not available - balance sheet account for expenses arising from dealing with precious metals (in case of a negative difference).

Acquired precious stones other than certified diamonds acquired (repurchased) by the National Bank are recorded at their actual acquisition cost. Certified diamonds acquired (repurchased) by the National Bank are recorded at the acquisition (repurchase) price.

Financial result arising from the National Bank's dealing with precious stones is determined as the difference between the consideration received and carrying amount of precious stones. The amount of the financial result as of the date of consideration receipt shall be taken to the balance sheet accounts for income (expenses) arising from dealing with precious stones (Note 23).

Precious stones are not subject to mandatory regular revaluation.

### **3.3. Securities**

Securities acquired by the National Bank are recognized at their acquisition price, including income paid (accumulated) in the form of interest, which shall be recorded separately. The amount of income in the form of discount is recorded as interest income accrued over the maturity period of a security from the date of its acquisition through the date of its redemption or sale. Securities are subsequently recorded within the category of financial assets, to which they have been classified.



Revaluation of securities at fair value shall be carried out on a monthly basis as of the last working day of the reporting month in case of their reclassification from one category to another or in case of derecognition.

Results of changes in the fair value (revaluation) of securities recognized at fair value are recorded at the date of revaluation as related to:

Securities classified as "Financial assets available for sale" - on the balance sheet account for recognizing the securities revaluation reserve; and

Securities classified as "Financial assets at fair value through profit or loss" – on balance sheet accounts for recognizing income (expenses) arising from dealing with securities (Note 24).

Changes in the fair value accumulated in the securities revaluation reserve are recorded until disposal of securities.

Gains or losses from disposal of securities are recorded as gains (losses) from operations with securities (Note 24).

### **3.4. Securities of the National Bank**

The National Bank issues interest-bearing and discount securities. Securities issued by the National Bank are recognized as they are placed (sold) at their nominal value. Expenses are recorded as interest expenses (Note 20). Upon issue of the discount securities, the amount of discount is recorded within deferred expenses and is subsequently taken to the interest expenses over the period of maturity of securities.

### **3.5. Long-term financial investments**

Long-term financial investments of the National Bank in charter funds of legal entities are recorded in Belarusian rubles at the acquisition price.

### **3.6. Loans and deposits**

Loans (borrowings) issued to the banks and customers and deposits placed are recorded in the amount of cash paid upon their issue (placement) taking into account the repayment made.

Loans (borrowings) received and deposits attracted are recorded in the amount of cash received (attracted) subject to the payments made.

### **3.7. Provisions**

Special provisions to cover general banking risks

Special provisions for overall bank risks (hereinafter, "special provisions") are accrued to cover potential losses with respect to the assets of the National Bank.

Special provisions with respect to financial assets denominated in foreign currency and exposed to credit risk, as well as provisions with respect to unearned income in foreign currency on such assets are accrued in the currency of these assets or income.

Special provisions for accounts receivable denominated in Belarusian rubles and foreign currency are accrued in Belarusian rubles.

Amounts charged to special provisions are taken to the expenses of the National Bank in full (Note 26).

Decrease of special provisions accrued is taken to the income of the National Bank in the reporting period when such decrease takes place and when the amount for debt repayment, previously written off against provisions, is received.

Special provisions are used to write off debt with respect to the assets, for which these provisions have been accrued, upon the decision of the Board of the National Bank.

Assets, in respect of which special provisions have been accrued, are recorded in the balance sheet less the amount of the provisions accrued.

Special provision for long-term investments to the charter funds of legal entities

To cover potential losses from long-term investments of the National Bank to the charter funds of legal entities, it forms a special provision (hereinafter, "the provision for investments").

The provision for investments is formed in Belarusian rubles (Note 9).

Amounts charged to the provision for investments are taken to the expenses of the National Bank in full.

A decrease in the accrued provision for investments is taken to income earned by the National Bank during the reporting period in which the decrease takes place (Note 26).

Provision for investments is used to write-off the carrying amount of investments upon decision of the Board of the National Bank.

Long-term financial investments, in respect of which provisions for investments have been accrued, are recorded on the balance sheet less the amount of the provisions accrued.

Vacation provision

The National Bank accrues a provision for expected amounts of payments for short-term vacations of the employees of the National Bank, including payments for unused vacation and contributions for compulsory social insurance for occupational accidents and diseases to the budget of the state non-budgetary Social Security Fund of the Republic of Belarus (hereinafter, the "vacation provision").

The vacation provision is accrued in Belarusian rubles (Note 17).

Contributions to the vacation provisions are charged to expenses of the National Bank in full (Note 27):

For the accumulated paid vacations - not later than on the last working day of the reporting year; and

For the non-accumulated paid vacations - in the reporting period, in which they are accrued (settled) (directly upon commencement of a vacation).

The accumulated amount of the vacation provision is used in the month when an employee takes a vacation.

If there is no vacation provision or its accumulated amount is insufficient, the deficient amount for vacation payment is charged to the respective expenses and (or) deferred expenses accounts.

### **3.8. Derivative financial instruments**

Derivative financial instruments are recorded as assets at fair value if their net fair value is positive (the fair value of assets exceeds the fair value of liabilities) or as liabilities if their net fair value is negative (the fair value of liabilities exceeds the fair value of assets).

Derivative financial instruments are revalued on a monthly basis as of the last working day of the reporting month upon their reclassification from one category to another or in case of derecognition.

The results of changes in the fair value (revaluation) of derivative financial instruments are recorded on the balance sheet account used to recognize the results of revaluation of derivative financial instruments, where they are recorded until the agreement is executed. Upon execution of the agreement, the accumulated changes are taken to the balance sheet accounts used to recognize income or expenses arising from dealing with the derivative financial instruments (Note 25).

### **3.9. Fixed and intangible assets**

Recognition, initial or subsequent measurement and derecognition of fixed assets shall be performed in accordance with National Financial Reporting Standard 16 "Fixed Assets" (NFRS 16) approved by Resolution No. 708 of the Board of the National Bank of the Republic of Belarus dated December 28, 2012.

Recognition, initial or subsequent measurement and derecognition of intangible assets shall be performed in accordance with National Financial Reporting Standard 38 "Intangible Assets" (NFRS 38) approved by Resolution No. 25 of the Board of the National Bank of the Republic of Belarus dated January 14, 2013.

Fixed assets and intangible assets are recorded at cost if revaluation is not required in accordance with the legislation, or at the revalued amount.

Initial cost of fixed assets and intangible assets is formed before their delivery and bringing into a condition in which they are suitable for use (before putting into operation).

Revalued amount is the cost of fixed assets after their revaluation.

Revaluation of fixed assets, non-installed equipment, installed equipment and ready-to-operate equipment as a part of construction in progress and investments in fixed assets is carried out in accordance with Edict No. 622 of the President of the Republic of Belarus "On Revaluation of Fixed Assets, Income-Bearing Investments in Tangible Assets, Construction in Progress and Non-installed Equipment" dated October 20, 2006. The latest revaluation of such fixed assets of the National Bank was performed as of January 1, 2014.

The amounts of revaluation of disposed fixed assets recognized in the equity, except for fixed assets contributed as non-cash contributions in the charter fund of another legal entity, are taken in full to the account for recording retained earnings (uncovered loss) of prior years.

Revalued amounts of fixed assets contributed to the charter fund of another legal entity in the non-monetary form are transferred in accordance with certain resolutions of the Board of the National Bank in respect of those amounts.

Fixed and intangible assets are depreciated on a monthly basis in accordance with:

The Instructions on the Procedure of Depreciation of Fixed Assets and Amortization of Intangible Assets approved by Resolution No. 37/18/6 of the Ministry of Economy of the Republic of Belarus, Ministry of Finance of the Republic of Belarus, and Ministry of Architecture and Construction of the Republic of Belarus dated February 27, 2009;

Resolution No. 161 of the Ministry of Economy of the Republic of Belarus "On Establishing Standard Useful Lives of Fixed Assets and Deeming as no Longer Effective Certain Resolution of the Ministry of Economy of the Republic of Belarus" dated September 30, 2011, as modified by local regulations of the National Bank.

Fixed assets and intangible assets are depreciated using a straight-line method and the amortization charges are taken to the expenses of the National Bank on a monthly basis (Note 27).

The useful lives, standard service lives of fixed assets and useful lives of intangible assets are set and revised upon the decision of the authorized commission.

The useful lives of fixed assets and intangible assets are as follows:

Buildings and structures – from 8 to 100 years;

Other fixed assets – from 2 to 58 years; and

Intangible assets – from 2 to 50 years.

### **3.10. Cash in circulation**

The National Bank has an exclusive right to issue money and organize its circulation in the Republic of Belarus.

Banknotes, coins, commemorative banknotes, commemorative coins, and bullion (investment) coins issued by the National Bank and which form a legal means of payment in the Republic of Belarus are recorded at their nominal value.

### **3.11. Balances on accounts with the National Bank**

Balances on accounts with the National Bank include:

Precious metals;

Amounts due to international financial institutions;

Amounts due to banks;

Amounts due to customers; and

Obligatory reserves of banks.

Balances on the accounts with the National Bank are recorded at nominal value of liabilities except for precious metals, which are recorded at accounting prices set by the National Bank.

Balances on accounts with the National Bank are derecognized upon discharge of liabilities or their replacement by new liabilities.

### **3.12. Equity**

The National Bank's equity comprises:

Charter fund;

Reserve fund and other funds;

Accumulated loss; and

Balance sheet items revaluation reserves.

Information on formation and use of the reserves is disclosed in the statement of changes in equity and the statement of the formation and use of reserves.

### **3.13. Financial result for the reporting year**

Financial result of the operations (profit or loss) of the National Bank is determined as the difference between the gains and losses, that arose during the reporting year in the course of the National Bank's activities in accordance with the Banking Code of the Republic of Belarus and other legislative acts. Profit is the financial result of the National Bank's operations for the reporting year.

Information on the profit for the reporting year is disclosed in the statement of profit and loss.

### **3.14. Income and expenses**

Income and expenses are recognized in accordance with the requirements of the Instruction on Accounting for Income and Expenses, approved by Resolution No. 125 of the Board of the National Bank of the Republic of Belarus dated July 30, 2009, the Instructions on the Procedure for Organizing the Accounting Policies at the National Bank, and other local legal acts of the National Bank. Income and expenses are recognized in the reporting period to which they relate, irrespective of the actual date of their receipt or payment.

Interest income on securities of JSC "Development Bank of the Republic of Belarus" and local executive and regulatory authorities to be transferred in accordance with Edict No. 593-дсп of the President of the Republic of Belarus "On Improving the Asset Structure of the National Bank" dated December 23, 2011, is recorded as interest expenses (Note 20).

### **3.15. Taxation of the National Bank**

In accordance with the Tax Code of the Republic of Belarus, the National Bank is released from taxes and levies (duties, except for customs duties).

The National Bank is considered a tax agent and follows the procedure established by law to calculate, withhold and pay income tax on amounts payable to individuals, as well as withholding tax on amounts payable to foreign companies with no permanent establishment in the Republic of Belarus.

### **3.16. Changes in accounting policies**

The accounting policies of the National Bank introduce changes to the procedure of measurement of precious metals in small bars and precious metal scrap. Along with standard bars, such precious metals are recognized at accounting prices for precious metals set by the National Bank and effective at the transaction recognition date, and subsequently revalued according to changes in the accounting prices.

Comparative data for 2020 was adjusted in accordance with the above changes.

### Balance sheet

Item	2020	Change	2020, restated
Precious metals and precious stones	7,994,965	124,795	8,119,760
Balance sheet items revaluation reserves	6,671,621	124,795	6,796,416

### Statement of changes in equity

Item	Balance sheet items revaluation reserves		
	Before restatement	Change	Restated
Balance as at January 1, 2020	4,264,720	89,710	4,354,430
Change in equity items, including:			
Comprehensive income	2,406,901	35,085	2,441,986
Comprehensive income	2,408,859	35,085	2,443,944
Balance as at January 1, 2021	6,671,621	124,795	6,796,416

### Information on comprehensive income

Item	2020	Change	2020, restated
Other components of comprehensive income, including:			
Revaluation of precious metals	2,408,859	35,085	2,443,944
Revaluation of precious metals	2,584,814	35,085	2,619,899
Total comprehensive income	2,406,091	35,085	2,441,176

### Statement of the formation and use of reserves

Item	Precious metals revaluation reserve		
	Before restatement	Change	Restated
Balance as at January 1, 2020	3,975,228	89,710	4,064,938
Paid into reserves by using other sources	8,934,470	35,085	8,969,555
Balance as at January 1, 2021	6,560,042	124,795	6,684,837

## 4. Precious metals and precious stones

	2021	2020
Gold, other precious metals	6,094,370	5,637,102
Unallocated bullion accounts	1,887,641	1,110,867
Precious metal deposits	–	1,268,275
Precious stones	103,218	103,516
Total	8,085,229	8,119,760
Provisions	–	–
Total	8,085,229	8,119,760

Precious metals include gold, silver, platinum, palladium and rhodium. The carrying amount of precious metals adequately reflects their fair value.

### 5. Assets in special drawing rights

	2021	2020
Assets in special drawing rights	3,662,316	1,382,461
Total	<u>3,662,316</u>	<u>1,382,461</u>

In accordance with Resolution No. 246/7 of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus "On Managing the Allocated Special Drawing Rights and Accounting Thereof" dated April 16, 2019, the National Bank manages the allocated special drawing rights of the IMF and maintains the respecting accounting records.

As of January 1, 2022, assets of the Republic of Belarus in special drawing rights (SDR) amounted to 1,026.9 million SDR. The increase in this item is due to the allocation of the IMF's special drawing rights.

### 6. Securities

	2021	2020
Securities at fair value through profit or loss:		
Securities of foreign governments	–	349,899
Securities of banks	–	105,240
Securities of financial institutions	–	85,414
Total	<u>–</u>	<u>540,553</u>
Securities held to maturity:		
Securities of banks	1,512,536	1,051,161
Securities of foreign governments	205,837	423,467
Total	1,718,373	1,474,628
Provisions	–	–
Total	<u>1,718,373</u>	<u>1,474,628</u>
Securities available for sale:		
Securities of banks	1,160,033	1,059,513
Securities of republican government bodies	196,704	268,464
Securities of local government bodies	774	774
Total	1,357,511	1,328,751
Provisions	–	–
Total	<u>1,357,511</u>	<u>1,328,751</u>
Total	<u>3,075,884</u>	<u>3,343,932</u>

Securities held to maturity include bonds purchased in the Chinese interbank securities market for the purposes of more effective management of provisions in foreign currencies.



