IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS OUTSIDE OF THE REPUBLIC OF BELARUS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) LOCATED OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following before continuing.

The following applies to the document following this page (the "**Prospectus**"), whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

The Prospectus has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE THE OFFER, SALE OR SOLICITATION IS NOT PERMITTED. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, you must (i) be outside of the United States; or (ii) be a qualified institutional buyer ("**QIB**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")). This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented that (1) you understand and agree to the terms set out herein; (2) in respect of securities being offered in an offshore transaction pursuant to Regulations S under the Securities Act ("**Regulation S**"), you are outside the United States, and that the e-mail address to which, pursuant to your request, the Prospectus has been delivered by electronic transmission is not located in the United States for the purposes of Regulation S; (3) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB; (4) you consent to delivery by electronic transmission; (5) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with our consent; and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

This Prospectus is being distributed only to and directed only at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), or (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) those persons to whom it may otherwise lawfully be distributed in accordance with the Order (all such persons together being referred to as relevant persons). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Citigroup Global Markets Limited or Raiffeisen Bank International AG (together the "**Joint Lead Managers**") or any person who controls either of them or any director, officer, employee or agent of either of them, the Issuer or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

REPUBLIC OF BELARUS

(acting through the Ministry of Finance of the Republic of Belarus)

U.S.$600,000,000 6.20 per cent. Notes due 2030

Issue price: 100 per cent.

The U.S.$600,000,000 6.20 per cent. Notes due 2030 (the "**Notes**") are issued by the Republic of Belarus, acting through the Ministry of Finance of the Republic of Belarus (the "**Issuer**" or "**Belarus**"). Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 28 February 2030 (the "**Maturity Date**").

The Notes will bear interest from, and including, 28 February 2018 at the rate of 6.20 per cent. per annum payable semi-annually in arrear on 28 February and 28 August of each year, commencing on 28 August 2018. Payments on the Notes will be made in U.S. dollars without deduction for, or on account of, taxes imposed or levied by or on behalf of Belarus, subject to and to the extent described under "*Terms and Conditions of the Notes – Taxation*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any member state of the European Economic Area. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market (the "**Market**"). This Prospectus constitutes a prospectus for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**") (which implement the Prospectus Directive in Ireland). Reference in this Prospectus to being listed (and all date references) shall mean that such Notes have been admitted to trading on the regulated market of the Irish Stock Exchange.

The Notes are being offered (i) in offshore transactions in reliance on, and as defined in, Regulation S (the "**Unrestricted Notes**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (ii) in the United States only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the Securities Act in reliance on, and in compliance with, Rule 144A (the "**Restricted Notes**").

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each purchaser of the Notes is hereby notified that the offer and sale of the Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes are rated B by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and B by Fitch Ratings Ltd. ("**Fitch**"). S&P and Fitch are established in the European Community and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (the "**CRA Regulation**"). The list of credit rating agencies registered in accordance with the CRA Regulation is available on the European Securities and Market Authority's website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Notes involves certain risks. See "*Risk Factors*" beginning on page 6.

The Notes will be offered and sold in registered form and in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Each series of the Notes will initially be represented by global certificates in registered form, one or more of which will be issued in respect of the Restricted Notes (the "**Restricted Global Note Certificate**") and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") and one of which will be issued in respect of the Unrestricted Notes (the "**Unrestricted Global Note Certificate**" and, together with the Restricted Global Note Certificates, the "**Global Note Certificates**") and registered in the name of Citivic Nominees Limited as nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Note Certificates will be made on 28 February 2018 or such later date as may be agreed (the "**Issue Date**") by the Issuer and the Joint Lead Managers (as defined under "*Subscription and Sale*"). Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, Clearstream, Luxembourg and their respective participants. Except in the limited circumstances as described herein, individual certificates will not be issued in exchange for beneficial interests in the Global Note Certificates.

Joint Lead Managers and Bookrunners

Citigroup **Raiffeisen Bank International**

The date of this Prospectus is 26 February 2018

The Issuer accepts responsibility for the information contained in this Prospectus. To the best knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus comprises a prospectus for the purposes of Article 5 of the Prospectus Directive and for the purposes of giving information with regard to the Issuer and the Notes, which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the prospects of the Issuer.

Neither the Joint Lead Managers nor any of their respective directors, officers, employees, affiliates, advisers or agents have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the Joint Lead Managers nor any of their respective directors, officers, employees, affiliates, advisers or agents has made any independent verification of the information contained in this Prospectus in connection with the issue or offering of the Notes (the "**Offering**") and no representation or warranty, express or implied, is made by either of the Joint Lead Managers or any of their respective directors, officers, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by either of the Joint Lead Managers or any of their respective directors, officers, employees, affiliates, advisers or agents in any respect.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus. Any other representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the Offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering materials relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes and the admission of the Notes to the Official List and to trading on the Market. The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belarus of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

STABILISATION

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturers' product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC ("**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISTRIBUTED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

EXCHANGE RATE INFORMATION

In this Prospectus, unless otherwise specified, references to "Euro" and "EUR" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to "U.S. dollars" and "U.S.$" are to United States Dollars and references to "Belarusian ruble" and "Br" are to the currency of Belarus. On 1 July 2016, the Belarusian ruble was redenominated at the rate of old Br10,000 to new Br1.

The official rate published by the National Bank of the Republic of Belarus (the "**National Bank**") for U.S. dollar and Euro on 26 February 2018 was Br1.9593 = U.S.$1.00 and Br2.4086 = EUR1.00, respectively.

The following table sets out the high, low, average (calculated as the arithmetical mean) and period-end official exchange rates of the Belarusian ruble to U.S. dollar and Euro for the years from 2012 to 2017 to date:

U.S.$	**High**	**Low**	**Average**	**Period end**
From 1 January 2018 to 26 February 2018	2.0017	1.9593	1.9768	1.9593
From 1 January 2017 to 31 December 2017	2.0378	1.8520	1.9324	1.9727
From 1 July to 31 December 2016(1)	2.0159	1.9004	1.9534	1.9585
From 1 January to 30 June 2016	22,069	18,569	20,221.29	20,053
2015	18,569	11,900	15,905.05	18,569
2014	11,850	9,520	10,226.90	11,850
2013	9,510	8,570	8,881.42	9,510
2012	8,630	8,000	8,337.05	8,570
EUR				
From 1 January 2018 to 26 February 2018	2.4667	2.3553	2.4308	2.4086
From 1 January 2017 to 31 December 2017	2.4008	1.9698	2.1831	2.3553
From 1 July to 31 December 2016(1)	2.2354	2.0338	2.1450	2.0450
From 1 January to 30 June 2016	24,956	20,100	22,557.63	22,210
2015	20,474	14,460	17,654.54	20,300
2014	14,380	12,970	13,578.33	14,380
2013	13,080	11,100	11,799.12	13,080
2012	11,340	10,030	10,717.62	11,340

Source: The National Bank

Note:

(1) On 1 July 2016, the Belarusian ruble was redenominated at the rate of 10,000 old rubles to one new ruble.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus constitute forward-looking statements. Statements that are not historical facts, including statements about the Issuer's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward looking statements speak only as of the date that they are made and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. Such factors include, but are not limited to:

- adverse external factors, such as higher international interest rates, low commodity prices or recession or low growth in Belarus's trading partners including the Russian Federation (also "**Russia**"), the EU and the United States, or decreases in world oil and gas prices, which could each decrease Belarus's fiscal and foreign exchange revenues and could negatively affect the current account, balance of payments and international reserves and cause or contribute to recession or low growth in Belarus;

- adverse domestic factors, such as recession, declines in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, difficulties in borrowing in the domestic and foreign markets, trade and political disputes between Belarus and its trading partners;

- decisions of international financial institutions ("**IFIs**") such as the International Monetary Fund (the "**IMF**"), the World Bank, the European Bank for Reconstruction and Development (the "**EBRD**") and the Eurasian Fund for Stabilisation and Development (the "**EFSD**") regarding their financial assistance to Belarus over the life of the Notes; and

- political factors in the Republic of Belarus, which may affect, *inter alia*, the timing and nature of economic reforms in Belarus, the climate for FDI and the pace, scale and timing of privatisations.

For more information regarding these and other factors that could impact forward-looking statements and actual results, see "*Risk Factors*".

STATISTICAL INFORMATION

Statistical data appearing in this Prospectus has been extracted or compiled from the records, statistics and other official public sources of information in Belarus, and has not been independently checked or verified. The Issuer has accurately reproduced such information, and as far as the Issuer is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. In recent years there have been significant steps taken in Belarus to improve the accuracy and reliability of official statistics and to conform statistical methodology to international standards. However, in a transition economy in which there is a substantial amount of unofficial or unreported market economic activity, such statistical data may not accurately reflect current or historic levels of, and trends in, economic activity.

See - *"Risk Factors"*.

ENFORCEABILITY OF FOREIGN JUDGMENTS AND ARBITRAL AWARDS

Foreign judgments or arbitral awards (except for those rendered in Russia) will not be enforced in Belarus until they have passed the procedure of recognition. Recognition is a formal procedure providing for participation of the parties to the dispute but without re-consideration of the merits of the dispute. The main aim of recognition is to determine whether there are any formal grounds for refusal of recognition and enforcement of foreign judgments or arbitral awards. For instance, a Belarusian court may refuse the recognition and enforcement of foreign judgments or arbitral awards if: (i) enforcement of a foreign judgment or arbitral award will contradict the "public policy" of the Republic of Belarus; (ii) according to the Belarusian legislation and international treaties of the Republic of Belarus consideration of the case is within the exclusive competence of Belarusian courts; (iii) a party against which a foreign judgment or arbitral award was rendered had not been timely and duly notified about the proceedings, their time and place or due to other reasons could not provide its explanations; (iv) a foreign judgment under the laws of a state on whose territory it was rendered has not entered into force, unless an international treaty of the Republic of Belarus does not allow recognition and enforcement of a judgment prior to its entry into force; (v) there is a judgment of a Belarusian court rendered in a dispute between the same parties, on the same subject and on the same grounds which has already entered into force or such case is being considered by a Belarusian court provided that such proceedings started before commencement of proceedings in a foreign court or a Belarusian court first seized the case; or (vi) expiration of the statutory term for enforcement of a foreign judgment and such term is not restored by a court, etc.

Generally, the courts of Belarus will not recognize judgments of a foreign court of law in the absence of an international and/or bilateral agreement between Belarus and the jurisdiction in which such decision was rendered. No such agreement is currently in force between Belarus and either of the United Kingdom or the United States.

In the absence of such agreement the courts of Belarus may recognize and enforce a foreign judgment on the basis of the principle of reciprocity. The Belarusian legislation does not include clear rules on the application of the principle of reciprocity. Thus, there could be no assurance that the courts of Belarus will recognize and enforce a judgment rendered by courts of jurisdiction with which Belarus has no international/bilateral agreement on the basis of the principle of reciprocity.

The Notes, the Subscription Agreement, the Deed of Covenant and the Agency Agreement are governed by, and construed in accordance with, English law and the Issuer and the parties thereto have agreed therein that any dispute, claim, difference or controversy arising out of or in connection therewith (including any dispute relating to their existence, validity or termination, or any non-contractual obligation or other matter arising out of or in connection with them) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration. See "*Terms and Conditions of the Notes – Condition 17 (Governing Law and Arbitration)*".

Subject to the provisions of the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards dated 10 June 1958 (to which Belarus is a party) and the corresponding legislation of Belarus, foreign arbitral awards are generally recognized and enforceable in Belarus provided the conditions to enforcement are met.

Despite the above, recognition and enforcement of foreign judgments or arbitral awards in Belarus may still be difficult. In particular, if the enforcement of a foreign judgment or arbitral award conflicts with the "public policy" of Belarus, a Belarusian court may refuse to recognize and enforce such foreign judgment or arbitral award. The laws of Belarus do not provide any clear guidelines for determining what the "public policy" of Belarus actually is. Although there was an attempt to summarize the court practice and provide guidance at the level of the Presidium of the Higher Economic Court (which is non-binding, but followed by the Belarusian courts), there are still different interpretations of this concept by the courts. Such ambiguity of the "public policy" concept may be used by Belarusian courts to deny recognition and enforcement of foreign judgments and arbitral awards rendered against Belarus or threatening its interests.

In addition, a Belarusian court will ignore any dispute resolution agreement of the parties if it finds that under the Belarusian legislation it has exclusive jurisdiction over such disputes.

In addition, if any party were to initiate proceedings in a court of Belarus arising out of or in connection with the Notes, the Subscription Agreement, the Deed of Covenant or the Agency Agreement, the motion to dismiss the proceedings and to refer the parties to arbitration under the Arbitration Rules of the London Court of International Arbitration would have to be made by the other party objecting to the jurisdiction of the court of Belarus prior to the first motion of such party regarding the substance of the dispute. If no such motion is made, the court of Belarus would proceed to review, and to pass judgment on, the merits of the dispute.