Securities available for sale include securities of JSC "Development Bank of the Republic of Belarus", republican government bodies and local government bodies.

Securities of the republican government bodies include interest-bearing long-term government bonds of the Republic of Belarus denominated in Belarusian rubles.

Securities of local government bodies include the bonds of local executive and regulatory authorities denominated in Belarusian rubles and acquired by the National Bank for the purpose of implementing objectives of social and economic development of the regions of the Republic of Belarus.

## 7. Amounts due from banks

	2021	2020
Loans	2,275,886	2,053,844
Deposits	30	4,246,359
Amounts on correspondent accounts	8,908,529	2,810,342
Amounts received under repurchase transactions	48,414	3,013,445
Other amounts	2,555	1
Total	11,235,414	12,123,991
Provisions	-	-
Total	<u>11,235,414</u>	<u>12,123,991</u>

Loans include liabilities under loans granted in Belarusian rubles to: Belarusian banks to maintain liquidity of the banking system; and

The People's Bank of China under a Bilateral Currency Swap Arrangement between the People's Bank of China and the National Bank of the Republic of Belarus.

Loans to maintain liquidity are provided for the period ranging from 6 to 12 months and secured by the pledge of securities included in the lombard list of securities used by the National Bank to secure lombard and other loans.

An increase in amounts on correspondent accounts is due to the withdrawal of term and demand deposits with foreign banks and the termination of the National Bank's participation in the World Bank Treasury's Reserve Advisory and Management Partnership Program (the RAMP Program) and, accordingly, disposal of securities at fair value through profit or loss (Note 6).

Amounts placed with foreign banks resulting from purchase of securities of foreign issuers and subject to repurchase are included in amounts received under repurchase transactions. Securities received by the National Bank as collateral under repurchase transactions are recognized on off-balance sheet account at present value of USD19.0 million (equivalent to BYN48,414 thousand). Fund placement transactions are one-day.

Other amounts include cash amounts to be credited to the correspondent account of the National Bank.

### 8. Loans and other active operations with customers

	2021	2020
Loans (borrowings)	358	406
Amounts due from (placed with) international financial institutions	–	20,631
Other amounts	9	61
Total	367	21,098
Provisions	–	–
Total	367	21,098

Amounts due from individuals (employees (former employees) of the National Bank) under loans (borrowings) which were previously issued as loans for real estate financing are included in loans (borrowings).

### 9. Long-term financial investments

	2021	2020
Participation interests	66,049	62,877
Investments in legal entities	259,313	237,245
Total	325,362	300,122
Provisions	–	(521)
Total	325,362	299,601

This item and changes in investments of the National Bank for the reporting year are presented in the following table.

Legal entity	2021		2020	
	Participation interest in the charter fund, % (at par)	Carrying amount	Participation interest in the charter fund, % (at par)	Carrying amount
Participation interests				
OJSC "NCFO "Belincasgroup"	44.00	53,238	44.00	53,238
JSC "Banks Processing Center"	38.79	10,126	38.79	6,954
Interstate Bank, Moscow	8.40	1	8.40	1
"Belinvestbank" JSC	0.86	2,684	1.03	2,684
Investments in legal entities				
BCSE	99.98	17,601	99.98	15,145
"Bank Dabrabyt" JSC	99.75	64,838	99.75	58,804
OJSC "Sanatorium "Ozerny"	99.61	39,082	99.61	35,018
JSC "BISC"	99.00	76,915	99.00	70,178
OJSC "Sanatorium "Ruzhansky"	97.62	42,933	97.62	42,910
OJSC "Center for Banking Technologies"	94.10	695	94.10	565
CJSC "Bank Finance Telenetwork"	64.50	2,468	64.50	1,894

Legal entity	2021		2020	
	Participation interest in the charter fund, % (at par)	Carrying amount	Participation interest in the charter fund, % (at par)	Carrying amount
OJSC "Non-bank financial institution "SSIS"	51.78	14,781	51.78	12,731

In the reporting period, changes in long-term financial investments resulted from the following:

An increase in the par value of shares of JSC "Banks Processing Center", BCSE, "Bank Dabrabyt" JSC, JSC "BISC", OJSC "Center for Banking Technologies", CJSC "Bank Finance Telenetwork" and OJSC "Non-bank financial institution "SSIS"; and

An additional issue of shares of OJSC "Sanatorium "Ozerny" and OJSC "Sanatorium "Ruzhansky".

The table below shows movements in the provisions for investments for the reporting year.

Provision	Total as at January 1, 2021	Charge of (increase in) provision	Decrease in provision	Provision used	Total as at January 1, 2022
Provision for possible losses from participation interests	(521)	–	521	–	–

## 10. Fixed and intangible assets

	2021	2020
Fixed assets	148,582	153,125
Intangible assets	41,663	34,191
Investments in fixed assets and construction in progress	876	5,575
Investments in intangible assets	3,171	5,147
Total	194,292	198,038
Depreciation and amortization	(93,833)	(92,647)
Total	100,459	105,391

### 10.1. Value of fixed and intangible assets

Groups	Total as at January 1, 2021	Additions (commissioned)	Disposals	Change resulting from revaluation	Total as at January 1, 2022
Buildings and structures	86,207	4,622	(158)	(1)	90,670
Other fixed assets	66,918	5,237	(14,243)	–	57,912
Intangible assets	34,191	7,493	(21)	–	41,663
Non-installed equipment and construction materials	–	18	(18)	–	–

Groups	Total as at January 1, 2021	Additions (commissioned)	Disposals	Change resulting from revaluation	Total as at January 1, 2022
Investments in fixed assets and construction in progress	5,575	5,159	(9,858)	–	876
Investments in intangible assets	5,147	5,510	(7,486)	–	3,171
Total	198,038	28,039	(31,784)	(1)	194,292

## 10.2. Accumulated depreciation and amortization

Groups	Total as at January 1, 2021	Accrued depreciation and amortization charges	Depreciation and amortization charges on disposed items	Change resulting from revaluation	Total as at January 1, 2022
Buildings and structures	(18,772)	(1,373)	146	3	(19,996)
Other fixed assets	(48,580)	(4,027)	9,653	–	(42,954)
Intangible assets	(25,295)	(5,608)	20	–	(30,883)
Total	(92,647)	(11,008)	9,819	3	(93,833)
Net book value	105,391	x	x	x	100,459

Revalued cost of fully depreciated fixed assets and fully amortized intangible assets, which continue to be in use, is as follows:

Buildings and structures – BYN1,014 thousand;  
Other fixed assets – BYN26,393 thousand; and  
Intangible assets – BYN19,530 thousand.

## 11. Other assets

	2021	2020
Inventories	2,933	2,685
Deferred expenses	593	1,395
Accrued fees, other banking and operational income	1,106	787
Settlements with debtors	606	612
Total	5,238	5,479
Provisions	(4)	–
Total	5,234	5,479

The table below contains information about movements in special provisions for accounts receivable for the reporting period.

Provision	Total as at January 1, 2021	Charge of (increase in) provision	Decrease in provision	Provision used	Total as at January 1, 2022
Provision for possible losses from settlements with debtors	–	(5)	–	1	(4)

## 12. Precious metals

	2021	2020
Unallocated bullion accounts of customers	317,115	76,386
Precious metal deposits	–	85,663
Total	317,115	162,049

## 13. Liabilities in special drawing rights

	2021	2020
Liabilities in special drawing rights	3,644,488	1,369,490
Total	3,644,488	1,369,490

Liabilities of the Republic of Belarus in special drawing rights allocated by the IMF make up 1,021.9 million SDR. The increase in liabilities was due to the allocation of the IMF's special drawing rights.

## 14. Amounts due to banks

	2021	2020
Loans	15,991	649,211
Deposits	1,300,037	–
Amounts on correspondent accounts	6,678,292	5,842,627
Other amounts	6,131	772,645
Total	8,000,451	7,264,483

A loan in Chinese yuans provided under a Bilateral Currency Swap Arrangement between the People's Bank of China and the National Bank of the Republic of Belarus is included in loans.

Amounts in Belarusian rubles placed with Belarusian banks as term deposits as a result of deposit auctions are included in deposits. Starting from October 2021, the National Bank resumed using 7-day deposit auctions as a key instrument to regulate excessive liquidity.

Other amounts include:

Accrued interest expenses in the amount of interest income on bonds of JSC "Development Bank of the Republic of Belarus" acquired by the National

Bank at their placement under Edict No. 593-дсп of the President of the Republic of Belarus dated December 23, 2011 and payable to JSC "Development Bank of the Republic of Belarus"; and

Amounts due to Belarusian banks transferred under cash transactions.

### 15. Amounts due to customers

	2021	2020
Deposits	1,984,614	1,953,869
Balances on current (settlement) bank accounts	9,155,699	9,142,319
External government loans raised by the Republic of Belarus and the Government	3,912,675	5,178,658
Other amounts	463	4,143
Total	<u>15,053,451</u>	<u>16,278,989</u>

Other amounts include:

Budget funds of the Union State on accounts of the Ministry of Finance;

Accrued interest expenses in the amount of interest income on bonds of local executive and regulatory authorities payable to the state budget; and

Customers' amounts paid for commemorative coins of the National Bank.

### 16. Securities of the National Bank

	2021	2020
Bonds	37,320	55,880
Total	<u>37,320</u>	<u>55,880</u>

Securities issued by the National Bank include bonds in Belarusian rubles providing for income in the form of discount, maturing in 2022 and acquired by the State Institution "Agency for Guaranteed Repayment of Natural Persons' Bank Deposits". The discount amount for the reporting period is recorded in interest expenses (Note 20).

### 17. Other liabilities

	2021	2020
Accrued fees, other banking and operational expenses	2,274	974
Provision for unused vacations	848	790
Settlements with creditors	39	49
Other liabilities	18	16
Total	<u>3,179</u>	<u>1,829</u>

**18. Accumulated loss**

	2021	2020
Uncovered loss of prior years	(12,291,140)	(12,290,330)
Profit (loss) of the reporting year	207,111	(2,768)
Retained earnings on disposed fixed assets	46,648	1,958
Total	<u>(12,037,381)</u>	<u>(12,291,140)</u>

Profit of the National Bank for 2021 amounted to BYN207,111 thousand; specifically, income received totaled BYN483,919 thousand and expenses totaled BYN276,808 thousand.

**19. Balance sheet items revaluation reserves**

	2021	2020
Fixed assets and non-installed equipment revaluation reserve	64,933	111,579
Reserve for translation differences from foreign currency revaluation	155,508	–
Precious metals revaluation reserve	6,249,079	6,684,837
Total	<u>6,469,520</u>	<u>6,796,416</u>

Sources of formation and use of the balance sheet items revaluation reserve are disclosed in the statement of changes in equity and the statement of the formation and use of reserves.

**20. Net interest income (expenses)**

	2021	2020
Interest income on:	373,227	300,569
Transactions with precious metals	2,241	8,553
Amounts due from banks	230,400	155,504
Securities at fair value through profit or loss	6,276	9,816
Securities held to maturity	42,848	34,714
Securities available for sale	90,266	89,525
Assets in special drawing rights	1,169	2,409
Settlements with customers	27	48
Interest expenses on:	(127,572)	(316,710)
Transactions with precious metals	(7)	(47)
Settlements with banks	(88,069)	(164,046)
Securities of the National Bank	(1,880)	(24,550)
Loans received	(10,929)	(31,065)
Budget funds and other state funds	(20,326)	(84,413)
Liabilities in special drawing rights	(1,161)	(2,388)
Amounts due to customers	(1,964)	(1,826)
Other amounts due to customers	(67)	(484)
Other	(3,169)	(7,891)
Total	<u>245,655</u>	<u>(16,141)</u>

The increase in interest income is due to an increase in the following:

Loans denominated in Belarusian rubles provided to Belarusian banks to regulate liquidity of the banking system; and

Securities held to maturity in the National Bank's portfolio.

The decrease in interest expenses is mainly due to the following:

Suspension of fundraising from Belarusian banks to open term deposits in 2021 Q1-Q3 (for bank operations);

Decrease in the volume of issue (for the National Bank's securities);

Repayment of a loan received from a foreign bank (for loans received); and

Suspension of operations to deposit republic budget funds with the National Bank (for budget funds and other state funds).

The "Other" item includes interest expenses on cash placed on correspondent accounts and deposits with foreign banks at negative interest rates.

## 21. Net fee and commission income

	2021	2020
Fee and commission income on:	7,741	5,894
Account maintenance	2,035	1,870
Operations with securities	65	58
Provision of credit reports	3,208	2,855
Opening of irrevocable credit lines	2,350	946
Transactions with foreign currencies	–	161
Other	83	4
Fee and commission expenses on:	(6,391)	(3,706)
Account maintenance	(3,010)	(1,132)
Transactions involving bank cards	(45)	(96)
Operations with securities	(28)	(5)
Transactions with foreign currencies	(1,438)	(15)
Advisory and investment management services rendered by the International Bank for Reconstruction and Development	(558)	(721)
Safekeeping of documents and valuables	(902)	(1,352)
Transfers of cash on card accounts	(205)	(188)
Other	(205)	(197)
Total	1,350	2,188

The increase in fee and commission expenses is due to an increase in fees paid to foreign banks for:

Foreign currency balances on correspondent accounts of the National Bank bearing a negative interest rate; and

Foreign currency transactions and maintenance of bullion accounts.



## 22. Net gain from foreign currency transactions

	2021	2020
Gains from foreign currency transactions:	22,831	68,981
Financial result from currency exchange transactions	22,831	68,981
Losses from foreign currency transactions:	(10,249)	(54,258)
Financial result from currency exchange transactions	(10,249)	(24,521)
Translation differences from foreign exchange revaluation	–	(29,737)
Total	12,582	14,723

The decrease in gains and losses from currency exchange transactions is due to a decrease in the National Bank's interventions on the domestic currency market and insignificant deviation of the transactions' exchange rates from the official exchange rate of the Belarusian ruble.

Foreign exchange gains from revaluation of monetary items denominated in foreign currencies accumulated in the reporting year were taken to the reserve for translation differences from foreign exchange revaluation (Note 19).

## 23. Net gain from operations with precious metals and precious stones

	2021	2020
Gains from operations with precious metals	6,057	60,740
Gains from operations with precious stones	2,643	191
Losses from operations with precious metals	(6,709)	(1,396)
Losses from operations with precious stones	(3)	(3)
Total	1,988	59,532

Gains from operations with precious metals include the financial result from purchases and sales of precious metals. In accordance with changes to the accounting policies of the National Bank, small bars, along with standard bars, are recognized at accounting prices for precious metals set by the National Bank and, therefore, a positive difference between the realizable value and the carrying amount of the small bars sold decreased significantly. In addition, sales of small bars to legal entities and individuals on the domestic market also decreased in the reporting year.

An increase in gains from operations with precious stones is due to sales of precious stones on the domestic and foreign markets in 2021.

Losses from operations with precious metals mainly comprise losses from purchases of precious metals from the Ministry of Finance and transactions with foreign banks involving sale/purchase of precious metals.

## 24. Net gain (loss) from operations with securities

	2021	2020
Gains from operations with securities:	437	10,632
At fair value through profit or loss	334	10,628
Held to maturity	103	–
Available for sale	–	4
Losses from operations with securities:	(10,166)	(5,458)
At fair value through profit or loss	(6,992)	(4,104)
Held to maturity	(3,174)	(988)
Available for sale	–	(366)
Total	(9,729)	5,174

This item includes the result of disposal of securities held to maturity and the result of changes in the fair value of securities classified as "Financial assets at fair value through profit or loss".

## 25. Net loss from operations with derivative financial instruments

	2021	2020
Gains from operations with derivative financial instruments:	2,605	16,915
Swaps	2,605	16,915
Losses from operations with derivative financial instruments:	(2,816)	(20,741)
Swaps	(2,816)	(20,741)
Total	(211)	(3,826)

The negative financial result from operations with derivative financial instruments is attributable to swaps concluded for 30 days or less.

## 26. Net gain from decrease in provisions

	2021	2020
Losses from charges to provisions on:	(5)	(16)
Long-term financial investments	–	(16)
Settlements with debtors	(5)	–
Gains from decrease in provisions on:	521	705
Long-term financial investments	521	705
Total	516	689

During the reporting year, a provision for investments in the charter fund of OJSC "NCFO "Belincasgroup" decreased.

**27. Other expenses, net**

	2021	2020
Other expenses:	(112,808)	(107,679)
Staff costs	(50,281)	(46,428)
Acquisition and maintenance of software	(13,726)	(11,752)
Manufacture and delivery of banknotes and coins	(11,919)	(12,658)
Depreciation and amortization charges	(11,008)	(13,363)
Fixed assets and inventories	(7,071)	(6,929)
Gratuitous (sponsor) support	(5,344)	(7,503)
Disposal of property	(4,667)	(93)
Advisory, audit, informational, marketing, advertising and other received services	(2,829)	(2,568)
Payment system operation	(295)	(265)
Transportation, delivery of documents	(162)	(911)
Other	(5,506)	(5,209)
Other income:	31,423	27,870
Disposal of property	8,246	26
Transactions in special drawing rights	5,464	956
Cash support transactions	4,829	4,584
Sale of coins and banknotes	4,508	11,591
Rights to use computer software	4,337	3,153
Lease of property	1,000	3,524
Services of settlement bank	91	81
Cash services to banks	–	1,508
Other	2,948	2,447
Total	(81,385)	(79,809)

Other expenses mainly comprise costs to write-down the par value of commemorative and bullion (investment) coins sold, communication and secure virtual infrastructure fees, costs to write-down acquired goods and in-house catering products, tools and administrative materials, entertainment expenses, campaigns to enhance financial literacy campaigns to enhance financial literacy, membership fee for the National Bank's participation in the Alliance for Financial Inclusion.

Other income mainly comprises income from paid services, catering services, and compensation for utilities.

## **28. Statement of changes in equity. Statement of the formation and use of reserves**

In accordance with clause 33 of the Charter of the National Bank of the Republic of Belarus, the charter fund of the National Bank comprises BYN25,000 thousand and is established in full as of the reporting date.

Other funds formed in accordance with clause 34 of the National Bank's Charter comprise a loan fund totaling BYN832 thousand as of January 1, 2022.

The balance sheet items revaluation reserve (Note 19) is formed as follows:

Revaluation reserve for fixed assets and non-installed equipment of BYN64,933 thousand. Revaluation of fixed assets retired in the reporting period in the amount of BYN885 thousand, which was transferred to retained earnings of prior years. Also, according to a decision made by the Board of the National Bank, the amount of BYN45,763 thousand attributable to revaluation of fixed assets, which were previously contributed in the non-monetary form to charter funds of legal entities established with the participation of the National Bank, was also transferred to retained earnings of prior years during the reporting period;

Reserve for translation differences from foreign currency revaluation amounted to BYN155,508 thousand. The reserve was made due to positive translation differences from foreign currency revaluation during the reporting year; and

Revaluation reserve for precious metals of BYN6,249,079 thousand. The decrease of BYN435,758 thousand is due to a decrease in accounting prices for precious metals.

Resolution No. 163 of the Board of the National Bank of the Republic of Belarus dated March 17, 2015 approved the Plan of Actions to Increase the Equity of the National Bank and to Achieve Break-even Operations in 2015-2024, which is aimed at implementing measures to cover the negative capital of the National Bank and to improve financial performance.

Given the existence of losses and inability to cover these losses from own sources, the Program provides for the maximum use of internal and external sources to ensure that the National Bank gradually achieves break-even operations and cuts accumulated losses.

## **29. Statement of maintenance costs of the National Bank**

In accordance with the "Estimates of Current Expenses and Capital Expenditures of the National Bank for 2021" approved by the President of the Republic of Belarus on November 19, 2020 (No. 09/520-148 П1292) and adopted by Resolution of the Board of the National Bank No. 375 dated November 25, 2020, the limit of expenses to maintain costs of the National Bank was established in the amount of BYN111,983 thousand, while the actual amount was BYN95,045 thousand.

Staff costs amounted to BYN50,281 thousand and are in line with the legislation and local legal acts of the National Bank concerning remuneration. The increase in these expenses is due to an increase in the remuneration paid to the National Bank's employees.

Expenses on the use of land plots, buildings, structures, other fixed assets, as well as materials, amounted to BYN7,071 thousand. These expenses include cost of electricity, heating, water supply, security, alarm

system, repairs and technical maintenance and maintenance of vehicles, lease payments and other.

Expenses on the received advisory, audit, information, marketing, advertising and other obtained services amounted to BYN2,829 thousand and increased due to the use of information services, international payment systems, as well as international communication and payment systems.

Depreciation and amortization charges totaled BYN11,008 thousand. Depreciation and amortization charges were calculated based on the statutory rates. The decrease in these expenses is due to disposal of fixed assets.

Costs arising from the disposal of long-term financial investments and property totaled BYN4,667 thousand. This group of expenses include costs arising from the disposal of property of the National Bank due to sale or write-off.

Payment system costs totaled BYN295 thousand.

Other operational expenses totaled BYN18,894 thousand. These expenses comprise expenses on the acquisition and maintenance of software (other than software required to operate the payment system), communication, printing and entertainment expenses, expenses to publish the Bankauski Vesnik magazine, expenses on catering services, administrative materials, medications, sports, recreation and cultural events, statutory payments to the budget, and other expenses.

### **30. Statement of capital investments budget execution**

In accordance with "Estimates of Current Expenses and Capital Expenditures of the National Bank for 2021", the capital expenditures of the National Bank total BYN28,297 thousand.

In 2021, capital expenditures of the National Bank totaled BYN10,536 thousand. Cash was used for the following purposes.

Capital construction and reconstruction – BYN2,520 thousand, in particular:

Construction (reconstruction, modernization) commenced in previous years – BYN2,485 thousand; and

New construction (reconstruction, modernization) – BYN35 thousand.

Measures to develop information systems for the payment system – BYN565 thousand, in particular, establishment (development) of the automated information system to maintain underlying accounts (BYN381 thousand).

Computer equipment, software and network equipment – BYN4,329 thousand, in particular:

Republic-wide projects and projects of the banking sector – BYN559 thousand;

Design and development of systems, subsystems and software suites of the National Bank's information system – BYN3,279 thousand; and

Acquisition of computer hardware and accessories – BYN491 thousand.

Safety enhancement equipment – BYN1,364 thousand. Cash was used to upgrade technical security systems, hardware and software packages and certain security devices.

Staff motorcars and other vehicles – BYN438 thousand. Vehicles for business and operational purposes were purchased under this item.

Maintenance equipment for vehicles and buildings – BYN15 thousand. Cash was used to purchase equipment supporting the operation of buildings, technological equipment and other fixed assets.

Equipment, hardware and software packages and data protection tools – BYN905 thousand. Cash was used to purchase hardware and software packages to ensure information security.

Other capital expenditures – BYN400 thousand. This item includes expenses to purchase communication equipment, office appliances, furniture, publications for the collection of reference information, and research and development costs.

### **31. Statement of profit and its allocation**

The National Bank receives profit (incurs loss) in the course of its activities conducted in accordance with the Banking Code of the Republic of Belarus and other legislative acts. The National Bank has the right to allocate profit determined based on its annual financial statements, which were audited according to the legislation, to cover for losses, increase (create) charter, reserve or other funds.

Based on the results of 2021, the National Bank suggests covering prior year losses by using the following:

Profit of the National Bank for 2021 in the amount of BYN207,111 thousand; and

Retained earnings of prior years in the amount of BYN46,648 thousand generated in the reporting year as a result of:

The transfer of BYN885 thousand attributable to revaluation of fixed assets disposed during the reporting year; and

The transfer of BYN45,763 thousand attributable to revaluation of fixed assets, which were previously contributed in the non-monetary form to charter funds of legal entities established with the participation of the National Bank.

### **32. Segment information**

The National Bank identifies the following three major operational segments:

Management of gold and foreign currency assets – placement of funds in precious metals in term deposits and on unallocated bullion accounts with foreign banks, in special drawing rights in the International Monetary Fund, in foreign currency on correspondent accounts in Belarusian and foreign banks, in term and demand deposits with foreign banks, provision of funds in foreign currency to foreign banks under repurchase transactions, conducting operations with securities purchased under the RAMP Program, in which the National Bank participates, provision of cash to the International Bank for Reconstruction and Development under the RAMP Program, investment of renminbi into securities issued by banks and the Government of the People’s Republic of China, conducting transactions with derivative financial instruments, foreign currency-denominated cash, foreign currency conversion transactions and purchases and sales of precious metals;

Creation of gold and foreign currency assets - placement of funds in precious metals on unallocated bullion accounts of customers, in special drawing rights, placement of funds in foreign currency by Belarusian banks on correspondent accounts, attraction of funds from customers in foreign currency to current (settlement) accounts and demand deposits, and currency-denominated borrowings from foreign counterparties; and

Regulating liquidity of the banking system – attracting funds in Belarusian rubles in term deposits with Belarusian banks, placement of funds in Belarusian rubles by Belarusian banks on correspondent accounts and in the obligatory reserve, lending to Belarusian banks in Belarusian rubles, and conducting operations with securities issued by JSC “Development Bank of the Republic of Belarus“ and local executive and regulatory authorities.

Operational segments are classified as reporting segments under National Financial Reporting Standard 8-F “Operational Segments“ (NFRS 8-F) approved by Resolution No. 30 of the Board of Directors of the National Bank of the Republic of Belarus dated February 2, 2010.

For the purposes of segment reporting, income, expenses, assets and liabilities are distributed on a straight-line basis using the actual accounting data on each segment.

The tables below contain information about income, expenses, assets and liabilities of the National Bank for the reporting period and comparable information for the preceding year.

Item	Management of gold and foreign currency assets	Creation of gold and foreign currency assets	Regulating liquidity of the banking system	Other (unallocated)	Total as at January 1, 2022
Interest income	96,192	–	277,012	23	373,227
Interest expenses	(3,169)	(24,083)	(88,135)	(12,185)	(127,572)
Net interest income	93,023	(24,083)	188,877	(12,162)	245,655
Fee and commission income	78	1,859	2,515	3,289	7,741
Fee and commission expenses	(4,999)	(198)	–	(1,194)	(6,391)
Net fee and commission income	(4,921)	1,661	2,515	2,095	1,350
Net gain from foreign currency transactions	4,582	–	–	8,000	12,582
Net gain from operations with precious metals and precious stones	(651)	–	–	2,639	1,988
Net loss from operations with securities	(9,729)	–	–	–	(9,729)
Net loss from operations with derivative financial instruments	(211)	–	–	–	(211)
Dividend income	–	–	–	36,433	36,433
Net gain from decrease in provisions	–	–	–	516	516
Other expenses	–	–	–	(112,808)	(112,808)
Other income	5,464	–	–	25,959	31,423
Other expenses, net	5,464	–	–	(86,849)	(81,385)
Allocations to the budget	–	–	–	(88)	(88)
<b>Financial result</b>	<b>87,557</b>	<b>(22,422)</b>	<b>191,392</b>	<b>(49,416)</b>	<b>207,111</b>
Assets	23,669,841	124	3,420,826	747,116	27,837,907
Liabilities	1,313	17,002,190	7,682,367	8,694,066	33,379,936

Item	Management of gold and foreign currency assets	Creation of gold and foreign currency assets	Regulating liquidity of the banking system	Other (unallocated)	Total as at January 1, 2021
Interest income	133,371	–	167,169	29	300,569
Interest expenses	(7,890)	(52,006)	(173,075)	(83,739)	(316,710)
Net interest expenses	125,481	(52,006)	(5,906)	(83,710)	(16,141)
Fee and commission income	–	1,748	1,060	3,086	5,894
Fee and commission expenses	(1,857)	(193)	–	(1,656)	(3,706)
Net fee and commission income	(1,857)	1,555	1,060	1,430	2,188
Net gain from foreign currency transactions	1,267	–	–	13,456	14,723
Net gain from operations with precious metals and precious stones	59,345	–	–	187	59,532
Net gain (loss) from operations with securities	5,174	–	–	–	5,174



Item	Management of gold and foreign currency assets	Creation of gold and foreign currency assets	Regulating liquidity of the banking system	Other (unallocated)	Total as at January 1, 2021
Net loss from operations with derivative financial instruments	(3,826)	–	–	–	(3,826)
Dividend income	–	–	–	14,808	14,808
Net gain from decrease in provisions	–	–	–	689	689
Other expenses	–	–	–	(107,679)	(107,679)
Other income	956	–	–	26,914	27,870
Other expenses, net	956	–	–	(80,765)	(79,809)
Allocations to the budget	–	–	–	(106)	(106)
<b>Financial result</b>	<b>186,540</b>	<b>(50,451)</b>	<b>(4,846)</b>	<b>(134,011)</b>	<b>(2,768)</b>
Assets	21,529,731	313	3,029,295	867,232	25,426,571
Liabilities	344	18,163,336	5,610,174	7,121,609	30,895,463

### 33. Risk management

#### Risk management goals

The Board of the National Bank approved the Risk Management Policies that establish goals and objectives of the risk management system of the National Bank, types of risks, principles and approaches to risk management, organizational structure of the risk management system, including powers and functional responsibilities of its participants, and regulate the major steps in the risk management process.