Taking into account that Belarus is a sovereign state, there is a risk that notwithstanding the waiver of sovereign immunity by Belarus in connection with the Notes, a claimant will not be able to enforce a foreign judgment or arbitral award in Belarus against certain assets of Belarus, e.g. property of military character and under the control of the military authorities or defence agencies, property of the National Bank of Belarus, including gold and foreign currency reserves, property located in Belarus and used for public or governmental purposes (as distinct from property used for commercial purposes), museum funds, state archive of Belarus, (including the imposition of any arrest or attachment or seizure of such assets and their subsequent sale) without Belarus having specifically consented to such enforcement at the time when the enforcement is sought. In addition, certain state-owned assets are statutorily exempt from court enforcement procedures in Belarus. The enforcement in Belarus of any court judgment or arbitral award against any assets of the Issuer which are subject to a mortgage, pledge, lien or other security interest or encumbrance granted by the Issuer to a third party will also be subject to the provisions of applicable laws governing such mortgages, pledges, liens, security interests or encumbrances (including, without limitation, the order of priority for the satisfaction of claims of secured and unsecured creditors from such assets). See "*Risk Factors – Risks related to the Notes generally – Judgments relating to assets in Belarus and Belarusian assets in other jurisdictions may be difficult to enforce*".

Although Belarusian law recognises choice of law principles for contractual obligations, the choice of foreign law will not exclude the application of mandatory rules of Belarusian law which cannot be derogated from by the agreement of the parties. According to Belarusian law, regardless of the choice of law applicable to the relations of the parties, certain mandatory rules of Belarusian law still shall be applied, for instance, requirements relating to the written form of foreign trade transactions, determination of authorities to act on behalf of the Issuer and the procedure of approval of issue of the Notes and payments thereunder, and a Belarusian court may apply these mandatory rules of Belarusian law rather than the law chosen by the parties. Consequently there can be no assurance that a Belarusian court will recognise English law as the governing law of the Notes or apply only English law to the Notes.

There is also a risk that a Belarusian court may deny recognition and enforcement of a foreign judgment or arbitral award in whole or in part if the foreign court or arbitral tribunal applied any other law than the one that should be applicable to non-contractual obligations to decide a relevant dispute under the Civil Code of Belarus dated 7 December 1998 No. 218-3 (as amended and restated) (the "**Civil Code**"). In addition, a Belarusian court, if approached with the respective claim, will ignore any choice-of-law clause and apply the laws of Belarus to resolve the dispute if it could not identify the meaning of the rules of the foreign applicable law as prescribed by the Civil Code. See "*Risk Factors – Risks related to the Notes generally – Belarusian courts may not enforce foreign judgments or arbitral awards and may not recognise the choice of English law as the governing law of the Notes*".

As a condition for admissibility in evidence of any documents, the courts of Belarus will require the submission of such documents either (i) as originally executed counterparts, or (ii) as duly notarised copies. In addition, in case of an official document issued outside Belarus, unless a valid international agreement of Belarus provides otherwise, such foreign official document will be admissible in evidence by a court of Belarus if (i) such foreign official document is legalised by a Belarusian consul in the country of its issuance and a duly certified Belarusian / Russian language translation of such official document is notarised by a Belarusian notary or (ii) the apostille is affixed to such official document by the competent authority of the country of its issuance subject to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents dated 5 October 1961 and a duly certified Belarusian / Russian language translation of such official document is notarised by a Belarusian notary.

Belarus law generally prohibits contractual provisions requiring one party to pay tax for another party from its own funds. Although in 2018 it is allowed to pay taxes for a taxpayer by another party, there is no assurance that the provision allowing such payments will be extended for the subsequent periods and, as a result, the general prohibition will not apply after 2018. No official interpretation or guidance exists on whether general restriction would apply to the obligations of Belarus in *Terms and Conditions of the Notes – Condition 7 (Taxation)*. In the absence of any such official interpretation or guidance regarding the validity of the tax gross-up provisions, a risk exists that such general restriction may be interpreted broadly by the courts and applied to gross-up provisions. As a result, if the provision allowing one party to pay tax for another party from its own funds is not extended for a further period after 31 December 2018, *Condition 7 (Taxation) of Terms and Conditions of the Notes* could be found null and void and unenforceable in Belarus. See "*Risk Factors – Risks related to the Notes generally – Belarusian courts may not enforce gross-up obligations*".

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OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

The following is an overview of certain information contained in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set out in the section entitled "*Risk Factors*" in this Prospectus prior to making an investment decision. See "*Overview of the Republic of Belarus*", "*The Economy of the Republic of Belarus*", "*Balance of Payments and Foreign Trade*", "*Monetary and Financial System*", "*Public Finance*" and "*Public Debt*" for a more detailed description of the Issuer.

*Capitalised terms not otherwise defined in this overview have the same meaning as in the "Terms and Conditions of the Notes" (the "**Conditions**"). See "Terms and Conditions of the Notes" for a more detailed description of the Notes.*

Issuer	Republic of Belarus (acting through the Ministry of Finance of the Republic of Belarus).
Joint Lead Managers	Citigroup Global Markets Limited and Raiffeisen Bank International AG.
Co-Manager without underwriting commitment	JSC "Development Bank of the Republic of Belarus" has been appointed as a Co-Manager in respect of the Notes. However, it will not underwrite the Notes, nor will it purchase the Notes in the initial placement (initial distribution).
Fiscal Agent, Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
Issue Price	100 per cent.
Notes Offered	U.S.$600,000,000 6.20 per cent. Notes due 2030.
Issue Date	28 February 2018
Maturity Date	28 February 2030
Interest on the Notes	6.20 per cent. per annum.
Interest Payment Dates	Subject as provided in the Conditions, interest on the Notes will be payable in arrear on 28 February and 28 August each year, commencing on 28 August 2018.
Yield	As at the Issue Date and on the basis of the Issue Price, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 6.20 per cent. per annum.
Status	The Notes constitute direct, general, unconditional and (subject to the provisions of "*Terms and Conditions of the Notes – 3. Negative Pledge and Covenants*") unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of the Issuer from time to time outstanding; provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay such other External Indebtedness at the same time or as a condition of paying sums due on the

Notes and vice versa.

Denominations The Notes will be offered and sold, and may only be transferred, in registered form, in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Redemption The Issuer will redeem the Notes at their principal amount on 28 February 2030.

Negative Pledge So long as any Note remains outstanding (which shall have the meaning ascribed to it in the Agency Agreement) the Issuer will not create or permit to be outstanding, and will procure that there is not created or permitted to be outstanding, any mortgage, charge, lien, pledge or any Security Interest (as defined in the Conditions) other than a Permitted Security Interest (as defined in the Conditions) upon, or with respect to, any of its present or future assets or revenues or upon the official external reserves of the Issuer (which expression includes the gold reserves of the Issuer by whomsoever and in whatsoever form owned or held or customarily regarded and held out as the official external reserves) or any part thereof to secure any Relevant Indebtedness (as defined in the Conditions), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all the action necessary to ensure that:

(i) all amounts payable by it under the Notes are secured equally and rateably with such Relevant Indebtedness;

(ii) such other security or other arrangement is provided for the Notes as is approved by an Extraordinary Resolution (as defined in the Conditions) of the Noteholders.

See "*Terms and Conditions of the Notes – 3(a). Negative pledge*".

Events of Default The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default. If any of the events of default occurs and is continuing then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

See "*Terms and Conditions of the Notes – 8. Events of Default*".

Form of Notes The Notes will be in registered form, without interest coupons.

The Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Note Certificate deposited with a common depositary, and registered in the name of a nominee of a common depositary, in respect of interests held through Euroclear and

Clearstream, Luxembourg.

The Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Restricted Global Note Certificate, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC for and in respect of interests held through DTC. Except in limited circumstances, individual certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Note Certificates.

Taxation and Additional Amounts

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Belarus or any political subdivision thereof or any authority therein or thereof having power to tax, subject to certain exceptions set out in "*Terms and Conditions of the Notes – 7. Taxation*".

Modification and Amendment

A summary of the provisions for convening meetings of Noteholders and amendments is set forth under "*Terms and Conditions of the Notes – 12. Meetings of Noteholders; Modification*".

Use of Proceeds

The net proceeds of the issue of the Notes, amounting to approximately U.S.$594,300,000 will be used by the Issuer to refinance its external public debt.

Ratings

The Notes are rated B by S&P and B by Fitch. S&P and Fitch are established in the European Community and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (the "**CRA Regulation**").

The list of credit rating agencies registered in accordance with the CRA Regulation is available on the European Securities and Market Authority's website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Market.

Governing Law

The Notes, the Subscription Agreement, the Agency Agreement (as defined in the Conditions), the deed of covenant constituting the Notes and any non-contractual obligations arising out of or in connection therewith, as the case may be, will be governed by English law.

Transfer Restrictions

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the

Securities Act and applicable U.S. state securities laws. See "*Transfer Restrictions*".

Unrestricted Notes	ISIN: XS1760804184 Common Code: 176080418
Restricted Notes	ISIN: US07737JAC71 Common Code: 178423835 CUSIP: 07737J AC7

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information set out in this Prospectus, before making a decision to invest in the Notes and should understand that the risks set forth below could, individually or in the aggregate, have a material adverse effect on the Issuer's ability to repay principal and make payments of interest on the Notes or otherwise fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Additional risks and uncertainties not currently known to the Issuer or that the Issuer currently deems to be immaterial may also materially affect the Issuer's economy and its ability to fulfil its obligations under the Notes. In any such case, investors may lose all or part of their investment in the Notes.

Risks Relating to Emerging Markets

Investment in emerging markets like Belarus involves a high degree of risk and investors should exercise particular care in evaluating the risks involved

Investments in securities of sovereign or corporate issuers in emerging markets, such as Belarus, involve a higher degree of risk than investments in securities of issuers in more developed markets, including in some cases significant legal, regulatory, economic, social and political risks. In particular, Belarus's legal system is not fully developed and presents greater risks and uncertainties than a more developed legal system. Although progress has been made since Belarus's independence in 1991 in reforming Belarus's economy and political and judicial systems, the necessary legal infrastructure and regulatory framework are still developing and uncertainties relating to the Belarusian legal or judicial system could have an adverse effect on the Belarusian economy and the effective transition to a market economy and broad based social and economic reforms. Higher risks associated with emerging markets also include economic instability caused by a variety of factors such as a narrow export base, reliance on imports, fiscal and current account deficits, low currency reserves, reliance on foreign loans and investments and changing legal, regulatory, economic, social and political environments. Emerging economies, such as Belarus's economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. Prospective investors should also note that emerging economies, such as Belarus's economy, are subject to rapid change and that the information in this Prospectus may become outdated relatively quickly. Disruptions experienced in the international capital markets over the last few years have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Countries located in emerging markets may be particularly susceptible to these disruptions and also to reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. Accordingly, investors should exercise particular care in evaluating the risks involved and should decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Belarus is vulnerable to corruption

Emerging economies, such as the Belarusian economy, are subject to rapid change and are vulnerable to market conditions and may also experience more instances of corruption of government officials and misuse of public funds than more mature markets. Fighting corruption has been identified as one of the key missions for Belarus, and it continues to work towards improving accountability, governance standards and legislative framework. In Transparency International's 2016 Corruption Perceptions Index survey of 176 countries, the Republic of Belarus was ranked 79th. Government corruption can lead to the misallocation of state funds/tax revenues or the mismanagement of state projects. In addition, corruption or allegations of corruption in Belarus may have a negative impact on its economy and reputation abroad, especially on its ability to attract foreign investment.

Risks Relating to Belarus

Belarus's economy remains vulnerable to external shocks and fluctuations in the global economy

Belarus's economy and finances have been and continue to be adversely affected by the current political and economic instability in neighbouring markets such as Ukraine and Russia, as well as by downturns in the global economy. Following its recovery from the global financial and economic crisis of 2008-2009, Belarus's GDP growth in real terms decreased from 5.5 per cent. in 2011 to 1.7 per cent. in 2012, to 1.0 per cent. in 2013 and then increased to 1.7 per cent. in 2014. In 2015 and 2016, Belarus's GDP declined in real terms by 3.8 per cent. and 2.5 per cent., respectively. In 2017, Belarus's GDP increased in real terms by 2.4 per cent.

In 2011 Belarus experienced a severe balance of payments crisis related to its large current account deficit. This crisis resulted in high inflation and the depreciation of the Belarusian ruble by 180 per cent. in 2011. The crisis also resulted in a significant decline in Belarus's real GDP growth in 2012 as compared to 2011. The Belarusian economy stabilised in 2013-2014. However, in 2015 Belarus again experienced adverse economic conditions, which were a result of a number of factors, including a downturn in industries that were focused on exports to Russia, which suffered due to a decline in Russia's economy following a sharp fall in global oil prices, decreased investment in the Russian economy and significant capital outflows.

International crude oil prices have fluctuated widely in 2012-2017 in response to global supply and demand, general economic conditions, competition from other energy sources as well as other factors. According to the U.S. Energy Information Agency, the spot price of Brent crude oil averaged U.S.$64.37 /bbl in 2017, as compared to an average of U.S.$43.55/bbl in 2016, U.S.$52.32/bbl in 2015, U.S.$98.97/bbl in 2014, U.S.$108.56/bbl in 2013, U.S.$111.63/bbl in 2012 and U.S.$111.26/bbl in 2011. The sharp decline in oil prices in 2015-2016 adversely affected the Russian economy as one of the largest oil exporters, and indirectly negatively affected the Belarusian economy as Russia is its main trading partner and many export industries of Belarus are oriented towards Russia. Furthermore, as oil products represent a large part of Belarus's exports, the decrease in global oil prices led to an export shortfall of oil and oil products for the Republic of Belarus. For example, exports of oil and oil products decreased by U.S.$2.8 billion in 2016 as compared to 2015 and by U.S.$3.6 billion in 2015 as compared to 2014. In 2017, following stabilisation of global oil prices, export of oil and oil products increased by U.S.$1.4 billion as compared to 2016. Future fluctuations in international oil prices may have a material impact on Belarusian economy and its fiscal revenues, balance of payments, external reserves and future financial condition.

The negative developments affecting the Russian economy in 2014-2015 were aggravated by the impact of the political and economic crisis in Ukraine and related sanctions imposed on certain Russian individuals and legal entities by U.S. and the EU in response to the perceived actions of Russia in Ukraine. The substantial deterioration in the economies of Russia and Ukraine (major trading partners of Belarus), including sharp falls in investments demand, the devaluation of national currencies in the Eurasian Economic Union (the "**EEU**") member states, and the drop in oil prices adversely affected the Belarusian economy, and led to decreased exports and decelerated GDP dynamics.

Because the reactions of international investors to the events occurring in one market may have a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Belarus could be adversely affected by negative economic or financial developments in neighbouring countries or countries with similar credit ratings including Russia, Ukraine, Georgia and Serbia. Belarus has been adversely affected by such contagion effects on a number of occasions previously, including following the global economic and financial crisis of 2008-2009 and the downturn in the Russian economy in 2015. Similar developments can be expected to affect Belarus's economy in the future. In addition, the Belarusian economy may be affected by adverse developments in the economies of its other trading partners, including Eurozone countries. A significant reduction in the economic growth of any of Belarus's major trading partners, such as the EU member states, Russia or Ukraine, has had in the past and is likely in the future to have a material adverse impact on Belarus's balance of trade and adversely affect Belarus's economy.

In addition, adverse developments in the market for Belarus's main export products, in particular, potash fertiliser, could adversely impact the Belarusian economy, which can in turn lead to the tightening of the monetary and fiscal policy.

There can be no assurance that any crises or downturns such as those described above or similar events will not negatively affect investor confidence in markets such as Belarus. In addition, these events may adversely affect Belarus's economy and its ability to make payments under the Notes.

The Belarusian currency is subject to volatility

As a result of Belarus's reliance on external sources of financing, Belarus has become increasingly exposed to the risk of exchange rate fluctuations. Prior to October 2011, the Belarusian ruble was pegged to a currency basket which included the U.S. dollar, the Euro and the Russian ruble and the exchange rate was set by the National Bank. See "*Monetary and Financial System - Monetary and Exchange Rate Policy*". In 2010 and 2011, following increases in the current account deficit and pressures on foreign currency reserves, the National Bank was forced to make frequent interventions in the foreign currency market in order to maintain the fixed exchange rate for the Belarusian ruble. As a result, the Belarusian ruble depreciated by approximately 180 per cent. in 2011. In the following years the Belarusian ruble exchange rate has stabilised and as of 1 January 2017 (post re-denomination), the official Belarusian ruble exchange rates were: Br1.9585 to the U.S. dollar, Br2.0450 to the Euro and Br3.2440 to 100 Russian rubles as compared to Br2.0053 to the U.S. dollar, Br2.2210 to the Euro and Br3.1212 to 100 Russian rubles as of 1 July 2016. Thus, the official exchange rate in respect of U.S. dollars increased by 425 per cent. from the average official exchange rate in 2011. In 2016 and 2017, the foreign currency policy of the National Bank was based on the managed floating exchange rate principle. Currency interventions, such as foreign currency acquisition, were used solely to smooth out the fluctuations of the foreign currency basket value in volumes that guaranteed a positive balance of sales and purchases of foreign currency by the National Bank in a mid-term period. However, any future significant currency fluctuations may negatively affect the Belarusian economy in general and, as a result, have a material adverse effect on Belarus's ability to perform its obligations under the Notes.

Inability to obtain financing from external sources could affect the ability of Belarus to meet its financing needs, which could have a negative effect on Belarus's economy

Belarus has significant external financing, which historically has been obtained to address the balance of payments deficit and support its foreign reserves. Most of Belarus's external borrowings are from Russia, the international capital markets and certain IFIs such as the IMF, the EFSD (previously known as the Anti-Crisis Fund (the "**ACF**")) and the World Bank. The total outstanding external public debt of Belarus as at 31 December 2017 was 30.7 per cent. of GDP, as compared to 18.9 per cent. of GDP as at 31 December 2012. See "*Public Debt—External Public Debt*".

For the purpose of supporting the balance of payments in the period of 2009-2010 the IMF provided a stand-by programme pursuant to which a loan in the amount of U.S.$3.5 billion was provided.

In June 2011, Belarus entered into a U.S.$3 billion 10-year credit arrangement with the EFSD to support its balance of payments and maintain its foreign reserves. Also, in 2016 the EFSD approved a three-year programme for the Republic of Belarus, which was supported by financial loan in the amount of U.S.$2 billion. As of the date of this Prospectus, the EFSD has loaned an aggregate amount of U.S.$1.6 billion. Funding under the EFSD credit arrangement is dependent on Belarus's meeting certain conditions and performance criteria prior to each drawdown. There can be no assurance that any or all of the remaining tranches of the EFSD credit arrangement will be disbursed if the EFSD determines that the prior conditions have not been met. See "*Public Debt – External Public Debt – EFSD*". More generally, borrowings from IFIs are typically dependent on meeting certain requirements, performance criteria and if Belarus is unable to meet such requirements under its existing obligations, IFIs may decline to provide external financing in the future. In addition, as at 31 December 2017, Belarus had external public borrowings for the International Bank for Reconstruction and Development (the "**IBRD**") that included 17 loans in the aggregate amount of U.S.$1.4 billion and borrowings from Chinese banks in the aggregate amount of U.S.$4.6 billion.

In November 2008, Russia provided a 15-year loan facility of U.S.$1 billion to Belarus which was extended in March 2009 by a further U.S.$500 million. Belarus received two loans under the facility in the total amount of U.S.$2.0 billion from the Russian Government in 2014 and two loans in the amount of U.S.$870 million in 2015. Further, as at 31 December 2016, Belarus utilised U.S.$2.3 billion under a U.S.$10 billion credit line available from the Russian Government and had borrowed U.S.$500 million from Vnesheconombank for the construction of the nuclear power plant ("**NPP**"). In April 2017 the Government of the Russian Federation agreed to extend a loan to the Republic of Belarus in 2017 for refinancing its external public debt in the amount of U.S.$700 million. The loan was received by the Republic of Belarus in September 2017. There can be no assurance that Belarus will continue to receive similar financial assistance from Russia in the future.

In addition, due to the unfavourable economic environment in the recent years, many large state-owned enterprises were required to incur additional indebtedness, which were backed by state guarantees, thus creating a contingent liability for the Government. See "*—The Belarusian banking sector remains highly concentrated*".

Belarus has regularly accessed international capital markets. In August 2010 Belarus issued a U.S.$1 billion 8.75 per cent. notes due 2015. In January 2011, Belarus issued a further U.S.$800 million 8.95 per cent. notes due 2018. In June 2017, the Republic of Belarus has placed a dual tranche Eurobond offering on the international capital markets in the total amount of U.S$1.4 billion. Access to the international capital markets and external financing for sovereign issuers in emerging markets, such as Belarus, can generally be limited and there can be no assurance that such access will continue.

If Belarus is unable to access the international capital markets or is unable to secure further external funding from Russia, IFIs or other sources, this may result in increased pressure on Belarus's foreign exchange reserves and have an adverse impact on Belarus's ability to meet its ongoing financing needs, including its obligations under the Notes. See "*—Belarus has experienced liquidity difficulties in the past and continues to be subject to significant liquidity risk, including from fluctuations in its foreign reserves, increasing debt service obligations over the next several years and volatility of its currency*".

Belarus has experienced liquidity difficulties in the past and continues to be subject to significant liquidity risk, including from fluctuations in its foreign reserves, increasing debt service obligations over the next several years and volatility of its currency

Belarus experienced a substantial decrease in its foreign reserves in 2010 and 2011 due to an increasing balance of payments deficit and the ongoing global economic crisis. By March 2011 Belarus's foreign reserves held in foreign currency had almost halved compared to the previous year, and the total foreign reserves reduced to U.S.$4,023.6 million as at 1 March 2011. Following receipt of U.S.$1.7 billion in total between 2011 and 2012 under EFSD credit arrangement and U.S.$2.5 billion of privatisation proceeds from the sale of a 50 per cent. stake of Open Joint-Stock Company Beltransgaz ("**Beltransgaz**"), a national gas infrastructure and transportation company in 2011, Belarus's foreign reserves increased to U.S.$8.1 billion as at 31 December 2012.

Following the privatisation of Beltransgaz, in order to maintain international reserve assets and cover the current account deficit, in 2011-2017 the Government undertook several state property privatisation transactions and other actions to attract foreign investment and financing using EFSD funds. However, due to the downturns in economies of EEU member states, Belarus's principal market partners, in 2014-2015 caused by the Russia-Ukrainian crisis, development opportunities for the Belarusian economy were significantly limited and total foreign reserve assets decreased from U.S.$7.9 billion as at 31 December 2011 to U.S.$7.3 billion as at 31 December 2017. Belarus continues to experience limited external liquidity.

In 2018-2020, the Government intends to privatise certain stakes in "Bank Moscow-Minsk" JSC ("**Bank Moscow-Minsk**") and JSC "Belinvestbank" ("**Belinvestbank**"). A memorandum of understanding has been concluded between the National Bank and the EBRD regarding the privatisation of Bank Moscow-Minsk with the objective of selling a controlling stake to an acceptable strategic investor before 1 January 2020. In addition, with the cooperation of the EBRD, the

Government intends to sell no less than 75.0 per cent. of shares of Belinvestbank to a strategic investor by 1 January 2020.

In 2017, Belarus secured additional external financing from global economies and international financial organisations in the aggregate amount of U.S.$0.8 billion. In 2018, the Government expects the total external public debt service and repayment to be approximately U.S$3.5 billion. The pressure on Belarus's liquidity may increase if the Government does not maintain its tight fiscal and monetary policy, is unable to meet conditions under existing credit arrangements or obtain further financing from external sources in the future. See "*—Inability to obtain financing from external sources could affect the ability of Belarus to meet its financing needs, which could have a negative effect on Belarus's economy*".

The Belarusian banking sector remains highly concentrated

As of 31 December 2017, banking sector of the Republic of Belarus consisted of 24 active banks, five of which were state-owned, 14 controlled by foreign investors (with the authorized capital of four of them being 100 per cent. foreign-owned), and five banks controlled by private non-foreign capital. There is a high level of concentration in the banking sector, with the five largest banks, which are state-owned, holding more than half of all of the banking sector's assets and customers' deposits. While measures have been taken to address and reduce systemic risk, including planned privatisations of Bank Moscow-Minsk and Belinvestbank, such measures are ongoing and there remains a risk that further reforms may be required, the impact of which is not certain. There is also a risk that further financial assistance to the banking sector may be needed from the state, which it may not be willing and/or able to provide. For example, in December 2011, following the financial crisis, the Government conducted a recapitalisation of state-owned banks totalling approximately Br15 trillion (Br1.5 billion as adjusted for re-denomination) in order to increase their regulatory capital.

In 2017, the share of non-performing loans (the share of assets for IV and V risk groups ("**NPLs**") in assets subject to credit risk) in the Belarusian banking sector decreased to 2.0 per cent., as compared with 4.0 per cent in 2016, 1.9 per cent. in 2015 and 0.9 per cent. in 2014. This decrease was primarily caused by the implementation by the Government of the comprehensive reform of the system of financing agricultural producers through the allocation of bad debts of defaulting agricultural organisations from banks to the state-owned JSC "Asset Management Agency" (the "**Agency**") in order to clear the balance sheets of the banking sector as well as to release liquidity to creditworthy agricultural organisations. See "*Public Debt - Asset Management Agency*". The increase in the share of NPLs in 2015 and 2016 is mainly attributable to the general unfavourable economic conditions in the global and local financial markets. In addition, in 2016, the National Bank introduced amendments to the requirements for classification of loans as NPLs, aimed at increasing the transparency and stability of the banking sector, which also contributed to the increase in the share of NPLs in 2016. In accordance with the new approach adopted by the National Bank, NPLs include not only loans past due for over 90 days, but also certain unsecured or insufficiently secured loans past due or extended one and more times liabilities with a term of less than 90 days. Moreover, under this new categorization, NPLs include liabilities of debtors for which there is no information to permit an assessment of their financial state; and non-resident debtors (excluding banks) which have no ratings or low ratings.