The goal of risk management is to ensure a high level of financial stability, effectiveness and authority of the National Bank as the basis for successfully achieving its goals and performing its functions.

The risk management system of the National Bank is a combination of interrelated components, including the organizational structure, powers and responsibilities of officers, local regulations that define risk management policies, rules and procedures, and the risk management process, designed to achieve the goals and fulfill the objectives of the National Bank, and to ensure the stability of its operations.

Organizational structure of the risk management system and functions of its participants

Functional responsibilities for risk identification, assessment, response, control and monitoring are distributed in compliance with the principle of avoiding conflicts of interest among the Board of the National Bank, the Risk Management Committee, Risk Management Department, Internal Audit

Directorate, and other structural units of the head office and structural units of the National Bank.

The Board of the National Bank carries out strategic management for all types of risks of the National Bank, which includes setting conceptual approaches to establishing a risk management system in the National Bank and determining future development areas. The Board of the National Bank determines the procedure for managing all risks that are material for the operations of the National Bank, makes final decisions on such risks, and exercises overall control over the operation of the risk management system.

Risk Management Committee has been responsible for tactical risk management at the National Bank. The main tasks of this collegial body are to coordinate financial and non-financial risk management activities, monitor the level of risks at the National Bank, and discuss and make risk response decisions based on the results of such monitoring.

Risk Management Department is responsible for organizing and coordinating risk management activities at the National Bank.

Internal Audit Directorate assesses the effectiveness of the risk management system and develops recommendations to eliminate identified deficiencies.

Structural units of the head office and structural units of the National Bank, which are directly engaged in transactions and processes, perform their risk management functions, including ensuring compliance with local regulatory acts, requirements and restrictions (limits) set for risks, as well as identify and assess risks inherent in their activities and implement risk mitigation (reduction) and control measures.

### Risk management system

Risk management at the National Bank is a continuous cyclic process that consists of risk identification, assessment, response, control and monitoring, and covers all risks that are material for the National Bank's operations as the central bank and for supporting its activities.

Risk identification focuses on detection, examination and description of risk and involves identification of sources of risks, events and reasons for their occurrence and possible consequences.

Risk assessment is the determination of the risk level and its comparison with the risk tolerance indicators.

Response to the risk involves selecting the measures to be taken by the National Bank based on the results of the risk assessment, that may include risk evasion, assuming (maintaining) the risk, mitigating the assumed risk and sharing of risk with another party or its transfer to another party.

Risk control involves the implementation of measures designed to mitigate (reduce) risk and contain it within the established risk tolerance parameters.

Risk monitoring involves overseeing the risks by collecting, accumulating, processing and analyzing the information on risks in order to identify deviations from established risk tolerance indicators, and assessing the effectiveness of control measures.

#### Risk profile and sources of risks

Significant types of risks inherent to the activities of the National Bank are as follows:

Credit risk;

Liquidity risk;

Market risk (currency, interest rate and commodity risks); and

Operational risk.

Realization (change) of each type of risk may be caused by individual sources of risk or their combination. Different but interrelated types of risks may be caused by the same source, as the realization of one risk may lead to the realization of other risks or a change in their level.

#### Instruments (measures) to mitigate (reduce) financial risks

Mitigation (reduction) of financial risks, which the National Bank's activities are exposed to, is carried out by means of changing probability of risk occurrence, changing the consequences of the risk, reducing the risk to the level not exceeding the established risk tolerance indicators, including complete elimination of the risk and (or) its source.

The National Bank uses the following instruments (measures) to mitigate (reduce) financial risks:

Limits for counterparties;

Limits on the volume of transactions;

Criteria for Belarusian banks' access to liquidity support operations;

List of acceptable credit ratings of counterparties (issuers);

List of counterparties to transactions with securities of foreign issuers;

Delivery against payment mechanism;

Investment restrictions;

List of acceptable collateral for performance of obligations, acceptability criteria and scale of preferred collateral;

Criteria of sufficient collateral for performance obligations, including collateralization ratios (discounts);

Financial covenants applied to counterparties;

Special provisions;

The division of gold and foreign currency assets into tranches;  
Statutory currency structure of assets;  
Statutory structure of assets in precious metals; and  
Other requirements and restrictions (limits).

### Risk control

Risk control is one of the stages of the risk management process.

Based on the segregation of control functions by performance time, the National Bank's risks are subject to preliminary control (before initiating a transaction), current control (in the course of executing and formalizing a transaction) and subsequent control (after completing and formalizing a transaction).

Structural units of the head office and structural subdivisions of the National Bank arrange and carry out preliminary, current and subsequent control. In addition, subsequent control is carried out by Risk Management Committee and Risk Management Department within the scope of their competencies, as well as by Internal Audit Directorate in the course of audits and revisions.

### **33.1. Credit risk**

Credit risk is the risk that the National Bank will incur a loss or will not receive income as a result of a debtor's failure to meet its financial and other property obligations under the contract or legislation.

Based on the main objectives of the National Bank's activities as well as the business model of financial assets management, the credit risk is one of the significant types of risks.

Credit risk management activities are coordinated by the Risk Management Committee, while internal and external financial market operations and decisions on conducting operations are coordinated by the Financial Market Operations Committee.

The instruments for mitigating (reducing) credit risk are as follows:

Limits for counterparties (maximum allowable total amount due to the National Bank by a counterparty);

Limits on the volume of transactions;

Criteria for Belarusian banks' access to liquidity support operations;

List of acceptable credit ratings of counterparties (issuers), excluding residents of the Republic of Belarus, assigned by international rating agencies;

List of counterparties to transactions with securities of foreign issuers;

Delivery against payment mechanism;

Certain investment restrictions (acceptable types of assets, maximum percentage shares in types of assets, etc.);

List of acceptable collateral for performance of obligations, acceptability criteria and scale of preferred collateral;

Criteria of sufficient collateral for performance obligations, including collateralization ratios (discounts);

Financial covenants applied to counterparties; and

Special provisions.

Limits determine a maximum acceptable total amount due to the National Bank by a counterparty or amounts payable by one or all counterparties on certain types of transactions.

Limits for foreign counterparties on operations with gold and foreign currency assets are determined based on the analysis of their financial performance and business reputation, as well as credit ratings assigned by international rating agencies, and are approved by the Risk Management Committee or the Board of the National Bank. Control over compliance with the limits is carried out on a daily basis by structural units of the head office of the National Bank directly involved in operations and processes, as well as by Risk Management Department. The limits are reviewed by Risk Management Department at least once a quarter based on the results of monitoring the financial position of the counterparties.

The aggregate and individual limits for volumes of standing facilities designed to maintain current liquidity for Belarusian banks are determined on the basis of the tasks at which the limits are aimed (achieving the operational benchmark of the monetary policy or mitigating (reducing) credit risk). These limits are set by the Financial Market Operations Committee.

Limits for Belarusian banks on bilateral transactions to maintain current liquidity are determined based on the indicators that represent the criteria for considering the issue of suspending banks' access to monetary transactions. These criteria are monitored on a daily basis and analyzed on a monthly basis. These limits are set and monthly reviewed by the Financial Market Operations Committee in case of suspension of the bank's access to standing facilities and auction transactions to maintain liquidity.

The list of acceptable credit ratings of counterparties (issuers) is set by the Board of the National Bank and includes long-term foreign currency credit ratings assigned to counterparties (issuers) by international rating agencies S&P Global Ratings, Fitch Ratings and Moody's Investors Service. Gold and foreign currency assets may be placed with a counterparty (issuer) only if it is assigned at least one rating from the list above.

The Board of the National Bank sets a list of counterparties that are permitted to engage in transactions with securities of foreign issuers to make settlements under securities transactions using the delivery against payment mechanism without any limit on transactions with gold and foreign currency assets of the National Bank for such counterparties.

The delivery against payment mechanism is applied to purchases (sales) of securities of foreign issuers to ensure simultaneous and final settlement for both securities and cash in the single system on a gross basis. Securities are transferred from a seller to a buyer if (and only if) cash is transferred from the buyer to the seller.

The Board of the National Bank sets investment limits to ensure security, liquidity and sufficient yield of gold and foreign currency assets.

The list of acceptable collateral for performance of obligations on operations to maintain liquidity for Belarusian banks is prepared by the Board of the National Bank and presented with respect to the following:

Standard instruments - the pledge of securities included in the Lombard list of securities accepted by the National Bank as collateral for lombard and other loans, and guarantee deposits in foreign currencies; and

Non-standard instruments (stabilization and other loans) mentioned above and other assets considering the National Bank's preference scale for selecting collateral.

Collateralization ratios (discounts) are established by the Board of the National Bank to ensure that there is sufficient collateral for each acceptable type of securities, foreign currency or other financial instrument. The sufficiency of collateral is measured and controlled on the basis of the terms set by the National Bank at regular intervals determined by structural units of the head office of the National Bank directly involved in the respective operations.

Financial covenants comprise indicators (or terms), non-compliance with which will result in the counterparty's obligation to early repay loans issued by the National Bank upon its request.

Below is the analysis of credit quality of neither overdue nor impaired financial assets exposed to credit risk:

Item	Rating			Total as at January 1, 2022
	High	Standard	Sub-standard	
Assets in special drawing rights	3,662,316	–	–	3,662,316
Securities	1,718,373	1,356,737	774	3,075,884
Amounts due from banks	337,716	10,627,019	270,679	11,235,414
Loans and other active operations with customers	–	–	367	367
Other financial assets	–	111	1,061	1,172
<b>Total</b>	<b>5,718,405</b>	<b>11,983,867</b>	<b>272,881</b>	<b>17,975,153</b>

Item	Rating			Total as at January 1, 2021
	High	Standard	Sub-standard	
Assets in special drawing rights	1,382,461	–	–	1,382,461
Securities	2,015,181	1,327,977	774	3,343,932

Item	Rating			Total as at January 1, 2021
	High	Standard	Sub-standard	
Amounts due from banks	8,696,022	3,317,969	110,000	12,123,991
Loans and other active operations with customers	20,631	–	467	21,098
Other financial assets	–	232	580	812
<b>Total</b>	<b>12,114,295</b>	<b>4,646,178</b>	<b>111,821</b>	<b>16,872,294</b>

Overdue and impaired financial assets are classified by class of assets with high, standard and sub-standard grades on the basis of credit ratings of counterparties (issuers) of the National Bank assigned by international rating agencies.

A high grade is assigned to assets if they are placed in securities with at least one rating not lower than A3 (Moody's Investors Service) or A- (Fitch Ratings or S&P Global Ratings), as well as those placed with counterparties with at least one long-term foreign currency credit rating not lower than A3 (Moody's Investors Service) or A- (Fitch Ratings or S&P Global Ratings).

A standard grade is assigned to assets if they are placed in securities with at least one rating ranging from Baa1 to B3 (Moody's Investors Service) or from BBB+ to B- (Fitch Ratings or S&P Global Ratings), as well as those placed with counterparties with at least one long-term foreign currency credit rating ranging from Baa1 to B3 (Moody's Investors Service) or from BBB+ to B- (Fitch Ratings or S&P Global Ratings).

A sub-standard grade is assigned to assets placed in securities with ratings lower than B3 (Moody's Investors Service) or B- (Fitch Ratings or S&P Global Ratings), as well as those placed with counterparties with long-term foreign currency credit ratings lower than B3 (Moody's Investors Service) or B- (Fitch Ratings or S&P Global Ratings) or unrated counterparties (except for central banks and government agencies).

If central banks, international financial institutions or government agencies do not have a grade assigned by Moody's Investors Service, Fitch Ratings or S&P Global Ratings, the sovereign credit rating of the respective country is applied to such counterparties (issuers).

There are no overdue or impaired financial assets.

The table below shows maximum credit risk exposure of financial instruments.

Item	Maximum risk exposure at the end of the reporting period	
	2021	2020
Assets in special drawing rights	3,662,316	1,382,461
Securities	3,075,884	3,343,932
Amounts due from banks	11,235,414	12,123,991
Loans and other active operations with customers	367	21,098

Item	Maximum risk exposure at the end of the reporting period	
	2021	2020
Assets in special drawing rights	3,662,316	1,382,461
Other financial assets	1,172	812
Total financial assets	17,975,153	16,872,294
Liabilities related to provision of funds	1,613,500	1,845,000
Total exposure to credit risk	19,588,653	18,717,294

The maximum credit risk exposure for financial assets recorded on balance sheet accounts is limited to the carrying amounts of these assets less any special provisions. For off-balance sheet liabilities, the maximum credit risk exposure represents the maximum amount of the National Bank's obligations to its counterparties related to provision of funds.

Where financial instruments are recorded at fair value, the amounts shown above represent the current but not the maximum credit risk exposure that could arise in the future as a result of changes in values of financial instruments.

The National Bank accepts various types of collateral securing the discharge of obligations to decrease the maximum credit risk. The fair value of the collateral matches its carrying amount.