As the Belarusian banking sector is highly concentrated, state-owned banks have a large share of assets and loans, and a significant share of their balance sheets involves loans to state-owned large industrial enterprises guaranteed by the Government. Due to the turmoil in the global and Belarusian economy in the period under review and other negative macroeconomic conditions, payments under a portion of such guaranteed loans have not been made by the borrowers when due and were therefore covered by the Government under the terms of the state guarantees.

To increase the efficiency of the banking sector, the Government is undertaking reforms to improve corporate governance at state-owned enterprises, to reduce political interference in decision-making and to enhance accountability of management. In addition, the Government is implementing a strategy of gradual privatisation of the state-owned banks. See "*The Economy of the Republic of Belarus - Privatisation*". However, there can be no assurance that such reforms, including those with the aim of reducing NPLs, will be successful or sufficient. Deficiencies in the Belarusian banking sector, combined with the remaining size of NPL portfolios held by banks in the Republic of Belarus, may result in the banking sector being more susceptible to the worldwide credit market downturn and economic slowdown. See "*Monetary and Financial System*".

The Belarusian banking sector remains vulnerable and there can be no assurance that future turmoil in the global banking sector and the wider economy will not have a negative effect on the Belarusian banking sector, which could have a material adverse effect on the trading price of the Notes.

Belarus has complex relations with the EU and the United States and any such points of tension could have a material adverse effect on Belarus's economy or political environment or the market value of the Notes

Belarus has complex relations with the EU and the United States, each of which has raised human rights concerns and criticised the method in which certain elections in Belarus have been conducted. See "*Overview of the Republic of Belarus—International Relations*".

Historically, Belarus's relations with the United States and the EU were significantly affected by flaws in the electoral system of Belarus, identified by international observers and alleged violations of human rights in Belarus. In common with the EU, the United States has criticised the method in which certain elections in Belarus have been conducted and the way in which certain dissidents and pro-democratic political activists have been treated. The United States has also raised human rights concerns and has expressed concerns about alleged public corruption and misuse of public assets. Belarus does not accept that such criticisms are justified. Based on its objections, in 2006 and 2007 the United States imposed travel restrictions against certain Belarusian officials and has imposed sanctions against Belarus's state-owned petrochemical company Concern Belneftekhim and other entities within the Concern Belneftekhim group. In addition, the United States imposed economic sanctions administered by the U.S. Treasury Department Office of Foreign Assets Control that prohibit U.S. persons from engaging in economic transactions with the President Lukashenko and certain other Belarusian officials or with entities in which they hold a 50 per cent. or greater interest. In September 2008, certain economic sanctions were temporarily suspended but following the presidential elections in December 2010 and reported violations of human rights, in January 2011 the United States revoked the temporary suspension and announced additional travel restrictions. Later in 2011, the United States imposed additional economic sanctions against seven Belarusian state-owned enterprises, resulting in termination of foreign trade between the designated entities and the United States.

However, the presidential elections in 2015 and parliamentary elections in 2016 were positively assessed by international observers from the Organisation for Security and Cooperation in Europe (the "**OSCE**"), Commonwealth of Independent States ("**CIS**"), Parliamentary Assembly of the Council of Europe ("**PACE**") and Shanghai Cooperation Organisation ("**SCO**") and demonstrated development in the areas of democracy and human rights. Following the development of a more constructive dialogue, the United States suspended the effect of economic sanctions with regard to Belarusian economic operators. In March 2015, sanctions were cancelled with regard to the Belarusian Oil Company ("**Beloil**") manufacturing group, and from 30 October 2015 sanctions were suspended with regard to Belneftekhim enterprises. The U.S. Department of State also cancelled the negative recommendation to American banks concerning the underwriting of Belarusian bonds and changed the wording of the recommendation to American investors concerning cooperation with Belarus from "negative" to "neutral or positive". In October 2017, the U.S. Department of the Treasury's Office of Foreign Assets Control, in consultation and coordination with the U.S. Department of State, extended to 30 April 2018 the general license to permit transactions involving certain Belarusian entities that are otherwise prohibited pursuant to Executive Order (E.O.) 13405. On 25 February 2016 the EU Council also took the decision to cancel the majority of restrictive measures it had imposed with regard to Belarus, save for its firearms embargo and sanctions related to four natural persons which were prolonged up to 28 February 2018.

Normalisation of political relations between Belarus and both the United States and the EU was accompanied by substantive steps aimed at development of applied trade and economic and humanitarian cooperation.

No assurance, however, can be given that Belarus's foreign policy objectives will achieve their intended aims or that new restrictions will not be imposed by the EU or the United States in relation to these points of tension or that such frictions will not affect the political and economic environment in Belarus and the market value or liquidity of the Notes. In addition, complex political relations with the EU and the United States may have an adverse effect on investments in Belarus and the availability of external funding from the IFIs and in the international capital markets. See "*—Inability to obtain financing from external sources could affect the ability of Belarus to meet its financing needs, which could have a negative effect on Belarus's economy*".

A deterioration in Belarus's relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and Russian investment in Belarus

Belarus imports a significant percentage of its energy requirements from Russia and Russia is Belarus's most significant trading partner, responsible for 56 per cent. of goods imports and 45 per cent. of goods exports in January-October of 2017.

Russia was also the source of 37.3 per cent. of FDI inflows for Belarus in 2017 and bilateral loans from Russia represented 45.4 per cent. of the total external public debt of Belarus as at 31 December 2017.

A number of oil and gas pipelines from Russia to EU member states run through Belarus, and a significant portion of Russian energy exports, in particular, in January-November 2017, 16.4 million tonnes of Russia's oil and 17.13 billion cubic metres of its natural gas were delivered through Belarus. Russia is constructing new oil and gas pipelines to diversify the transport routes for its oil and gas exports. See "*The Economy of the Republic of Belarus—Fuel and Energy*". Notwithstanding the construction of these new pipelines, no indication has been given by the Russian government that their construction would decrease the quantity of oil to be delivered to the EU through Belarus. However, there can be no assurance that this will not be the case.

In the past, Belarus and Russia have had a number of disagreements regarding the level of duty imposed on Russian crude oil exports to Belarus, which comprise a significant part of Belarus's energy resources and are important for Belarus's oil refinery industry. Since 1 January 2015, the Russian Federation has implemented a "tax manoeuvre" in the oil sector, stipulating a gradual decrease of export customs rates for oil and basic oil products with the simultaneous increase of the tax on mineral resource extraction. According to the "tax manoeuvre", the export custom rate in the Russian Federation is decreasing step-by-step, which results in increasing cost of Russian oil for Belarus. Oil price growth is caused by applying a formula, according to which the export custom rate on oil is deducted from the oil price. Thus, the lower the export customs rate, the higher the oil price for Belarus. The "tax manoeuvre" process is expected to be completed by 2020 at which point the Republic of Belarus will have to purchase oil from Russia at market prices. See "*The Economy of the Republic of Belarus—Fuel and Energy—Oil*".

Belarus and Russia also had disputes regarding supplies of natural gas. In June 2010, Belarus and Russia had a dispute regarding the timing of payments due from Belarus to Russia for gas supplied by Russia and from Russia to Belarus for the transit of Russian gas to the EU, which resulted in a temporary disruption of gas flows to the EU. In 2016, a dispute arose between Russia and Belarus with respect to the price for natural gas supplied by the Russian Federation. Under the existing intergovernmental bilateral gas supply agreement, as of January 2013, the price of natural gas for Belarus has been determined based on the price of natural gas for consumers in Yamalo-Nenets Autonomous Okrug of Russia, including transportation and storage costs. In addition, Russia has undertaken to guarantee that the supplies of natural gas to Belarus are in amounts sufficient for the satisfaction in full of Belarusian domestic demand. However, in May 2014, Belarus, Russia and Kazakhstan signed the Eurasian Economic Union Treaty ("**EEUT**"), which obliged the parties to create a common EEU gas market by no later than 1 January 2025, which provides for a unified equal profitability price formula, which represents a significant decrease as compared to the price under the intergovernmental bilateral gas supply agreement. In April 2017, the governments of Russia and Belarus entered into a negotiation process and a number of bilateral agreements in respect of gas transit and oil supply were executed and implemented in 2017. In addition, the creation of the EEU

Common gas market is expected to result in a decrease in payments for imported energy resources for end consumers in Belarus.

A change of the policy of the Russian government or a deterioration of relations between Belarus and Russia could lead to the oil and gas supply arrangements being re-negotiated and oil and gas supplies from Russia being disrupted, which would have a material adverse effect on the Belarusian economy.

Sanctions imposed on certain Russian and Ukrainian persons and entities could have an indirect adverse impact on Belarus's economy

The United States and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed several rounds of sanctions on certain Russian and Ukrainian persons and entities in connection with the current conflict in Ukraine. The sanctions, combined with a substantial decline in global oil prices, had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, caused extensive capital outflow from Russia in 2014 and 2015 and impaired the ability of Russian issuers to access the international capital markets, particularly during those years. The governments of the United States and certain EU member states, as well as certain EU officials, have indicated that they may consider additional sanctions should such tensions between Russia and Ukraine continue.

While Belarus maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Belarus has significant economic and political relations with Russia. Russia and Belarus, together with Kazakhstan, are members of the Customs Union (the "**Customs Union**") and Common Economic Space and established the EEU on 1 January 2015. While the establishment of the EEU is not expected to have an immediate significant impact on Belarus's relationship with Russia because it is essentially a continuation of the Customs Union and Common Economic Space structures that have been in place since 1 January 2010 and 1 January 2012, respectively, the establishment and functioning of the EEU is expected to continue to strengthen Belarus's economic relations with Russia going forward.

Russia is the main trade and economic partner of Belarus. See "*A deterioration in Belarus's relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and Russian investment in Belarus*". Sanctions imposed on certain Russian persons and entities by the United States, the EU and other countries in connection with the conflict in Ukraine or in connection with Russia's alleged actions aimed to undermine the cybersecurity of the United States during the last presidential elections could prevent Belarus from trading with certain Russian counterparties, which could have a material adverse impact on Belarus's trade and consequently the country's economy.

Belarus's close economic links with Russia, the existing sanctions imposed on certain Russian and Ukrainian persons and entities or any future sanctions could have a material adverse effect on Belarus's economy, which in turn could have a material adverse effect on the trading price of the Notes.

Political considerations may impede reform, and political instability may result from both the implementation of reforms or any failure or delay in such implementation, all of which could have a negative effect on Belarus's economy

The President of Belarus (the "**President**") who is elected directly by the people of Belarus has a wide range of powers including the power to call elections, appoint the Prime Minister of Belarus (the "**Prime Minister**") and the Council of Ministers of the Republic of Belarus (the "**Council of Ministers**") as the executive arms of the Government, make judicial appointments and appointments to local executive and administrative bodies and issue edicts, decrees and directives which have the force of law. The current President is not a member of any political party and no political party or other organised body currently has any significant representation in either chamber of the National Assembly (as defined below) as the representative and legislative body of Belarus. There is no limit on the number of terms for which the President can be elected.

The public sector continues to account for the majority of economic activity and represented approximately 46.7 per cent. of GDP in 2016. The public sector budget for 2016 and 2017 resulted in a surplus of Br1.4 billion and Br4.4 billion. There can be no assurance that the public sector balance will remain in surplus in the future. The total outstanding external public debt of Belarus as at 31 December 2017 was 30.7 per cent. of GDP, as compared to 28.5 per cent. of GDP as at 31 December 2016, 22.7 per cent. of GDP as at 31 December 2015 and 16.6 per cent. of GDP as at 31 December 2014.

Certain commentators have suggested that without structural reform and a reduction in the extent of direct state support within Belarus's economy, the economy may not achieve sustainable growth. Progress on such reforms to date has been slow and reforms of this nature are likely to be politically unpopular. The extent to which Belarus will be able to attract broad scale investment in the absence of significant political reform is uncertain. Further borrowing from the IMF, the IBRD and other IFIs may also be conditional on such reform.

For instance, both in 2016 and 2017, annual consultations between Belarus and the IMF took place within the framework of Article IV of the IMF agreement. The IMF was focused on the current economic policy and the forecast for the Belarusian economy's development for the coming years. On 13 December 2017, the report of the IMF staff was considered at the meeting of the IMF Board of Directors. The IMF Executive Board members welcomed the positive economic changes in Belarus and noted the successful actions of the authorities in terms of the decrease in inflation and the current account deficit, as well as the growth of gold and foreign exchange reserves. However, a number of risks and vulnerabilities for the economy which remained were noted, including delays or any failure in further implementation of reform policies could negatively affect Belarus's economy and Belarus's ability to repay principal and make payments of interest on the Notes and to raise capital in the external debt markets in the future.

Failure of the Republic of Belarus to successfully implement energy sources diversification projects could adversely affect Belarus's economy

Electric power production is the most important industry in the fuel and energy sector of Belarus. It is also one of the leading sectors of the economy. In the last five years Belarus has been able to satisfy from 80 to 93 per cent. of its domestic demand for electric power. The remaining part has been imported from Russia, Ukraine and Lithuania. In the period from 2011 to 2017, Belarus has been annually importing between 2.8 to 7.9 billion kWh. However, the Belarusian strategy is to gradually decrease imports of energy through an upgrade of its existing energy production facilities, implementation of the energy saving measures in accordance with the state industrial programmes, the construction of new high efficiency generation facilities in the country and the construction of the Belarusian NPP. In March 2011, the Government of Belarus signed a contract with the government of Russia for the "turnkey" construction of the NPP in Belarus (with the total design output of up to 2,400MW). To finance the NPP construction in Belarus, in November 2011 Belarus and Russia signed a U.S.$10 billion export credit loan and a U.S.$500 million credit agreement with Vnesheconombank. As at 31 December 2017, Belarus had utilised U.S.$2.7 billion under the U.S.$10 billion credit line available from the Russian Government and U.S.$292.0 million under the U.S.$500 million credit from Vnesheconombank.

The Government expects that the implementation of the energy system modernisation programme will allow the Republic of Belarus to significantly decrease fuel and energy consumption for power production by approximately 33.4 t.r.f/kWh and reduce corresponding costs and fuel imports. However, should the Belarusian energy system modernisation programme or NPP construction fail to be implemented or should there be significant delays in implementation of these measures due to the absence of sufficient funding, construction breakdowns or delays, natural disasters or other factors, it may have an adverse effect on the Belarusian economy. For instance, in 2016, commissioning of the 1st power unit of the Belarusian NPP was rescheduled from 2018 to 2019 due to construction delays. Furthermore, despite the fact the design documentation in respect of NPP has undergone the respective environmental review, commissioning and operation of NPP and nuclear power as an energy source in general is subject to environmental risks of equipment failures and emergencies, nuclear wastes mishandling, pollution, etc.

The economy of the Republic of Belarus may be affected by the aging population

After the dissolution of the USSR, the majority of former Soviet Union states experienced increases in mortality and sharp drops in birth rates. Belarus was not an exception, although the increase in mortality was less pronounced than in other newly independent states, as the socio-economic changes were less drastic. The health crisis of the 1990s contributed to the decline in life expectancy, especially among males. In 1999 the male life expectancy at birth was only 62.2 years according to World Bank, the lowest for the past 50 years. In 2000s, economic growth in Belarus increased and living standards improved rapidly. As economic uncertainty subdued and incomes grew, both life expectancy and fertility increased. The Government also introduced maternity and child benefits, and these policies contributed to an increase in fertility. But these positive developments were not sufficient to reverse the negative trend in population growth. According to the World Bank, the Belarusian population decreased from 10.2 million in 1991 to 9.5 million people in 2014. More importantly for the pension system, the old-age dependency ratio (the number of persons of retirement age per 100 workers) amounted to 43 in 2015. Low post-war birth rates implied that in the 2000s the cohorts entering retirement were relatively small. This favourable demographic environment allowed for a surplus in the Social Protection Fund (the "**SPF**"). As old-age dependency increased, 2013 became the first year with a registered SPF deficit. UN population projections suggest that age dependency will continue increasing until 2050 when it stabilises, thus the SPF may experience a shortfall in financing.

The current pension system in Belarus is a pay-as-you-go scheme. The retirement ages in Belarus are among the lowest in the region: 55 years for women and 60 for men. For the purpose of adaptation of the pension system to an aging population, pension expense growth is systematically managed. Thus, from 1 January 2017, the pension age is to be gradually increased (by six months each year), until it reaches 58 years for women and 63 years for men. As of the date of this Prospectus, the pension age is 56 years for women and 61 years for men. Also, the minimum length of service with payment of fees will be increased annually by 6 months from 16 in 2017 to 20 years by 2025. The minimum length of service is required for admission to contributory retirement pension and long service pension. See "*The Economy of the Republic of Belarus - Employment, Wages, Pensions and Social Security - Pensions and Other Benefits*". The amount of the average monthly pension in Belarus in 2015, 2016 and 2017 amounted to Br279.87 (approximately U.S.$172), Br292.22 (approximately U.S.$146) and Br309.56 (approximately U.S.$160), respectively. The average pension is approximately 40 per cent of the average wage.

Should the pension reform and other corresponding actions taken by the Government become insufficient to remedy the effects of the aging population, such as increased pressure on the SPF and health care subsidies, an increased dependency ratio, a shortage of workforce or a reduction in capital investment, these factors could have an adverse effect on the Belarusian economy and its prospects, government finances, and the Government's ability to meet its obligations under the Notes.

Risks Relating to the Conflict in Ukraine

The ongoing, significant, civil and political unrest relating to Ukraine is inherently volatile and uncertain. Following political unrest and the formation of a new government in Ukraine in early 2014, escalating military activities within the country and on its borders, which have included Crimea's independence vote and subsequent absorption by Russia, have combined with Ukraine's very weak economic conditions to create significant uncertainty in Ukraine, the region as a whole and global markets. Resolution of Ukraine's volatile political and economic situation will likely not be obtained for some time, and the situation could further deteriorate into increased violence and/or economic collapse. Such instability could have a material adverse effect on Belarus's economy, particularly as a result of the impact on the global economy and the Russian economy, which could in turn have a material adverse effect on the trading price of the Notes.

Official economic data may not be directly comparable with data produced by other sources

The statistical information contained in this Prospectus has, unless otherwise stated, been derived from official publications of the National Statistical Committee, the National Bank, the Ministry of Finance and from the Ministry of Foreign Affairs. Belarus has adhered, since December 2004, to the

Special Data Dissemination Standard of the IMF. No assurance can be given that any such information, where it differs from that provided by other sources, is more accurate or reliable than that provided by such other sources. Certain statistical information for prior years has already been adjusted and may be subject to future adjustment. Similar statistics may be obtainable from other non-official sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. In addition, such statistics or any commentary thereto may reflect the views of those commentators, rather than those of the Government.

Risks related to the Notes generally

Judgments relating to assets in Belarus and Belarusian assets in other jurisdictions may be difficult to enforce

Belarus is a sovereign state. There is a risk that notwithstanding the waiver of sovereign immunity by Belarus in connection with the Notes, a claimant will not be able to enforce a court judgment or arbitral award in Belarus against certain assets of Belarus, e.g. property of military character and under the control of the military authorities or defence agencies, property of the National Bank of Belarus, including gold and foreign currency reserves, property located in Belarus and used for public or governmental purposes (as distinct from property used for commercial purposes), museum funds or the state archive of Belarus, (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Belarus having specifically consented to such enforcement at the time when the enforcement is sought. In addition, certain state-owned assets are statutorily exempt from court enforcement procedures in Belarus, including but not limited to the gold and currency reserves and other property of the National Bank, exhibits forming the museum and library funds of Belarus, its state archive, property of a military character and under the control of a military authority or defence agency and property located in Belarus that is used for public or governmental purposes (as distinct from property dedicated to a commercial use). Moreover, the enforcement in Belarus of any court judgment or arbitral award against any assets of the Issuer which are subject to a mortgage, pledge, lien or other security interest or encumbrance granted by the Issuer to a third party will be subject to the provisions of applicable laws governing such mortgages, pledges, liens, security interests or encumbrances (including, without limitation, the order of priority for the satisfaction of claims of secured and unsecured creditors from such assets).

It may not be possible to effect service of process against Belarus in courts outside Belarus or in a jurisdiction to which Belarus has not explicitly submitted.

Belarusian courts may not enforce foreign judgments or arbitral awards and may not recognise the choice of English law as the governing law of the Notes

Pursuant to Belarusian legislation, if the enforcement of a foreign judgment were to contravene the "public policy" of Belarus, a Belarusian court will refuse to enforce the judgment. Belarusian courts may not enforce a judgment obtained in a court established in a country other than Belarus unless such enforcement is provided for by an international or bilateral treaty ratified by Belarus or on the basis of reciprocal enforcement of judgments. Such treaties are in existence in the form of a regional instrument with the majority of the CIS countries and bilateral treaties with other countries including, amongst others, Latvia, Lithuania, China, Hungary and Vietnam. There is no such treaty in effect between Belarus and either of the United Kingdom or the United States. The Belarusian legislation does not include clear rules on the application of the principle of reciprocity. Thus, there can be no assurance that the courts of Belarus will recognise and enforce a judgment rendered by courts in jurisdictions with which Belarus has no international or bilateral treaty on the basis of the principle of reciprocity. As it may not be possible to enforce in the courts of Belarus foreign court judgments against Belarus that are predicated upon the laws of foreign jurisdictions, separate proceedings with re-consideration of the merits of the case may be needed in Belarusian courts.

Notwithstanding the fact that Belarus is a party to the Convention on Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958, in accordance with which an award of the London Court of International Arbitration would be recognised and enforced by the courts of Belarus, it may not be possible to enforce foreign arbitral awards against Belarus or threatening the interests of Belarus due to Belarusian courts widely interpreting "public policy" as a ground for refusing recognition and enforcement of the award. In addition, a Belarusian court will ignore any dispute resolution agreement of the parties if it finds that under Belarusian legislation it has exclusive jurisdiction over such disputes.

Although Belarusian law recognises choice of law principles for contractual obligations, the choice of foreign law will not exclude the application of mandatory rules of Belarusian law which cannot be derogated from by the agreement of the parties. According to Belarusian law, regardless of the choice of law applicable to the relations of the parties, certain mandatory rules of Belarusian law still shall be applied, for instance, requirements relating to the written form of foreign trade transactions, determination of authorities to act on behalf of the Issuer and the procedure of approval of issue of the Notes and payments thereunder. A Belarusian court may apply these mandatory rules of Belarusian law rather than the law chosen by the parties. Consequently there can be no assurance that a Belarusian court will recognise English law as the governing law of the Notes or apply only English law to the Notes. Belarusian law does not recognise the choice of law for non-contractual obligations, and a Belarusian court will apply Belarusian conflicts law to determine the law governing a dispute relating to non-contractual obligations arising out of the Notes. In addition, a Belarusian court, if approached with the respective claim, will ignore any choice-of-law clause and apply the laws of Belarus to resolve the dispute if it could not identify the meaning of the rules of the foreign applicable law as prescribed by the Civil Code.

Belarusian courts may consider and pass a judgment on the merits of the dispute arising from the Notes, the Subscription Agreement, the Deed of Covenant or the Agency Agreement

If any party were to initiate proceedings in a court of Belarus arising out of or in connection with the Notes, the Subscription Agreement, the Deed of Covenant or the Agency Agreement, the motion to dismiss the proceedings and to refer the parties to arbitration under the Arbitration Rules of the London Court of International Arbitration would have to be made by the other party objecting to the jurisdiction of the court of Belarus prior to the first motion of such party regarding the substance of the dispute. If no such motion is made, the court of Belarus would proceed to review, and to pass judgment on, the merits of the dispute.

Belarusian courts may not enforce gross-up obligations

Belarus law generally prohibits contractual provisions requiring one party to pay tax for another party from its own funds. Although in 2018 it is allowed to pay taxes for a taxpayer by another party, there is no assurance that the provision allowing such payments will be extended for the subsequent periods and, as a result, the general prohibition will not apply after 2018. No official interpretation or guidance exists on whether general restriction would apply to the obligations of Belarus in *Terms and Conditions of the Notes – Condition 7 (Taxation)*. In the absence of any such official interpretation or guidance regarding the validity of the tax gross-up provisions, a risk exists that such general restriction may be interpreted broadly by the courts and applied to gross-up provisions. As a result, if the provision allowing one party to pay tax for another party from its own funds is not extended for a further period after 31 December 2018, *Terms and Conditions of the Notes - Condition 7 (Taxation)* could be found null and void and unenforceable in Belarus.

Risks related to the Notes and the trading market

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The expansion or extension of the United States and/or the EU sanctions in respect of the Republic of Belarus could adversely impact the trading market for the Notes

If the United States and/or the EU sanctions are expanded or a new sanctions regime is introduced in respect of the Republic of Belarus, the trading market for the Notes and the rights of the Noteholders could be adversely affected. If the United States or the EU sanctions programmes are expanded to include additional existing or future counterparties of the Issuer, some Noteholders may sell, at a loss, their interests in any Notes due to internal compliance requirements or any laws or regulation applicable to such Noteholders.