### 33.2. Liquidity risk

Liquidity risk is the risk that the National Bank will incur losses due to inability to meet its financial obligations in full when they fall due.

The instruments for mitigating (reducing) liquidity risk are as follows:

The division of gold and foreign currency assets into tranches (operational tranche, liquidity tranche, investment tranche and strategic tranche);

Certain investment restrictions (size of individual tranches, maximum periods for asset investments, etc.); and

Other requirements and restrictions (limits).

The criteria for dividing gold and foreign currency assets into tranches are the objectives of their use, which determine their level of liquidity and expected return. Restrictions on the size of individual tranches, as well as other investment restrictions are set by the Board of the National Bank. Each of the tranches can be divided into asset portfolios with the respective characteristics. Transfers of funds between tranches, rebalancing and other transfers between portfolios of assets are acceptable.

The process of liquidity risk management also includes monitoring and management of current liquidity and foreign currency liquidity for longer intervals, as well as the assessment of expected future cash flows.

Liquidity risk is distributed based on the remaining maturity of financial liabilities (as counted from the reporting date), and for undiscounted cash flows (principal debt and interest) – based on the earliest period when the liability could



be required to be settled. Liabilities which may be required to be settled upon request are classified as "Less than 3 months".

The tables below contain information about liquidity risk distribution for the reporting year and for the preceding year.

Financial liabilities	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total as at January 1, 2022
Cash in circulation	5,812,540	–	–	–	5,812,540
Liabilities in special drawing rights	3,644,488	–	–	–	3,644,488
Amounts due to international financial institutions	6,777	–	–	–	6,777
Amounts due to banks	8,000,500	–	–	–	8,000,500
Amounts due to customers	15,053,451	–	–	–	15,053,451
Securities of the National Bank	37,320	–	–	–	37,320
Other financial liabilities	2,275	–	–	–	2,275
Undiscounted financial liabilities, total	32,557,351	–	–	–	32,557,351

Financial liabilities	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total at January 1, 2021
Cash in circulation	5,238,480	–	–	–	5,238,480
Liabilities in special drawing rights	1,369,490	–	–	–	1,369,490
Amounts due to international financial institutions	6,111	–	–	–	6,111
Amounts due to banks	6,865,636	410,226	–	–	7,275,862
Amounts due to customers	16,278,989	–	–	–	16,278,989
Securities of the National Bank	–	55,880	–	–	55,880
Other financial liabilities	984	–	–	–	984
Undiscounted financial liabilities, total	29,759,690	466,106	–	–	30,225,796

The table below shows the maturity of contractual liabilities. Each undrawn loan commitment is included in the period containing the earliest date it can be drawn down.

Date	Less than 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
As at January 1, 2022	1,613,500	–	–	–	1,613,500
As at January 1, 2021	1,845,000	–	–	–	1,845,000

### 33.3. Market risk

Market risk is the risk that the National Bank will incur losses or lose income due to adverse changes in market prices for financial assets, precious metals and financial liabilities because of changes in the financial market conditions.

Market risk includes currency, interest rate and commodity risks.

#### 33.3.1. Currency risk

Currency risk is the risk that the National Bank will incur losses or will fail to receive income due to changes in the value of financial instruments denominated in foreign currency resulting from adverse changes in the exchange rate of Belarusian ruble against foreign currencies.

In order to mitigate (reduce) currency risk in transactions with gold and foreign currency assets, the Board of the National Bank has approved the statutory structure of the National Bank's assets denominated in foreign currency. The currency structure of assets determines shares or absolute amounts of assets denominated in foreign currencies used by the National Bank in the total amounts of gold and foreign currency assets denominated in foreign currencies.

Currency risk is monitored on a daily basis by means of compliance with the shares or absolute amounts of assets denominated in foreign currencies used by the National Bank in total gold and foreign currency assets denominated in foreign currencies.

The table below shows the effect on equity of changes in the official rate of the Belarusian ruble to the US dollar, euro and the Russian ruble. These changes stand for assessment of the maximum possible changes in the official rate. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items at the end of the reporting period.

Currency	2021		2020	
	Change in official exchange rate, %	Effect on equity, BYN thousand	Change in official exchange rate, %	Effect on equity, BYN thousand
USD	+4	(97,535)	-1	43,844
EUR	+9	36,807	-8	19,643
RUB	+4	25,804	+2	93

All other variables are held constant.

### 33.3.2. Interest rate risk

Interest rate risk is the risk that the National Bank will incur losses or will fail to receive income due to adverse changes in market interest rates on financial instruments.

A major part of assets placed in fixed maturity instruments bear a fixed interest rate; consequently, the National Bank bears virtually no interest rate risk on such instruments.

The table below shows the sensitivity of the statement of profit and loss for one year to possible changes in interest rates for financial instruments with a floating interest rate:

Currency	2021		2020	
	Change in interest rate, basis points	Effect on profit (loss), BYN thousand	Change in interest rate, basis points	Effect on profit (loss), BYN thousand
BYN	+125	18,266	+50	2,785
BYN	-75	(10,959)	–	–
USD	–	–	+54	(1,603)
USD	–	–	-54	1,603

All other variables are held constant.

### 33.3.3. Commodity risk

Commodity risk is the risk that the National Bank will incur losses or lose income due to adverse changes in accounting prices for precious metals because of changes in the financial market conditions.

In order to mitigate (reduce) commodity risk in transactions with gold and foreign currency assets, the Board of the National Bank approved the statutory structure of precious metals (shares of precious metals in the total amount of gold and foreign currency assets in precious metals).

Commodity risk is controlled on a daily basis by means of complying with the shares of precious metals in the total amount of gold and foreign currency assets in precious metals.

The table below provides for the possible effect on the equity of changes in accounting prices on precious metals.

Precious metals	2021		2020	
	Change in accounting price, %	Effect on equity, BYN thousand	Change in accounting price, %	Effect on equity, BYN thousand
Gold	+2	152,315	+11	796,764
Silver	+7	1,221	+24	3,519
Platinum	+9	2,038	+9	5,086
Palladium	+13	1,179	+10	34,278

All other variables are held constant.

### 33.4. Operational risk

Operational risk is the risk that the National Bank will incur losses due to inadequate internal processes, errors or incompetence of the National Bank's employees, failure or breakdown of the technological, informational and (or) other systems used by the National Bank, non-compliance of transactions and other deals with the requirements of the applicable legislation or internal practices and procedures or breaches by the National Bank's employees, and due to external factors.

The National Bank collects, analyzes and systematizes data on operational incidents. Based on the results of analyzing incidents, if necessary, measures are developed to minimize negative consequences of incidents, as well as to prevent similar events in the future.

### 34. Fair value measurement of financial instruments

The National Bank uses the following assessment methods to determine and disclose fair values of financial instruments:

Quoted prices (unadjusted) at active markets for identical assets or liabilities (Level 1);

Techniques, for which all inputs, which have a significant effect on the fair value, are observable at the market, either directly or indirectly (Level 2); and

Techniques, for which all inputs, which have a significant effect on the fair value, are not observable at the market (Level 3).

For the purpose of fair value disclosures, the National Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the fair value hierarchy.

The tables below present information about fair values for the reporting period and comparable information for the preceding year.

Item	Valuation date	Fair value measurement techniques			Total as at January 1, 2022
		Quoted prices on active markets	Significant observable inputs	Significant unobservable inputs	
Assets measured at fair value	December 31, 2021	–	–	–	–
Assets for which fair values are disclosed	December 31, 2021	17,963,745	–	1,660,004	19,623,749
Cash		1,347,642	–	–	1,347,642

Item	Valuation date	Fair value measurement techniques			Total as at January 1, 2022
		Quoted prices on active markets	Significant observable inputs	Significant unobservable inputs	
Assets in special drawing rights		3,662,316	–	–	3,662,316
Securities:					
Held to maturity		1,718,373	–	–	1,718,373
Available for sale		–	–	1,333,169	1,333,169
Amounts due from banks		11,235,414	–	–	11,235,414
Loans and other active operations with customers		–	–	301	301
Long-term financial investments		–	–	325,362	325,362
Other financial assets		–	–	1,172	1,172
Liabilities measured at fair value	December 31, 2021	–	–	–	–
Liabilities for which fair values are disclosed	December 31, 2021	3,644,488	44,097	23,056,177	26,744,762
Liabilities in special drawing rights		3,644,488	–	–	3,644,488
Amounts due to international financial institutions		–	6,777	–	6,777
Amounts due to banks		–	–	8,000,451	8,000,451
Amounts due to customers		–	–	15,053,451	15,053,451
Securities of the National Bank		–	37,320	–	37,320
Other financial liabilities		–	–	2,275	2,275

Item	Valuation date	Fair value measurement techniques			Total as at January 1, 2021
		Quoted prices on active markets	Significant observable inputs	Significant unobservable inputs	
Assets measured at fair value	December 31, 2020	540,553	–	–	540,553
Securities at fair value through profit or loss		540,553	–	–	540,553
Assets for which fair values are disclosed	December 31, 2020	15,026,569	–	1,593,034	16,619,603
Cash		24,858	–	–	24,858
Assets in special drawing rights		1,382,461	–	–	1,382,461
Securities:					
Held to maturity		1,474,628	–	–	1,474,628
Available for sale		–	–	1,292,202	1,292,202
Amounts due from banks		12,123,991	–	–	12,123,991

Item	Valuation date	Fair value measurement techniques			Total as at January 1, 2021
		Quoted prices on active markets	Significant observable inputs	Significant unobservable inputs	
Loans and other active operations with customers		20,631	–	419	21,050
Long-term financial investments		–	–	299,601	299,601
Other financial assets		–	–	812	812
Liabilities measured at fair value	December 31, 2020	–	–	–	–
Liabilities for which fair values are disclosed	December 31, 2020	1,369,490	61,991	23,544,456	24,975,937
Liabilities in special drawing rights		1,369,490	–	–	1,369,490
Amounts due to international financial institutions		–	6,111	–	6,111
Amounts due to banks		–	–	7,264,483	7,264,483
Amounts due to customers		–	–	16,278,989	16,278,989
Securities of the National Bank		–	55,880	–	55,880
Other financial liabilities		–	–	984	984

Set out below is a comparison by class of the carrying amounts and fair values of financial assets and financial liabilities.

Item	2021			2020		
	Carrying amount	Fair value	Unrecognized gain (loss)	Carrying amount	Fair value	Unrecognized gain (loss)
Financial assets	19,648,157	19,623,749	(24,408)	17,196,753	17,160,156	(36,597)
Cash	1,347,642	1,347,642	–	24,858	24,858	–
Assets in special drawing rights	3,662,316	3,662,316	–	1,382,461	1,382,461	–
Securities	3,075,884	3,051,542	(24,342)	3,343,932	3,307,383	(36,549)
Amounts due from banks	11,235,414	11,235,414	–	12,123,991	12,123,991	–
Loans and other active operations with customers	367	301	(66)	21,098	21,050	(48)
Long-term financial investments	325,362	325,362	–	299,601	299,601	–
Other financial assets	1,172	1,172	–	812	812	–
Financial liabilities	32,557,302	32,557,302	–	30,214,417	30,214,417	–
Cash in circulation	5,812,540	5,812,540	–	5,238,480	5,238,480	–

Item	2021			2020		
	Carrying amount	Fair value	Unrecognized gain (loss)	Carrying amount	Fair value	Unrecognized gain (loss)
Liabilities in special drawing rights	3,644,488	3,644,488	–	1,369,490	1,369,490	–
Amounts due to international financial institutions	6,777	6,777	–	6,111	6,111	–
Amounts due to banks	8,000,451	8,000,451	–	7,264,483	7,264,483	–
Amounts due to customers	15,053,451	15,053,451	–	16,278,989	16,278,989	–
Securities of the National Bank	37,320	37,320	–	55,880	55,880	–
Other financial liabilities	2,275	2,275	–	984	984	–
Total unrecognized change in unrealized fair value	x	x	(24,408)	x	x	(36,597)

The table does not include values for non-financial assets and non-financial liabilities.

The following describes the methodologies and assumptions used to measure those financial instruments, for which fair values are disclosed in the financial statements:

It is assumed that fair values of financial assets and financial liabilities that are liquid or have a short-term maturity approximate their carrying amounts. This assumption is also applied to demand deposits and financial instruments without specific maturity; and

Fair values of the financial instruments whose carrying amounts do not approximate their fair values were determined by discounting future cash flows using the refinancing rate of the National Bank ruling at the reporting date.

### 35. Subsequent events

The National Bank raised the refinancing rate to 12% p.a. from March 1, 2022.

## **Conclusion**

In 2021, the activities of the National Bank were aimed at curbing inflation processes, maintaining financial stability and supporting the economy.

The increase in consumer prices at the end of 2021 amounted to 9.97 percent, with a target being no more than 5 percent. The main reason for exceeding the target parameter was the pro-inflationary impact of the external sector of the economy. At that, the monetary policy measures taken by the National Bank held back the growth of inflation.

The growth of the average broad money supply stood at 6.6 percent (December 2021 to December 2020), with the forecast being 7 - 10 percent.

As of January 1, 2022, international reserve assets totaled USD8.4 billion, or 2.2 months of imports, with the forecasted level set by the Republic of Belarus Monetary Policy Guidelines for 2021 being at least USD6 billion.

In the reporting year, sustainable functioning of the banking sector, reliable and secure operation of the national payment system, and development of the non-banking segment of the financial market were ensured.

The share of non-performing assets of banks in assets exposed to credit risk accounted for 5.3 percent as of January 1, 2022, with the threshold set by the Republic of Belarus Monetary Policy Guidelines for 2021 being no more than 10 percent.

The coefficient of accessibility of the payment system participant to the ASIS, through which settlements are performed on payments accepted in the payment system of this participant, as of January 1, 2022, amounted to 99.96 percent with the requirement being no less than 99.8 percent.