The introduction of any large-scale sanctions on the Republic of Belarus may negatively impact its ability to make scheduled payments of principal and interest under the Notes, as any such payments could be frozen as a consequence of such sanctions before receipt by the Noteholders. Any such freezing of payments would be beyond the Issuer's control as it would result from the enforcement of sanctions by the relevant payment processing banks. Consequently, the Issuer's ability to make scheduled payments of principal and interest under the Notes may be impaired. While Belarus would consider and, to the extent possible, take available measures to discharge its obligations under the Notes, the imposition of sanctions against it could result in the Noteholders not receiving timely scheduled payments under the Notes or not receiving such payments at all and/or, as a consequence, an Event of Default may occur under the Notes.

The net proceeds of the Offering will not be directed to any activity that would be prohibited for a United States or EU person or entity under sanctions laws, directives or regulations applicable to them. None of the proceeds of the issue of the Notes will be used to fund activities or persons in violation of sanctions introduced by the EU and the United States. However, should the Republic of Belarus become subject to either the United States or the EU expanded sanctions, the relevant clearing systems, brokers and other market participants as well as the Irish Stock Exchange may refuse to permit trading in or otherwise facilitate transfers of the Notes and certain Noteholders may be unable to continue to hold the Notes as a result of applicable law or internal compliance requirements all of which could compound to significantly reduce the trading market for the Notes or may otherwise materially impact the value of the Notes.

Notes where denominations involve integral multiples: individual certificates

The Notes have denominations consisting of a minimum denomination of U.S.$200,000 plus integral multiples of U.S.$1,000 in excess thereof, and it is possible that Notes may be traded in amounts that are not integral multiples of U.S.$200,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.$200,000 in his account with the relevant clearing system at the relevant time may not receive an individual certificate in respect of such holding (should individual certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least U.S.$200,000.

Credit ratings may not reflect all risks

The Notes are rated B by S&P and B by Fitch. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget deficits and other considerations. Any adverse change in the credit ratings of the Notes, or of the Issuer, could adversely affect the trading price of the Notes.

In addition, the Notes represent obligations of Belarus. Belarus has credit ratings from three international rating agencies: "B/B" with stable outlook from S&P, "B/B" with stable outlook from Fitch, "Caa1/B3" with stable outlook from Moody's. Investors are exposed to the risk that Belarus may not be able to, or may choose not to, perform its obligations under the Notes, including the obligations to pay principal and interest in a timely manner.

Change of law

The Conditions are governed by English law in effect as at the date of this Prospectus. No assurances can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Modification

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

There is no existing market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Notes.

In addition, securities markets in recent years have experienced significant price fluctuations. These fluctuations were often unrelated to the operating performance of issuers whose securities were traded on such securities markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

The markets for emerging market debt have been subject to disruptions on account of the global financial crisis that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the market for the Notes will not be subject to similar disruptions. Any such disruptions may have an adverse effect on Noteholders.

The Noteholders are required to rely on, and comply with, the procedures of Euroclear and Clearstream, Luxembourg and DTC for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Note Certificates except in certain limited circumstances described in the Global Note Certificates. The Global Note Certificates will be registered, as the case may be, in the name of Cede & Co., as nominee for DTC, or Citivic Nominees Limited as nominee of a common depositary for Euroclear and Clearstream, Luxembourg. The Individual Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. DTC, Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by the Global Note Certificates, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of Cede & Co., as nominee for DTC, or a nominee of a common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificates must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg as well as procedures of custodians through which they hold the Notes to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC, Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollar would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Furthermore, additional EU Member States may decide to become participating Member States.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

TERMS AND CONDITIONS OF THE NOTES

The U.S.$600,000,000 6.20 per cent. Notes due 2030 (the "**Notes**") of the Republic of Belarus, acting through the Ministry of Finance of the Republic of Belarus, (the "Issuer") are constituted by a deed of covenant dated 28 February 2018 (as amended and/or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are issued subject to and with the benefit of an agency agreement dated 28 February 2018 (as amended and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**" which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents (the "**Transfer Agents**" which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them.

Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Status**

(a) *Form and denomination*: The Notes are in registered form, in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of the Issuer from time to time outstanding; provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay such other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

2. **Register, Title and Transfers**

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of the Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within three business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of the Notes and entries on the Register are subject to the detailed regulations concerning the transfer of the Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Negative Pledge and Covenants**

(a) *Negative pledge*: So long as any Note remains outstanding (for the purposes of these Conditions "**outstanding**" shall have the meaning ascribed to it in the Agency Agreement) the Issuer will not create or permit to be outstanding, and will procure that there is not created or permitted to be outstanding, any mortgage, charge, lien, pledge or any other security interest (each a "**Security Interest**") other than a Permitted Security Interest (as defined below) upon, or with respect to, any of its present or future assets or revenues or upon the official external reserves of the Issuer (which expression includes the gold reserves of the Issuer by whomsoever and in whatsoever form owned or held or customarily regarded and held out as the official external reserves) or any part thereof to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all the action necessary to ensure that:

(i) all amounts payable by it under the Notes are secured equally and rateably with such Relevant Indebtedness;

(ii) such other security or other arrangement is provided for the Notes as is approved by an Extraordinary Resolution (as defined in Condition 12(b) (*Modification*)) of the Noteholders.

(b) *Interpretation*: For the purposes of these Conditions:

"**External Indebtedness**" means any obligation for money borrowed or raised, which is payable in or by reference to a currency which is not the lawful currency for the time being of the Republic of Belarus;

"**Relevant Indebtedness**" means (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which (i) are for the time being or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other such securities market and (ii) are denominated in a currency other than the Belarusian rouble and (b) any guarantee or indemnity in respect of any such indebtedness.

"**Permitted Security Interest**" means:

(i) any Security Interest upon property (or any revenues therefrom) to secure the Relevant Indebtedness incurred for the purpose of financing the acquisition or construction of such property;

(ii) any Security Interest existing on any property (or any revenues therefrom) at the time of its acquisition;

(iii) any Security Interest securing Relevant Indebtedness incurred for the purpose of Project Financing provided that (i) the holders of such Relevant Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Relevant Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues;

(iv) any Security Interest existing on the original date of issue of the Notes; and

(v) the renewal or extension of any Security Interest described in subparagraphs (i) to (iv) above, provided that the principal amount of the Relevant Indebtedness secured thereby is not increased; and

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development, or exploitation of any property pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

(c) *Covenants*: So long as any Note remains outstanding the Issuer shall:

(i) at all times have and exercise full rights of ownership in respect of the International Monetary Assets of the Issuer and procure that the National Bank of the Republic of Belarus at all times has and exercises full authority, power and control in respect of the International Monetary Assets of the Issuer; and

(ii) duly obtain and maintain in full force and effect all governmental approvals (including any exchange control and transfer approvals) which may be necessary or advisable under the laws of the Issuer for the execution, delivery and performance of all obligations arising under the Notes by it and duly take all necessary and advisable governmental and administrative action in the

Republic of Belarus in order to make all payments to be made under the Notes as required by these Conditions.

In these Conditions, "**International Monetary Assets**" means all official holdings of gold, Special Drawing Rights, Reserve Positions in the Fund and Foreign Exchange of the Government or any agency or department of the Government from time to time, the terms "**Special Drawing Rights**", "**Reserve Positions in the Fund**" and "**Foreign Exchange**" have, as to the types of assets included, the meanings given to them in the International Monetary Fund's ("**IMF**") publication entitled *"International Financial Statistics"* or such other meanings as shall be formally adopted by the IMF from time to time and "**Government**" means the government of the Issuer.

4. **Interest**

(a) *Interest Accrual*: The Notes bear interest from (and including) 28 February 2018 (the "**Issue Date**") to (but excluding) the due date for redemption at the rate of 6.20 per cent. per annum in respect of the Notes, (the "**Rate of Interest**" in respect of the Notes) payable semi-annually in arrear on 28 February and 28 August in each year (each, an "**Interest Payment Date**") commencing on 28 August 2018, subject as provided in Condition 6 (*Payments*).

Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(b) *Cessation of Interest*: Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

(c) *Calculation of Interest for an Interest Period*: In respect of each Interest Period the amount of interest payable in respect of each Note shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) *Calculation of Interest for any other Period*: If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Conditions 4(c) (*Calculation of Interest for an Interest Period*) and 4(d) (*Calculation of Interest for any other Period*) by the Paying and Transfer Agent shall, in the absence of manifest and proven error, be binding on all parties.

5. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 28 February 2030,

subject as provided in Condition 6 (*Payments*).

(b) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraph (a) (*Scheduled redemption*) above.

(c) *Purchase*: The Issuer may at any time purchase Notes in the open market or otherwise and at any price.

(d) *Cancellation*: All Notes so redeemed or purchased by or on behalf of the Issuer shall be cancelled and may not be reissued or resold.

6. **Payments**

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in London and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in London and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in London and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction, unless the withholding or deduction of Taxes is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) the Holder of which is liable for Taxes in respect of such Note by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Note;

(b) presented for payment in a Relevant Jurisdiction; or

(c) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions:

(a) "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

(b) "**Relevant Jurisdiction**" means the Republic of Belarus or any political subdivision thereof or any authority therein or thereof having power to tax; and

(c) Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

8. Events of Default

If any of the following events occurs and is continuing:

(a) *Non-payment*: a default is made in the payment of any amount of principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of interest; or

(b) *Breach of other obligations*: the Issuer fails to perform or observe any of its other obligations under or in respect of the Notes or the Deed of Covenant and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) such default continues for a period of 30 days after written notice requiring the same to be remedied, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) *Cross-default of Issuer*:

   (i) any other loan or debt of the Issuer becomes due and repayable prematurely by reason of an event of default (however described);

(ii) the Issuer fails to make any payment in respect of any loan or debt on the due date for payment or at the expiry of any grace period originally applicable thereto;

(iii) any security given by the Issuer for any loan or debt becomes enforceable; or

(iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any loan, debt or other moneys of any other person,

provided that the aggregate amount of any such loan or debt of the Issuer or any loan, debt or other moneys in relation to which the Issuer has given any security, guarantee and/or indemnity is in excess of U.S.$25,000,000; or

(d) *Repudiation, moratorium, etc.*: the Issuer repudiates or declares a general moratorium on or in respect of its indebtedness or any part thereof or the Issuer ceases to be a member of the IMF or to be eligible to use the general resources of the IMF; or

(e) *Legality and validity*: the validity of the Notes or the Deed of Covenant is contested by the Issuer, or the Issuer denies any of the Issuer's obligations under the Notes or it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant or any such obligations are or become unenforceable or invalid; or

(f) *Failure to take action, etc.*: any regulation, decree, consent, approval, licence or other authority (or any other action required to be taken, fulfilled or done), which is necessary:

(i) to enable the Issuer to perform its obligations under the Notes or the Deed of Covenant or for the validity or enforceability thereof; or

(ii) to make the Note and the Deed of Covenant admissible in evidence in the courts of the Republic of Belarus,

expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or such other action is not taken;

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer (with a copy to the Specified Office of the Fiscal Agent), be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

9. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. **Agents**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent and a registrar and (b) a paying agent and a transfer agent in Dublin.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. **Meetings of Noteholders; Modification**

(a) **Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions:**

(i) The Issuer may convene a meeting of Noteholders at any time in respect of the Notes in accordance with the provisions of the Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(ii) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 12(i) (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(iii) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(iv) The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five Business Days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar system through which the Notes are traded and/or held by Noteholders;

(F) whether Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with Condition 12(f) (*Information*);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(g) (*Claims Valuation*); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(v) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to paragraph 12(a)(iv) above shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

(vi) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(vii) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(viii) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(ix) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(x) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12 and Condition 13 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) **Modification of this Series of Notes only:**

(i) Any modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Ordinary Resolution, a Single Series

Extraordinary Resolution or a Single Series Written Resolution, (each as defined below) as set out below.

(ii) For the purposes of a meeting of Noteholders convened in respect of this series of Notes only and for the purposes of passing a Single Series Ordinary Resolution and/or a Single Series Extraordinary Resolution (a "**Single Series Noteholder Meeting**") at any such Single Series Noteholder Meeting, any one or more persons present in person holding Notes or proxies or representatives and holding or representing in the aggregate not less than 50 per cent. in principal amount of the Notes for the time being outstanding shall (except for the purposes of passing a Single Series Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Single Series Noteholder Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Single Series Noteholder Meeting convened for the purpose of passing of a Single Series Extraordinary Resolution shall (subject as provided in Condition 12(b)(iii)) be two or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 75 per cent. of the principal amount of the Notes for the time being outstanding.

(iii) If within 15 minutes from the time fixed for any such Single Series Noteholder Meeting a quorum is not present, the Single Series Noteholder Meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned for such period, being not less than 14 days nor more than 42 days, as may be determined by the chairman either at or after the Single Series Noteholder Meeting. At such adjourned Single Series Noteholder Meeting, one or more persons present in person holding Notes or being proxies or representatives (whatever the principal amount of Notes so held or represented) shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the Single Series Noteholder Meeting from which the adjournment took place had a quorum been present at Single Series Noteholder Meeting, **provided that** at any adjourned Single Series Noteholder Meeting at which it is to be proposed a Single Series Extraordinary Resolution, the quorum shall be two or more persons so present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 33 ⅓ per cent. of the aggregate principal amount of Notes for the time being outstanding.