MAIN  
macroeconomic parameters of social and  
economic development of the Republic of Belarus  
in 2021

Indicators	(in comparable prices, percent)	
	2021 to 2020	For information: 2020 to 2019
Gross domestic product (GDP)	102.3	99.3
GDP labour productivity	103.2	99.6
Industrial products	106.5	99.3
Profitability of sales in organizations of industry, percent	10.0	9.2
Agricultural products	95.8	104.8
Export of goods and services according to the methodology of the balance of payments	132.5	88.6
Balance of foreign trade in goods and services, percent of GDP	5.5	3.1
Households' disposable real money income	102.0	104.7
Foreign direct investments on a net basis according to the methodology of the balance of payments, USD bln	1.3	1.3
Placing houses in use at the expense of all sources of financing, thousand square meters	4,387.3	4,152.6

DYNAMICS  
of financial results of non-financial organizations

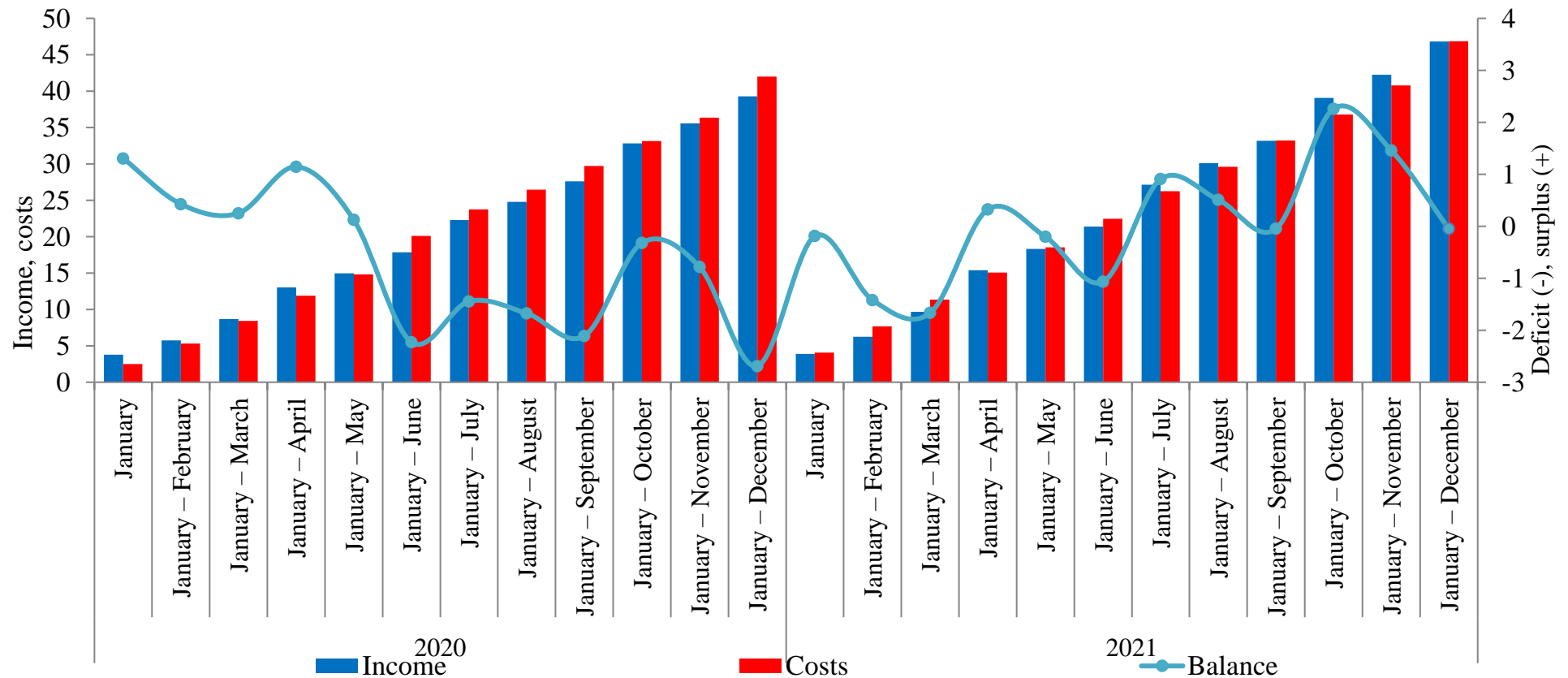
(BYN mln)

Indicators	2020	2021	Growth rates, percent
Proceeds from sale of products, goods, works, and services	256,131.7	315,989.9	123.4
Taxes and fees accrued from proceeds percent of proceeds	31,199.8 12.2	36,545.4 11.6	117.1 x
Cost of sold products, goods, works, and services percent of proceeds	205,123.2 80.1	253,167.0 80.1	123.4 x
Profit/losses (-) from sold products, goods, works, and services	19,808.7	26,277.5	132.7
Profit, losses (-) before tax	8,014.4	19,434.8	242.5
Net profit, losses (-)	5,832.9	16,083.5	275.7
Profitability of sales, percent	7.7	8.3	x
Profitability of sold products, goods, works, and services, percent	9.7	10.4	x
Share of loss-making organizations in their total number, percent	15.1	12.4	x
Net loss amount of the loss-making organizations	6,577.3	1,517.1	23.1
Funds obtained from the budget to cover losses related to state regulation of prices and tariffs and to compensate for current expenses	2,115.5	2,892.0	136.7
Funds to repay banks' credits and loans, total	74,080.7	86,052.1	116.2
percent of proceeds	28.9	27.2	x
including repayment of principal amount of debt	70,912.0	82,388.1	116.2
interest on a loan, credit	3,168.7	3,664.0	115.6

## DYNAMICS

of the income, costs, deficit (-)/surplus (+) of the Republic of Belarus consolidated budget in 2020 – 2021

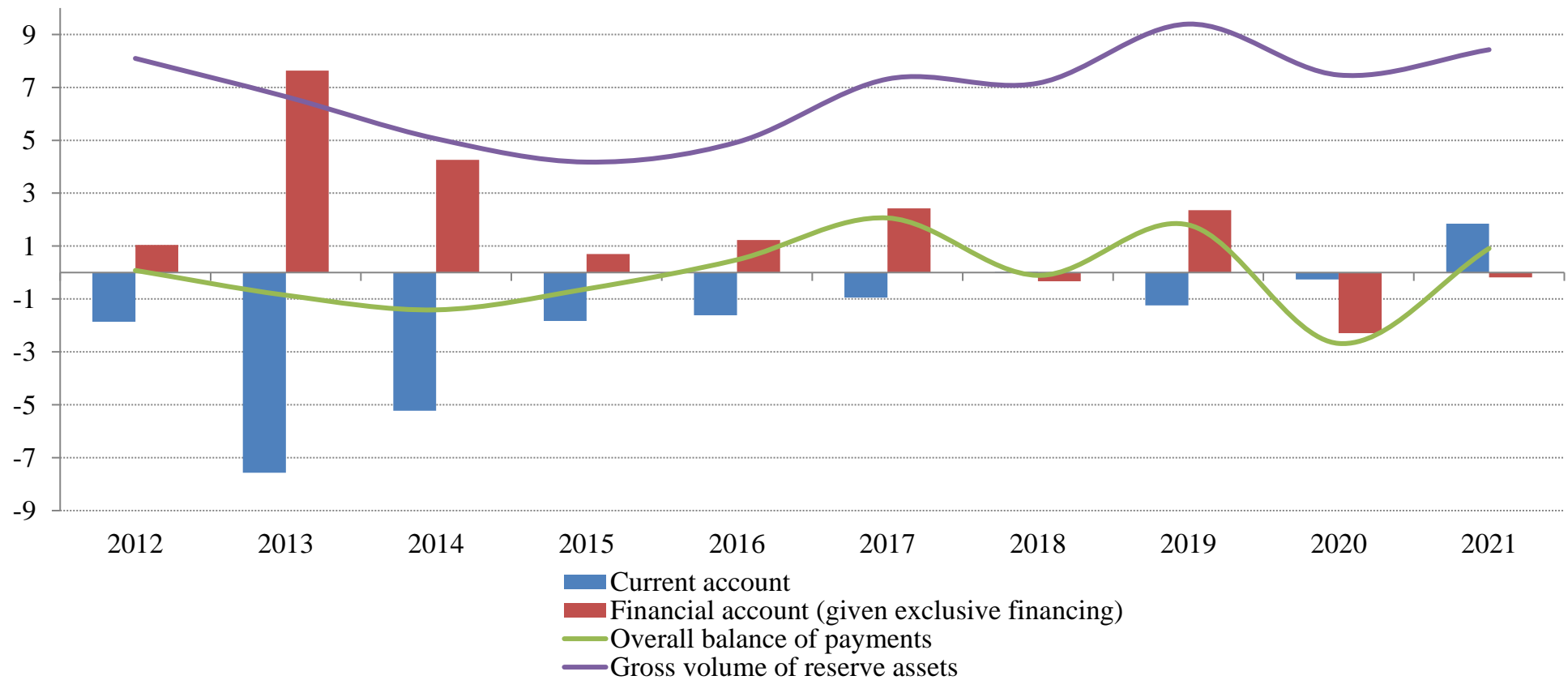
(on a cumulative total from the beginning of the year, BYN bln)



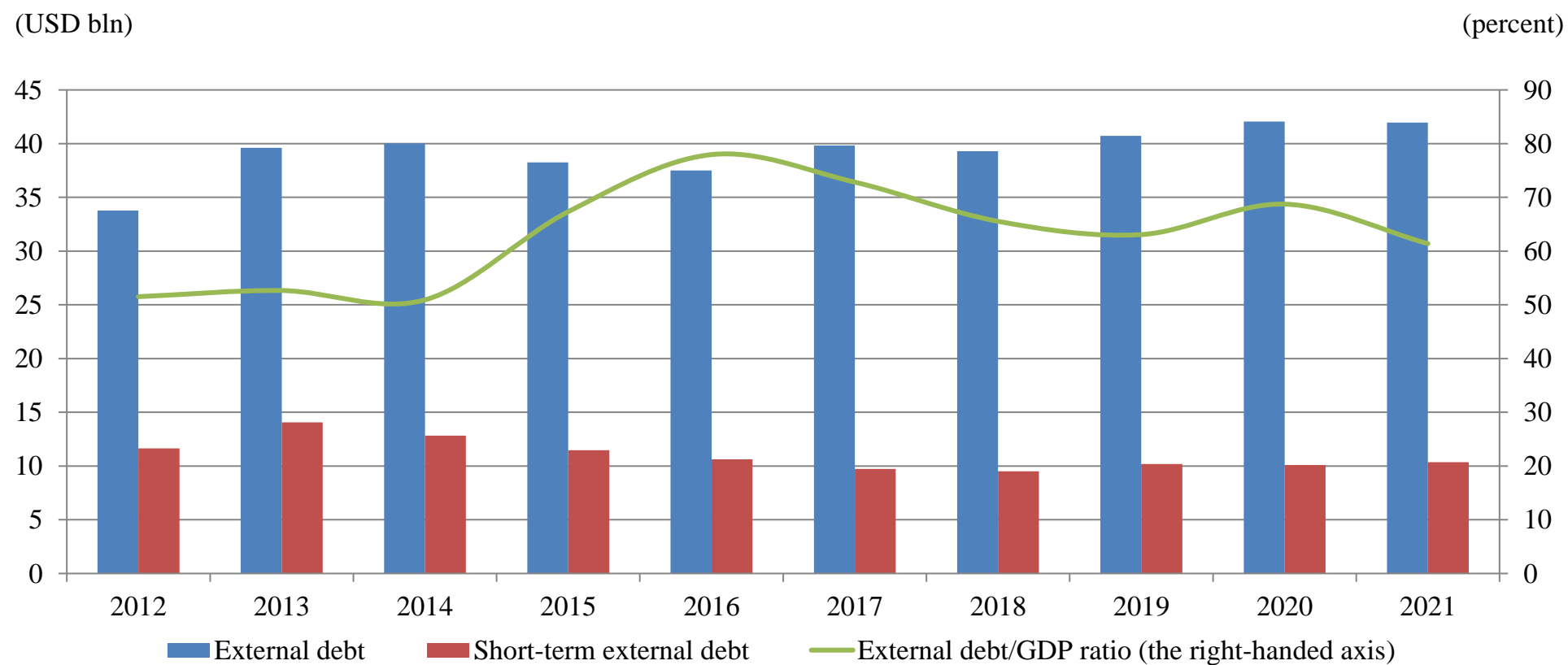
## CHANGE

in main indicators of the balance of  
payments in 2012 – 2021

(USD bln)



## EXTERNAL DEBT of the Republic of Belarus in 2012 – 2021



## INFORMATION

on foreign exchange purchase/sale by  
resident economic entities\* of the Republic  
of Belarus in the domestic foreign  
exchange market in 2020 – 2021

(USD mln)								
Years	Operations	January	February	March	April	May	June	For the first half of the year, total
2020	Sold	1,737.1	1,613.0	1,674.5	1,854.4	1,573.5	1,760.7	10,213.1
	Purchased	1,761.1	1,898.4	2,292.2	1,687.8	1,568.5	1,804.6	11,012.7
	Balance of sale and purchase	24.0	285.4	617.8	-166.6	-5.0	44.0	799.6
2021	Sold	1,926.7	1,809.1	2,268.1	2,441.0	2,129.5	2,232.1	12,806.5
	Purchased	1,877.8	1,985.2	2,337.4	2,029.2	1,908.5	2,342.5	12,480.6
	Balance of sale and purchase	-48.9	176.1	69.3	-411.8	-221.0	110.4	-325.9
Years	Operations	July	August	September	October	November	December	For the year, total
2020	Sold	1,984.5	1,787.9	1,950.9	2,191.6	1,827.0	2,206.3	22,161.3
	Purchased	1,931.0	2,439.4	1,901.9	1,960.4	1,656.0	2,237.9	23,139.2
	Balance of sale and purchase	-53.5	651.5	-49.0	-231.1	-171.0	31.5	977.9
2021	Sold	2,465.6	2,215.6	2,278.3	2,399.9	2,331.4	2,761.5	27,258.8
	Purchased	2,129.7	2,140.2	2,457.8	2,092.4	2,434.1	2,845.0	26,579.9
	Balance of sale and purchase	-335.9	-75.4	179.5	-307.6	102.8	83.5	-678.9

\* Economic entities – commercial and non-commercial organizations and independent entrepreneurs.

## INFORMATION

on foreign exchange purchase/sale by  
natural persons in 2020 – 2021

(USD mln)

Years	Operations	January	February	March	April	May	June	For the first half of the year, total
2020	Sold	743.6	747.8	742.5	544.4	569.1	698.9	4,046.3
	Purchased	788.4	875.8	1,021.9	613.9	627.9	776.6	4,704.5
	Balance of sale and purchase	44.8	128.0	279.4	69.5	58.8	77.7	658.2
2021	Sold	612.6	709.4	875.9	861.2	882.7	909.1	4,850.9
	Purchased	766.8	756.5	900.4	984.3	960.5	940.1	5,308.7
	Balance of sale and purchase	154.3	47.1	24.5	123.1	77.8	31.0	457.8

Years	Operations	July	August	September	October	November	December	For the year, total
2020	Sold	731.8	599.1	686.1	700.7	702.3	788.0	8,254.2
	Purchased	947.4	1,221.2	740.6	790.1	801.3	1,018.9	10,223.9
	Balance of sale and purchase	215.6	622.2	54.5	89.4	99.0	230.9	1,969.8
2021	Sold	939.2	1,010.2	1,018.7	969.2	1,042.1	1,076.4	10,906.7
	Purchased	892.1	915.7	835.8	890.6	965.5	1,044.9	10,853.3
	Balance of sale and purchase	-47.1	-94.5	-182.8	-78.6	-76.6	-31.5	-53.4

## INFORMATION

on foreign exchange purchase/sale by resident banks, JSC “Development Bank of the Republic of Belarus”, non-bank financial institutions in 2020 – 2021

(USD mln)

Years	Operations	January	February	March	April	May	June	For the first half of the year, total
2020	Sold	3,332.9	3,549.1	3,963.0	3,275.2	2,869.9	3,280.7	20,270.8
	Purchased	3,233.3	3,462.1	3,983.4	3,064.4	2,779.6	3,329.6	19,852.4
	Balance of sale and purchase	-99.6	-87.0	20.4	-210.8	-90.3	48.9	-418.4
2021	Sold	3,426.9	3,411.5	4,214.8	4,200.3	3,720.3	4,067.0	23,040.8
	Purchased	3,441.2	3,559.0	4,124.3	4,118.9	3,684.0	4,012.1	22,939.5
	Balance of sale and purchase	14.3	147.5	-90.4	-81.4	-36.3	-54.9	-101.2
Years	Operations	July	August	September	October	November	December	For the year, total
2020	Sold	3,599.5	4,109.1	3,729.1	3,943.6	3,248.4	4,002.2	42,902.7
	Purchased	3,593.6	4,140.1	3,495.5	3,903.4	3,234.2	3,969.2	42,188.3
	Balance of sale and purchase	-6.0	31.0	-233.5	-40.3	-14.2	-33.0	-714.4
2021	Sold	4,127.1	3,859.7	3,996.0	4,177.5	4,332.3	4,883.7	48,417.1
	Purchased	4,153.1	3,845.4	3,972.2	4,107.6	4,344.7	4,903.4	48,266.0
	Balance of sale and purchase	26.0	-14.3	-23.8	-69.8	12.4	19.7	-151.1



## INFORMATION

on foreign exchange purchase/sale by  
nonresidents in 2020 – 2021

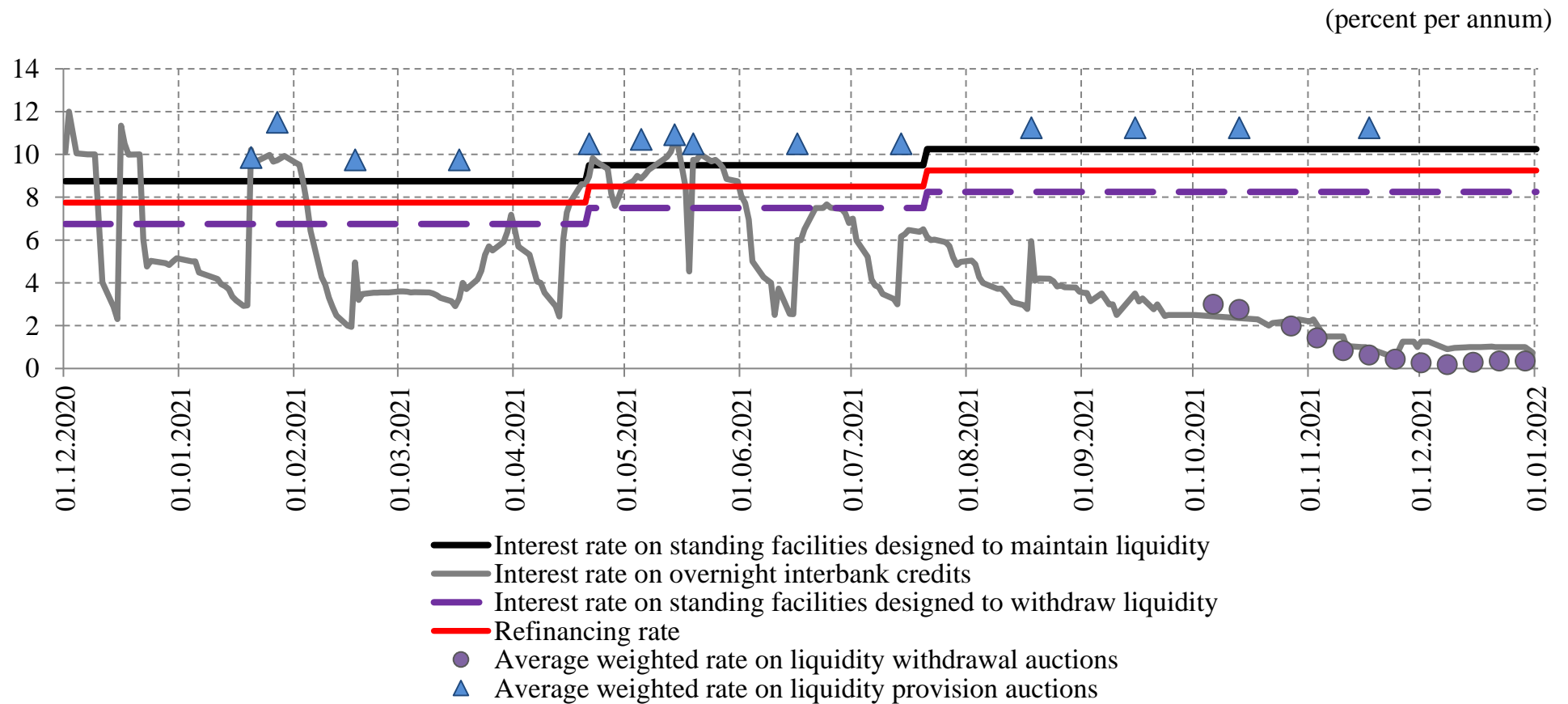
(USD mln)

Years	Operations	January	February	March	April	May	June	For the first half of the year, total
2020	Sold	93.7	76.3	57.6	82.7	45.1	54.3	409.6
	Purchased	41.2	61.0	5.4	13.0	9.5	14.4	144.5
	Balance of sale and purchase	-52.5	-15.3	-52.2	-69.7	-35.6	-39.9	-265.1
2021	Sold	81.0	81.2	65.2	102.6	76.8	58.9	465.7
	Purchased	12.1	16.2	31.9	74.6	19.5	53.8	208.2
	Balance of sale and purchase	-68.9	-65.0	-33.3	-28.0	-57.3	-5.1	-257.6

Years	Operations	July	August	September	October	November	December	For the year, total
2020	Sold	72.8	49.3	71.9	107.7	76.9	72.0	860.3
	Purchased	9.0	22.5	20.2	31.7	14.2	21.5	263.6
	Balance of sale and purchase	-63.8	-26.8	-51.8	-76.0	-62.7	-50.5	-596.7
2021	Sold	93.5	79.3	80.3	135.8	94.7	116.2	1,065.6
	Purchased	38.9	35.2	32.8	41.0	64.0	70.5	490.6
	Balance of sale and purchase	-54.6	-44.2	-47.5	-94.8	-30.7	-45.7	-575.0

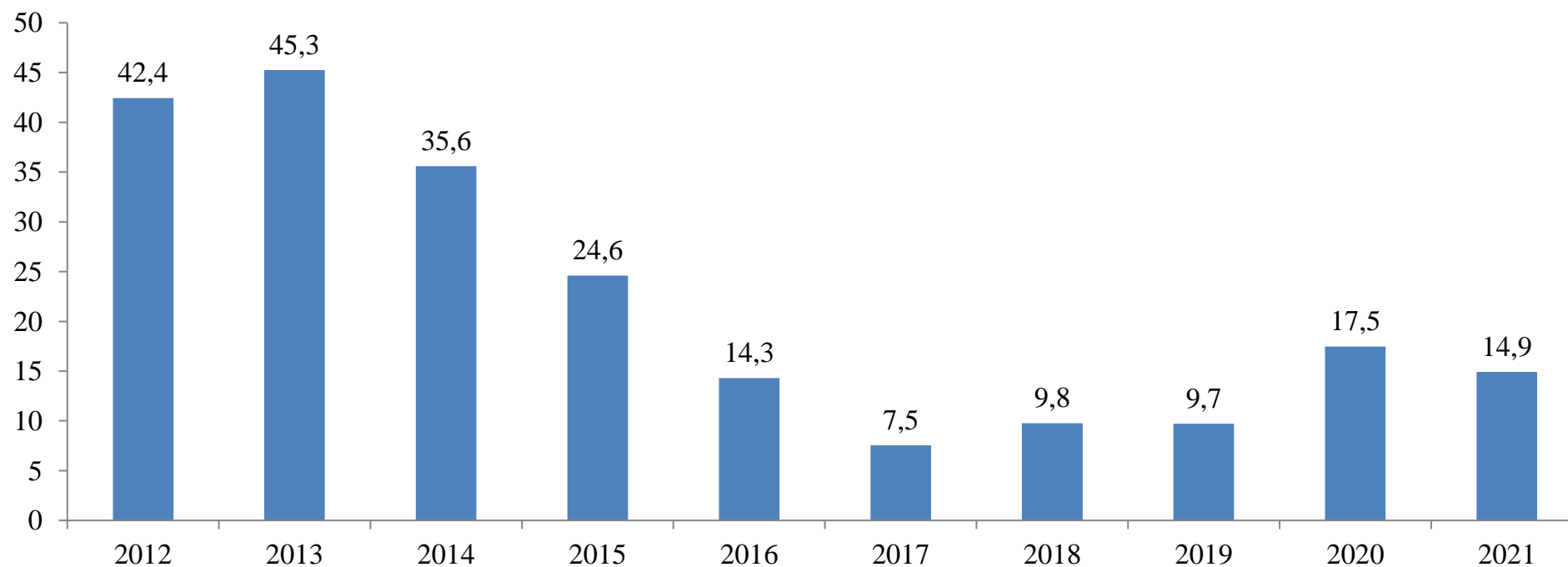
**DYNAMICS**  
of the interest rate in the intraday interbank market  
and the interest rates on the National Bank's operations



**DYNAMICS**

of average interest rates on the natural persons' new term ruble deposits as of the year-end

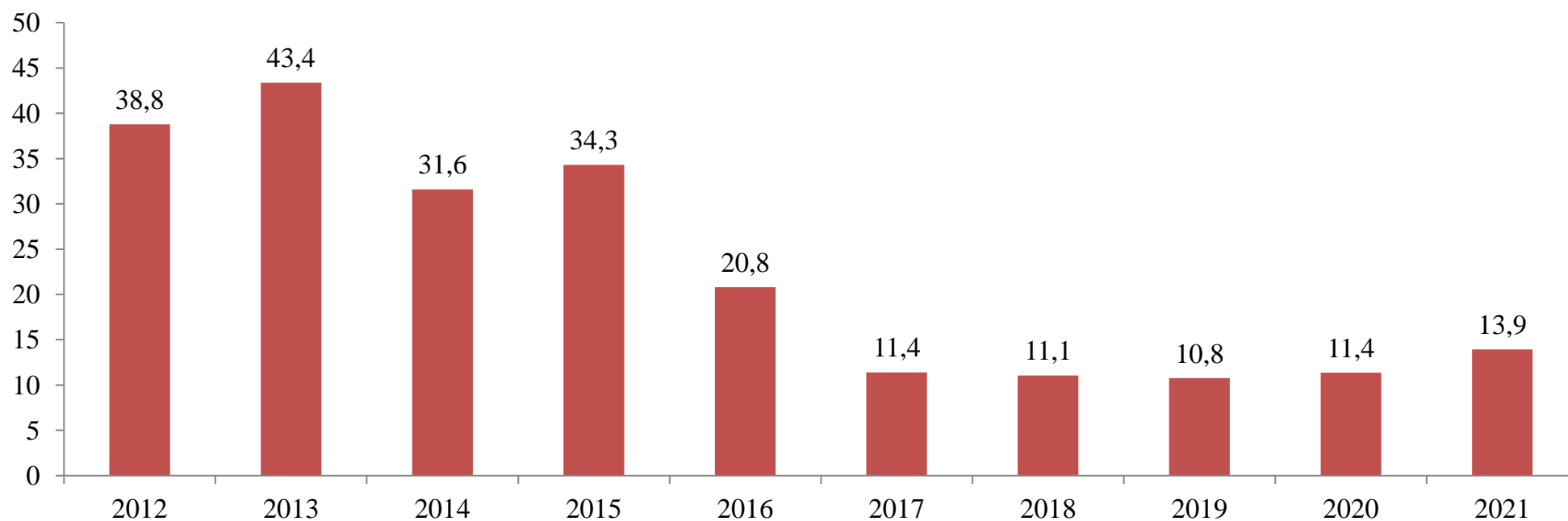
(percent per annum)



## DYNAMICS

of average interest rates on banks'  
new loans\* issued to legal persons in  
Belarusian rubles as of the year-end

(percent per annum)