(iv) A "**Single Series Ordinary Resolution**" means a resolution passed at a Single Series Noteholder Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Conditions 12(a), 12(b)(ii) and 12(b)(iii) in respect of any matter other than a Reserved Matter by the affirmative vote of more than 50 per cent. of the aggregate principal amount of the outstanding Notes present in person or represented by proxy.

(v) A "**Single Series Extraordinary Resolution**" means a resolution passed at a Single Series Noteholder Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a), 12(b)(ii) and 12(b)(iii) in respect of a Reserved Matter by the affirmative vote of at least 75 per cent. of the aggregate principal amount of the outstanding Notes present in person or represented by proxy.

(vi) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(vii) Any Single Series Ordinary Resolution or Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Noteholder Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) **Multiple Series Aggregation – Single limb voting:**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, ***provided that*** the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).

(vi) It is understood that a proposal under Condition 12(c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under Condition 12(c)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation – Two limb voting:**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

(A) at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(v) Any modification or action proposed under Condition 12 d(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters:**

In these Conditions, "**Reserved Matter**" means any proposal:

(i) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(vi) to change the definition of "Uniformly Applicable";

(vii) to change the definition of "outstanding" or to modify the provisions of Condition 12(i) (*Notes controlled by the Issuer*);

(viii) to change the legal ranking of the Notes or any of the covenants contained in Condition 3;

(ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 8 (*Events of Default*);

(x) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings (including arbitration proceedings) to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, as set out in Condition 17 (*Governing Law and Arbitration)*;

(xi) to impose any condition on or otherwise change the Issuer's obligation to make payments of or in respect of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xii) to modify the provisions of this Condition 12(e);

(xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;

(xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) **Information:**

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) *Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 13 (*Aggregation Agent; Aggregation Procedures*) and provide the Fiscal Agent with the following information:

(i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Issuer shall at the time have entered into any form of debt restructuring and/or shall have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of its debt other than that which is within the scope of any multiple series aggregation and its intentions with respect to its own debt securities and other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of Noteholders in Condition 12(a)(iv)(G).

(g) **Claims Valuation:**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) and Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a calculation agent (the "**Calculation Agent**"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) **Manifest error, etc.:**

The Notes, these Conditions, the Deed of Covenant and the provisions of the Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

(i) **Notes controlled by the Issuer:**

For the purposes of (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (ii) this Condition 12 (*Meetings of Noteholders; Modification*) and (iii) Condition 8 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is directly or indirectly owned by or under the Control of the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where "**public sector instrumentality**" means the National Bank of the Republic of Belarus or any department, ministry or agency of the Government or any corporation, trust, financial institution or other entity owned by or under the Control of the Government or any of the foregoing; and "**Control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 13(e) (*Certificate*) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is directly or indirectly owned by or under the Control of the Issuer or any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication:**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(h) (*Manner of publication*).

(k) **Exchange and Conversion:**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13. Aggregation Agent; Aggregation Procedures

(a) **Appointment:**

The Issuer will appoint an aggregation agent (the "**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions , the Deed of Covenant or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions:**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions:**

If a Written Resolution has been proposed under these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Electronic Consents:**

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of electronic consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant electronic consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of electronic consent such that the resolution is approved. If so, such electronic consent will take place as a Written Resolution, and the Aggregation Agent will determine whether the resolution has been duly approved.

(e) **Certificate:**

For the purposes of Condition 13(b) (*Extraordinary Resolutions*) and Condition 13(c) (*Written Resolutions*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 12(i) (*Notes controlled by the Issuer*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(f) **Notification:**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(g) **Binding nature of determinations; no liability:**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(h) **Manner of publication:**

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 8 (*Events of Default*), Condition 12 (*Meetings of Noteholders; Modification*) and this Condition 13:

(i) through any clearing system in which the Notes are held;

(ii) in such other places and in such other manner as may be required by applicable law or regulation; and

(iii) in such other places and in such other manner as may be customary.

14. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

15. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail to the holders (or the first named of joint holders) at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as Notes are listed on the Irish Stock Exchange and the rules of that Exchange so require, notices will also be published in a daily newspaper of general circulation in the place or places required by such rules and/or on the website of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on or by which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published through more than one medium, on the date of the first publication through all required media. Noteholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

16. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. **Governing Law and Arbitration**

(a) *Governing law*: The Notes (including a dispute relating to their existence, validity or termination) and any non-contractual obligation or other matter arising out of or in connection with the Notes shall be governed by, and construed in accordance with, English law. The governing law of this Condition 17 (*Governing Law and Arbitration*) shall also be the substantive law of England.

(b) *Arbitration*: Any dispute, claim, difference or controversy arising out of or in connection with the Notes (including any dispute relating to their existence, validity or termination, or any non-contractual obligation or other matter arising out of or in connection with the Notes) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 17(b) (*Arbitration*). For these purposes:

(i) any Request for Arbitration (as defined in the Rules) may be served on the Issuer by any Noteholder lodging the same with the Fiscal Agent;

(ii) the seat, or legal place of arbitration, shall be London, England;

(iii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The claimant(s) and the respondent(s) shall nominate an arbitrator respectively. The third arbitrator, who shall be the chairman of the tribunal, shall be nominated by the two party-nominated arbitrators within thirty (30) days of the last of their appointments;

(iv) the language of the arbitration shall be English; and

(v) any award of the tribunal shall be binding from the day it is made, and the Issuer hereby waives any right to refer any question of law and any right of appeal on the law and/or merits to any court.

Nothing in these dispute resolution provisions shall be construed as preventing any Noteholder from seeking conservatory or similar interim relief in any court of competent jurisdiction.

(c) *Service of Process*: For the purposes of any court proceedings commenced in support of, or in relation to, arbitral proceedings brought under this Condition 17 (*Governing Law and Arbitration*), the Issuer appoints the Permanent Representative of JSC "Development Bank of the Republic of Belarus" (UK Representative Office) in the United Kingdom currently residing at, Level 30, The Leadenhall Building, 122 Leadenhall Street, City of London, EC3V 4AB, UK as its agent for service of process in England and agrees that, if for any reason such agent shall cease to be such agent for service of process, it will appoint a third party agent for service of process in England. Nothing in this paragraph shall affect the right of any party to serve process in any other manner permitted by law.

(d) Waiver of immunity:

To the extent that the Issuer may in any jurisdiction claim for itself or its revenues, assets or properties ("**Sovereign Assets**") immunities from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or legal process, in all cases related to the Notes, and to the extent that in any such jurisdiction there may be attributed to itself or its Sovereign Assets such immunity (whether or not claimed), the Issuer hereby irrevocably agrees for the benefit of the Noteholders not to claim and confirms that any such immunity is or has been irrevocably waived to the fullest extent permitted by the laws of such jurisdiction. In particular, but without limitation, the Issuer submits to the jurisdiction of the English court and any arbitral body constituted in accordance with this Condition 17 (*Governing Law and Arbitration*).

To the extent that the Issuer or any of its Sovereign Assets may be entitled in any jurisdiction to any immunity from set-off or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, the Issuer hereby irrevocably agrees not to claim and confirms that any such immunity is or has been irrevocably waived to the fullest extent permitted by the laws of such jurisdiction with respect to any claim, suit, action, proceeding, right or remedy arising out of or in connection with the Notes.

The waiver of immunity by the Issuer herein shall not constitute a waiver of immunity in relation to (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, including their heads and other employees, (except to the extent they are appointed as process agent and it is required for any service of process pursuant to Condition 17(c) (*Service of process*)) (b) property of military character and under the control of a military authority or defence agency of the Issuer and (c) property located in Belarus that is used for public or governmental purposes (as distinct from property dedicated to a commercial use). The Issuer reserves the right to plead sovereign immunity under the Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or state securities law.

(e) *Consent to enforcement*:

The Issuer further irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any Sovereign Assets whatsoever (irrespective of their use or intended use) of any order or judgment, made or given in connection with any Dispute.

(f) Consolidation of Disputes:

(i) In this Sub-clause:

"**Consolidation Order**" means an order by a Tribunal that a Primary Dispute and a Linked Dispute be consolidated and heard as one dispute in the same arbitral proceedings.

"**Linked Agreement**" means the Notes, the Deed of Covenant, the Restricted Global Note Certificate, the Unrestricted Global Note Certificate and the Agency Agreement.

"**Linked Dispute**" means any Dispute and/or any dispute, claim, difference or controversy arising out of or in connection with any Linked Agreement (including any dispute relating to its existence, validity or termination or any non-contractual obligation or other matter arising out of or in connection with it), in which a Request for Arbitration is served after a Request for Arbitration has been served in respect of a Primary Dispute.

"**Primary Dispute**" means any Dispute and/or any dispute, claim, difference or controversy arising out of or in connection with any Linked Agreement (including any dispute relating to its existence, validity or termination or any non-contractual obligation or other matter arising out of or in connection with it) in which a Request for Arbitration has been served before a Request for Arbitration is served in relation to a Linked Dispute.

"**Tribunal**" means any arbitral tribunal appointed under the Notes or any Linked Agreement.

(ii) If any Linked Dispute raises issues of fact and/or law which are substantially the same as or similar to issues raised in any Primary Dispute then, notwithstanding that a Tribunal may already have been agreed or appointed in respect of the Linked Dispute, any party (the "**Notifying Party**") to both the Primary Dispute and the Linked Dispute (the "**Notified Disputes**") may apply, by service of a written notice (a "**Consolidation Notice**") in accordance with this Condition, to the Tribunal appointed in relation to the Primary Dispute for a Consolidation Order.

(iii) The Notifying Party must serve the Consolidation Notice on all parties to the Notified Disputes, and on any arbitrators already appointed or agreed in connection with any Notified Dispute.

(iv) The Tribunal appointed in relation to the Primary Dispute may make a Consolidation Order on hearing an application brought under sub-Condition 17(f)(ii) above if it considers it just, equitable and procedurally efficient to do so and that no party to either the Primary Dispute or the Linked Dispute would be materially prejudiced as a result. In determining whether to make a Consolidation Order, the Tribunal must take account of:

  (i) the likelihood and consequences of inconsistent decisions if consolidation is not ordered;

  (ii) any fault on the part of the party seeking consolidation to make a timely application; and

  (iii) the likely consequences of consolidation in terms of cost and time.

(v) If the Tribunal appointed in respect of the Primary Dispute makes a Consolidation Order:

  (i) it will immediately, to the exclusion of the other Tribunal appointed in a Linked Dispute, have jurisdiction to resolve finally the Notified Disputes;

(ii) it must order that notice of the Consolidation Order and its effect be given immediately to any arbitrators already appointed in relation to the Linked Dispute and to all parties to the Notified Disputes;

(iii) any appointment of an arbitrator in relation to the Linked Dispute before the date of the Consolidation Order will terminate immediately and that arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(B) his entitlement to be paid his proper fees and disbursements; and

(C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision;

(iv) it may also give any other directions it considers appropriate to:

(A) give effect to the Consolidation Order and make provisions for any costs which may result from it (including costs in any arbitration terminated as a result of the Consolidation Order); and

(B) ensure the proper organisation of the arbitration proceedings and the proper formulation and resolution of the issues between the parties.

(v) If a Tribunal appointed in respect of the Primary Dispute arising under a Linked Agreement makes a Consolidation Order which confers on that Tribunal jurisdiction to resolve a Linked Dispute arising under the Notes, that Consolidation Order and the award of that Tribunal will bind the parties to the Linked Dispute arising under the Notes.

(vi) For the avoidance of doubt, where a Tribunal is appointed under the Notes or any Linked Agreement, the whole of its award (including any part relating to a Linked Dispute) is deemed for the purposes of the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by the Notes and that Linked Agreement.

(vii) Each of the Issuer and the Noteholders hereby waives any right to object to the validity and/or enforceability of any arbitral award made by a Tribunal following the grant of a Consolidation Order on the basis that such award was made in arbitral proceedings which were consolidated under this paragraph or in accordance with an equivalent provision under another Linked Agreement.

(vi) Should the Tribunal appointed in relation to the Primary Dispute decline appointment in respect of the Linked Dispute, any rights to submit a Linked Dispute arising under the Notes to separate arbitration proceedings under Condition 17(b) (*Arbitration*) shall be unaffected.

FORM OF NOTES

The following information relates to the form, transfer and delivery of the Notes. Capitalised terms used but not defined herein have the meanings provided in the section entitled "*Terms and Conditions of the Notes*".

Form of Notes

The Unrestricted Notes will be represented by the Unrestricted Global Note Certificate, which will be deposited with the common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of Citivic Nominees Limited as nominee of a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Unrestricted Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. By acquisition of a beneficial interest in the Unrestricted Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it acquired such beneficial interest in accordance with Regulation S. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Restricted Notes will be represented by the Restricted Global Note Certificate, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. Beneficial interests in the Restricted Global Note Certificate may only be held through DTC or its participants at any time. Beneficial interests in the Restricted Global Note Certificate may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in the Restricted Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Note Certificate. See "*Subscription and Sale*" and "*Transfer Restrictions*".