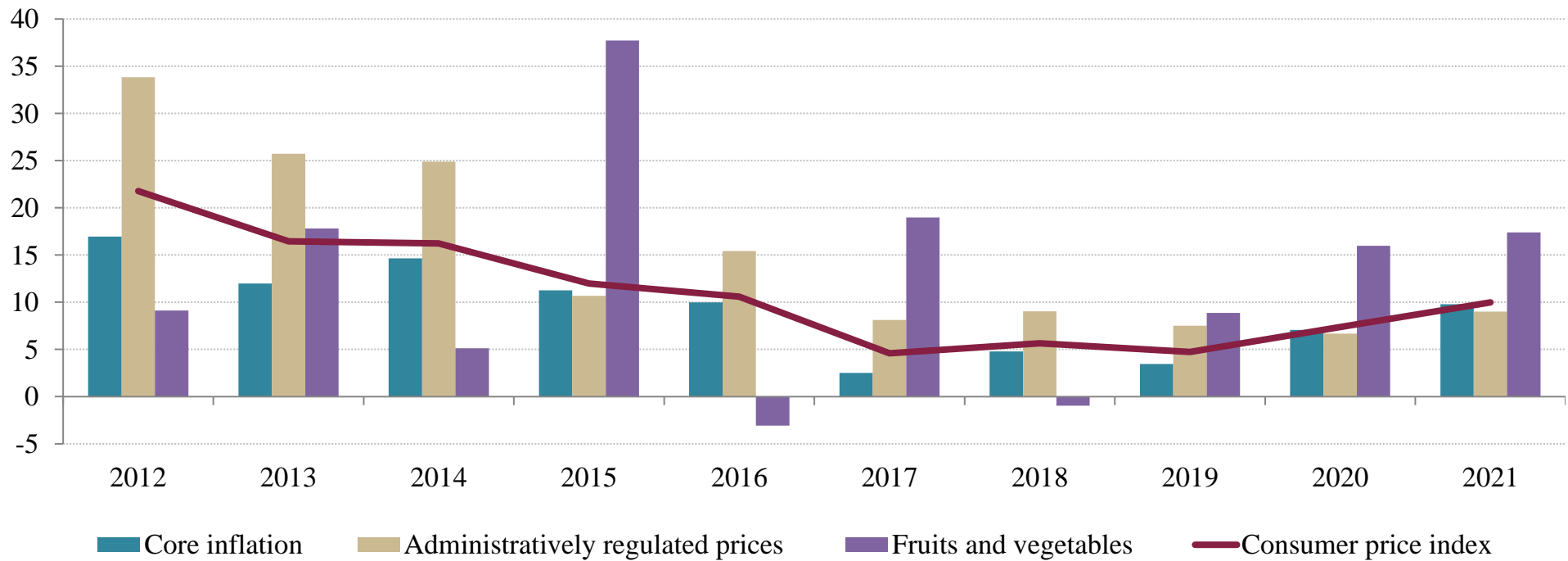


\* Excluding loans granted on preferential terms in line with decisions of the President of the Republic of Belarus, the Government of the Republic of Belarus, at the expense of the funds of the republican and local executive and administrative bodies.

## DYNAMICS

of growth in consumer prices, core inflation, and regulated prices and tariffs for paid services offered to households and fruits and vegetables in 2012 – 2021

(percent, December to December)



## DYNAMICS

## of broad money supply in 2021

(BYN bln)

Indicators	Actual as at		Growth	
	01.01.2021	01.01.2022	BYN bln	percent
1. Cash in circulation - M0	4.12	4.72	0.60	14.5
2. Transferable deposits of	6.16	7.96	1.80	29.3
natural persons	2.85	3.41	0.57	20.0
legal persons *	3.31	4.55	1.23	37.3
Monetary aggregate - M1	10.28	12.68	2.40	23.3
3. Other deposits of	9.18	10.57	1.39	15.2
natural persons	4.53	5.10	0.57	12.5
legal persons *	4.65	5.47	0.82	17.7
4. Securities issued by banks (outside bank circulation) in national currency	1.35	1.68	0.33	24.2
Ruble money supply M2*	20.82	24.93	4.12	19.8
Broad money M3	50.80	54.35	3.55	7.0
<i>For information:</i>				
Foreign exchange component M3 (USD bln)				
	11.63	11.54	-0.08	-0.7
of which:				
deposits in foreign exchange (USD bln) of				
natural persons	11.00	11.01	0.01	0.0
legal persons *	5.85	5.19	-0.66	-11.3
securities issued by other deposit institutions in foreign exchange (USD bln)	5.15	5.82	0.67	13.0
deposits in precious metals (USD mln)	0.59	0.51	-0.07	-12.3
	38.70	23.19	-15.51	-40.1

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\* Legal persons – commercial and non-commercial institutions, independent entrepreneurs and non-bank financial institutions.

Regulatory legal acts on preventing money laundering, terrorism financing and financing proliferation of weapons of mass destruction, which were adopted in 2021

Resolution of the Board of the National Bank of the Republic of Belarus No. 164 “On the Reporting Form of Institutions Carrying Out Financial Operations” of June 16, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 327 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 494 dated September 19, 2016” of November 8, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 388 “On Reporting Form 1050 “On Financial Operations and Clients Subject to Identification”” of December 16, 2021.

Regulatory legal acts adopted (issued)  
in 2021 with a view to improving the  
regulation of banking operations

Edict of the President of the Republic of Belarus No. 375 “On Measures of State Support” of October 1, 2021.

Edict of the President of the Republic of Belarus No. 389 “On the Use of Family Capital” of October 12, 2021.

Edict of the President of the Republic of Belarus No. 462 “On Special Aspects of Conducting Settlements” of December 2, 2021.

Resolution of the Ministry of Finance of the Republic of Belarus and the Board of the National Bank of the Republic of Belarus No. 4/10 “On Amending Resolution of the Ministry of Finance of the Republic of Belarus and the Board of the National Bank of the Republic of Belarus No. 159/176 dated December 23, 2005” of January 12, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 87 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 376 dated June 22, 2015” of April 5, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 257 “On Amending Resolutions of the Board of the National Bank of the Republic of Belarus” of September 8, 2021.



Regulatory legal acts adopted (issued) in 2021 with a view to improving the regulation of non-cash payments in terms of the functioning of special accounts

Edict of the President of the Republic of Belarus No. 31 “On Amending Edict of the President of the Republic of Belarus” of January 26, 2021.

Edict of the President of the Republic of Belarus No. 52 “On Amending Edicts of the President of the Republic of Belarus” of February 18, 2021.

Edict of the President of the Republic of Belarus No. 221 “On Opening of Special Accounts” of June 18, 2021.

Edict of the President of the Republic of Belarus No. 279 “On Amending Edict of the President of the Republic of Belarus” of July 20, 2021.

Edict of the President of the Republic of Belarus No. 341 “On Implementation of Loan Agreement” of September 14, 2021.

Edict of the President of the Republic of Belarus No. 385 “On Establishment and Activities of Holdings” of October 7, 2021.

Edict of the President of the Republic of Belarus No. 387 “On Construction of Agricultural Facilities in the Vitebsk Region” of October 7, 2021.

Edict of the President of the Republic of Belarus No. 391 “On Stabilization of the Organizations’ Financial Condition” of October 15, 2021.

Regulatory legal acts adopted  
(issued) in 2021 with a view to  
regulating the activities of non-bank  
financial institutions

Edict of the President of the Republic of Belarus No. 196 “On Online Borrowing Services and Leasing Activities” of May 25, 2021.

Edict of the President of the Republic of Belarus No. 265 “On Amending Edicts of the President of the Republic of Belarus” of July 8, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 287 “On the Volume of and Procedures for Disclosing Information by Provider of Online Borrowing Services” of October 11, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 296 “On Establishment of Requirements for Officials and Other Persons of Leasing Organization” of October 18, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 310 “On Activities of Providers of Online Borrowing Services” of October 26, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 317 “On Information about Customers of a Provider of Online Borrowing Services and Contracts Concluded Thereby” of November 2, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 328 “On Reporting and Other Information Submitted by a Provider of Online Borrowing Services to the National Bank” of November 8, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 347 “On Requirements to Officials and Other Persons of Providers of Online Borrowing Services and Register of Providers of Online Borrowing Services” of November 19, 2021.

Regulatory legal acts adopted (issued) in 2021 with a view to improving foreign exchange regulation and foreign exchange control

Edict of the President of the Republic of Belarus No. 265 “On Amending Edicts of the President of the Republic of Belarus” of July 8, 2021.

Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 203/4 “On Amending Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 924/16 dated July 6, 2011” of April 7, 2021.

Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 392/7 “On Carrying out Foreign Exchange Transactions” of July 6, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 37 “On Registration of Foreign Exchange Agreements by Residents” of February 12, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 141 “On Approving the Instructions on Procedures for Performing Foreign Exchange Purchase/Sale Transactions” of May 28, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 143 “On Annuling Resolutions of the Board of the National Bank of the Republic of Belarus” of May 28, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 147 “On Carrying out Foreign Exchange Transactions” of May 31, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 191 “On the Issues of Foreign Exchange Regulation” of July 1, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 273 “On Amending Resolutions of the Board of the National Bank of the Republic of Belarus No. 141 dated May 28, 2021 and No. 147 dated May 31, 2021” of September 29, 2021.

Regulatory legal acts adopted in 2021  
with a view to improving accounting and  
accounting (financial) statements

Resolution of the Board of the National Bank of the Republic of Belarus No. 52 “On Accounting of Operations with Securities” of March 1, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 105 “On Accounting of Banking Operations with Precious Metals and Precious Stones” of April 22, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 243 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 728 dated December 12, 2013” of August 24, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 410 “On Amending Resolutions of the Board of the National Bank of the Republic of Belarus No. 507 dated November 9, 2011 and No. 506 dated August 29, 2013” of December 24, 2021.

Regulatory legal acts adopted in  
2021 with a view to improving cash  
circulation in the Republic of Belarus

Resolution of the Board of the National Bank of the Republic of Belarus No. 72 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 211 dated December 21, 2006” of March 23, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 255 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 214 dated June 6, 2011” of September 3, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 343 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 406 dated September 29, 2011” of November 18, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 373 “On Amending Resolution of the Board of the National Bank of the Republic of Belarus No. 117 dated March 19, 2011” of December 9, 2021.

Regulatory legal acts regulating the procedures for the functioning of the payment system of the Republic of Belarus, which were adopted (issued) in 2021

Edict of the President of the Republic of Belarus No. 363 “On Current (Settlement) Bank Account of a Natural Person with Basic Terms of Servicing” of September 23, 2021.

Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 647/11 “On Amending Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 924/16 dated July 6, 2011” of November 15, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 25 “On Amending Resolutions of the Board of the National Bank of the Republic of Belarus No. 497 dated September 21, 2016 and No. 379 dated September 19, 2019” of January 22, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 197 “On Circulation of Bank Payment Cards and Functioning of Software and Hardware Infrastructure Facilities” of July 5, 2021.

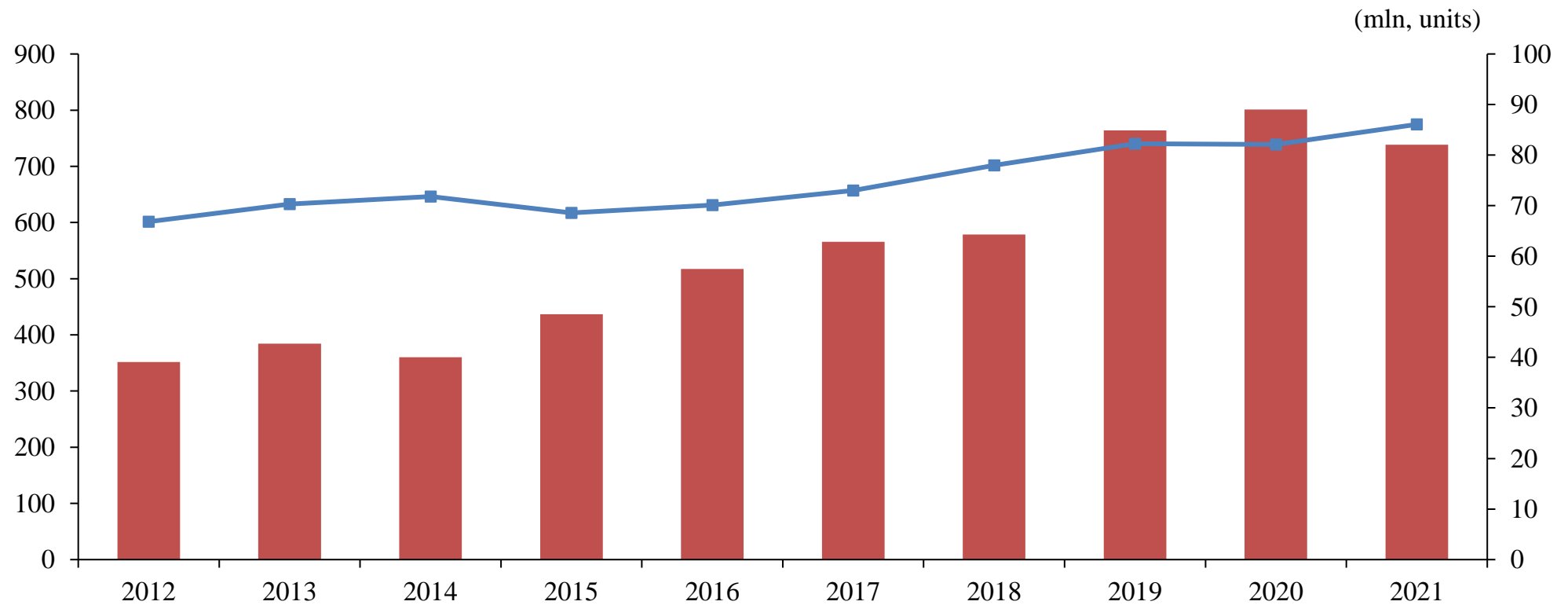
Resolution of the Board of the National Bank of the Republic of Belarus No. 199 “On Standards for Carrying out Settlements” of July 9, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 237 “On Approving the Standard for Carrying out Settlements” of August 19, 2021.

Resolution of the Board of the National Bank of the Republic of Belarus No. 310 “On Activities of Providers of Online Borrowing Services” of October 26, 2021.

**DYNAMICS**  
of amounts of payment instructions  
settled via the BISS in 2012 – 2021

(BYN bln)



■ The amount of payment instructions carried out in the BISS system (the left-handed axis)

—■ The number of payment instructions executed in the BISS system

## DYNAMICS

of share of non-cash transactions in 2012 – 2021