The Global Note Certificates will each have an ISIN number and a Common Code.

Beneficial interests in the Global Note Certificates will be subject to certain restrictions on transfer set out therein and under "*Transfer Restrictions*" and in the Agency Agreement (as defined in the Conditions) and such Global Note Certificates will bear a legend as set out under "*Transfer Restrictions*".

Except in the limited circumstances described below, owners of beneficial interests in the Global Note Certificates will not be entitled to receive physical delivery of the Notes.

Exchange of Global Note Certificates for Individual Note Certificates

The Restricted Global Note Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual note certificates (the "**Restricted Individual Note Certificates**") and the Unrestricted Global Note Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual note certificates (the "**Unrestricted Individual Note Certificates**", together with the Restricted Individual Note Certificates, the "**Individual Note Certificates**") upon the occurrence of an Exchange Event.

For these purposes an "**Exchange Event**" means that:

- In case of the Unrestricted Global Note Certificates only, Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or

- DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Note Certificate or ceases to be a clearing agency (as defined in the United States Securities Exchange Act of 1934), or is at any time no longer eligible to act as such, and the Issuer is (in the case of DTC ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

- any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in such Global Note Certificate must provide the Registrar (as defined in the Conditions) (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever the Restricted Global Note Certificate is to be exchanged for Restricted Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. The Restricted Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*".

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of the Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Clearing System Accountholders

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under such Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note Certificate.

Transfers of Interests in the Global Note Certificates

Transfers of interests in the Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Registrar, the Joint Lead Managers or the Agent (as defined in the Conditions) will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of the Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions described under "*Transfer Restrictions*", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Paying Agent (as defined in the Conditions).

On or after the Issue Date, transfers of the Notes between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificate will be effected through the Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent (as defined in the Conditions) receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg accountholders or between DTC participants are not affected.

For a further description of restrictions on the transfer of the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Upon the issue of the Restricted Global Note Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by the Restricted Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in the Restricted Global Note Certificate will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Restricted Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer that it will take any action permitted to be taken by a Noteholder represented by the Restricted Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of the Restricted Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in the Restricted Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of the Restricted Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Restricted Global Note Certificate for the Restricted Individual Note Certificates (which will bear the relevant legends set out in "*Transfer Restrictions*").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, the Joint Lead Managers or the Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

While the Global Note Certificates are lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, the Individual Note Certificates will not be eligible for clearing and settlement through such clearing systems.

Amendments to Conditions

Each Global Note Certificate contains provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions. The following is a summary of those provisions:

Payments

Each payment made in respect of any Global Note Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Due Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which such Global Note Certificate is being held is open for business.

Distributions of amounts with respect to book-entry interests in the Unrestricted Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Restricted Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be entered in the Register by or on behalf of the Fiscal Agent and shall be prima facie evidence that payment has been made.

Payment Business Day

In relation to payments made in respect of the Unrestricted Global Note Certificate, so long as the Unrestricted Global Note Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system, the definition for "**business day**" in Condition 6 (d) (*Payments on business days*) shall be amended and shall be any day which is a day on which banks are open for general business (including dealings in foreign currencies) in London.

Record Date

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the Due Date. Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

Notices

Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Global Note Certificates and the Global Note Certificates are, registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately U.S.$594,300,000 will be used by the Issuer to refinance the Issuer's external public debt.

The net proceeds of the Offering will not be directed to any activity that would be prohibited for a United States or EU person or entity under sanctions laws, directives or regulations applicable to them. None of the proceeds of the issue of the Notes will be used to fund activities or persons in violation of sanctions introduced by the EU or the United States.

OVERVIEW OF THE REPUBLIC OF BELARUS

Location and Population

Belarus is a country in Eastern Europe bordering Russia to the East, Poland to the West, Lithuania and Latvia to the North and Ukraine to the South. The distances from Minsk to Moscow, Warsaw, Vilnius, Riga and Kiev are 700 kilometres, 550 kilometres, 215 kilometres, 470 and 580 kilometres, respectively.

The area of the territory of Belarus is 207.6 thousand square kilometres, the length of the state border is 2,969 kilometres. At its widest points, Belarus stretches for 560 kilometres from North to South and for 650 kilometres from West to East. The terrain of Belarus is predominantly flat, and includes many lakes and marshlands. Forest covers about one third of the country.

Belarus is crossed by numerous oil, gas and oil related product pipelines, railways, highways, navigable waterways and telecommunication lines between Western Europe and Russia and Asian countries. The most direct transportation routes linking Russia with the countries of Western Europe, and the Baltic and Black seas, are through Belarus.

The Republic of Belarus is a unitary, democratic, social state of law. The effective Constitution of the Republic of Belarus was adopted in 1994 and amended by national referenda on 24 November 1996 and 17 October 2004.

Administratively, Belarus is divided into six regions (oblasts) (Brest, Vitebsk, Gomel, Grodno, Mogilev and Minsk) plus the city of Minsk (the capital of Belarus), 118 districts, 113 cities and towns and 89 urban villages. As at 1 January 2017, the population of Belarus was estimated at 9.5 million people with 77.9 per cent. of the population living in cities and urban centres. The city of Minsk has a population of 2.0 million, approximately 20 per cent. of the total population. In accordance with the 2009 census data ethnic Belarusians constitute more than 80 per cent. of Belarus's total population, other ethnic groups include Russians, Poles, Ukrainians and others. The national languages of Belarus are Belarusian and Russian.

The following table sets forth a breakdown of Belarus's population by age and gender as at the beginning of 2017.

		Gender		Total
	Percentage of Population	Male	Female	Population (Male and Female)
Age				
0-15	17.6	858,668	810,144	1,668,812
Working age (male 16-59, female 16-54)	57.1	2,861,395	2,571,009	5,432,404
Above working age (male over 60, female over 55)	25.3	706,456	1,697,032	2,403,488
Total	**100.00**	**4,426,519**	**5,078,185**	**9,504,704**

Source: National Statistical Committee

Approximately 50 per cent. of the Belarusian population identify themselves as holding religious beliefs, of which approximately 80 per cent. are Belarusian orthodox Christians.

Freedom of religion is guaranteed in the Constitution of Belarus. The country has more than 3,510 religious organisations of 26 confessions and directions. Among them are Orthodox communities, Roman Catholic, Pentecostal (Christians of Evangelical Faith), Baptist, Seventh Day Adventist, Lutheran, Jewish, Muslim. The leading role in the religious life of the country is provided by the Belarusian Orthodox Church.

History

From the early 10th century until the 13th century a number of different states existed on the territory of present day Belarus with the principalities of Polotsk, Turov and Novgorod being the most important.

These principalities formed a large confederation within Kievan Russia where the relations between the princes were based on suzerainty and vassalage. During the 10th to 12th centuries, some of the major principalities became independent and were ruled by local dynasties, but from the middle of the 13th century until the end of the 18th century the Belarusian lands formed a part of the Grand Duchy of Lithuania. The Grand Duchy existed as a fully independent sovereign state from the middle of the 13th century until 1569, when it became one of the two federated entities within the Polish Commonwealth (*Rzecz Pospolita*).

After *Rzecz Pospolita* was divided, Belarus became part of the Russian Empire and lost its separate identity, as reflected in the official name, the North-Western Lands, given to it in 1840. From 1801, the ethnic territory of the Belarusians formed part of the Minsk, Mogilev, Vitebsk, Grodno and Vilnia provinces of Russia.

During World War I, when still occupied by German troops, the Belarusian People's Republic was proclaimed as a national bourgeois-democratic state on 25 March 1918. It failed, however, to become an independent country, having insufficient time to form a constitution or to set state boundaries.

On 1 January 1919, the Belarusian Soviet Socialistic Republic ("**BSSR**") was formed. Its political and economic life was under control of a central government. Non-communist parties and organisations were banned, and the administrative functions were performed by the Communist Party machinery. At the same time, the Constitution of the BSSR declared that all power was delegated to the Councils of Workers', Peasants' and Soldiers' Deputies.

On 27 July 1990, the Declaration of State Sovereignty was adopted. Following the collapse of the Soviet Union, Belarus officially declared independence on 25 August 1991.

Government

The Constitution and the President

Belarus is a presidential republic, governed by the President, the Council of Ministers and the National Assembly (as defined below). Belarus's current constitution (the "**Constitution**") was adopted in 1994, with amendments and additions adopted by national referenda held on 24 November 1996 and 17 October 2004, and is the fifth constitution in the history of Belarus's constitutional development. The Constitution defines Belarus as a unitary democratic social state of law. The Constitution is the basis for the development of Belarus's legislation.

The legal status, duties and powers of the President are determined by the Constitution and the Belarusian law entitled "On the President of the Republic of Belarus". The Constitution and such law provide that the President is the head of state and the guarantor of the Constitution and the civil and human rights of Belarus and that the President is to be elected directly by the people of Belarus for renewable terms of office of five years. Alexander Lukashenko has been the President since 1994 and following amendments made to the Constitution in 2004, there is no longer any limit on how many times the President can be re-elected.

The President has a wide range of powers. He calls regular and extraordinary elections to the House of Representatives (as defined below), the Council of the Republic (as defined below) and local representative bodies; appoints the Prime Minister upon confirmation by the House of Representatives; appoints the Council of Ministers; makes appointments to local executive and administrative bodies; and appoints the chairperson of each of the constitutional and supreme courts from among the judges of those courts upon confirmation by the Council of the Republic. The President also appoints six of the twelve judges of the constitutional court (with the remaining six appointed by the Council of the Republic) and all judges of the general and economic courts. The President signs bills, grants pardons to convicted citizens, introduces national and public holidays and confers state awards, ranks and titles and performs other functions. The President forms and heads the Security Council of Belarus and is the Commander-in-Chief of the Armed Forces of Belarus.

In accordance with the Constitution, the President can issue edicts, decrees and orders on the basis of and in accordance with the Constitution, which have binding force in the territory of Belarus.

The last Presidential elections took place in 2015. Four candidates participated in the elections including the incumbent President, Mr. Lukashenko. A number of parties and associations were represented in the elections, including the Liberal Democratic Party of the Republic of Belarus, the Belarusian Social Democratic party "Hramada", Belarusian Patriotic Party. Mr. Lukashenko ran as an independent candidate and did not represent any political party. 87.2 per cent. of the electorate took part in the 2015 elections, and Mr. Lukashenko was elected as President by 83.5 per cent. of the votes.

The next presidential elections are expected to be held by August 2020.

The Executive Power

Executive power in Belarus is exercised by the Government, as represented by the Council of Ministers. The Council of Ministers comprises the Prime Minister, his deputies and his ministers. In addition, the Council of Ministers may include heads of other national bodies of public administration. In its activities the Council of Ministers is accountable to the President, who appoints its members and receives a quarterly report on the work done by the Council of Ministers. The Council of Ministers is also responsible to the National Assembly.

The Prime Minister is appointed by the President with the consent of the House of Representatives. In the event of two consecutive failures by the House of Representatives to appoint a Prime Minister the President has the right to appoint an acting Prime Minister, dissolve the House of Representatives and call a new election. The Council of Ministers normally acts for the duration of the President's term of office and relinquishes its responsibility when a new President is elected. The President can dismiss the Council of Ministers at any time according to the procedure stipulated by the Constitution.

The Legislature and Main Political Parties

The representative and legislative body of Belarus is the national assembly (the "**National Assembly**"). It comprises two chambers: the house of representatives as further discussed below (the "**House of Representatives**") and the council of the republic as further discussed below (the "**Council of the Republic**").

The House of Representatives consists of 110 deputies directly elected by the people of Belarus for renewable terms of four years. The election of deputies is carried out on the basis of universal, free, equal and direct voting by secret ballot. The Council of the Republic is made up of territorial representatives and consists of 64 members, 48 of which are elected by the local Councils of Deputies for each of the six regions of Belarus (which each elect eight members), eight of which are elected by the Council of Deputies for the city of Minsk and eight of which are appointed by the President. Unlike members of the Council of the Republic, a deputy of the House of Representatives may also be a member of the Council of Ministers. No person may be a member of both chambers of the National Assembly at the same time, nor can a member of either chamber hold either the office of President or be a judge. Each chamber of the National Assembly gathers for two regular sessions a year. The first session opens on 2 October and lasts no longer than 80 days. The second session opens on 2 April and lasts no longer than 90 days. Extraordinary meetings can be called by a Presidential decree.

The duties of the House of Representatives include, among other things, consideration of draft legislation, setting the timetable for elections of the President, approving the President's candidate for the position of Prime Minister and approving or declining the Government's programmes of activities. The House of Representatives also has the power to pass a vote of no-confidence in the Government. The President has the power to dissolve, and call for new elections to, the House of Representatives.

The Council of the Republic performs the following duties:

- approves or declines proposed amendments to the Constitution and draft legislation passed in the House of Representatives;
- approves the appointment by the President of senior judicial officers, senior officers within the National Bank, the attorney-general and the chairman of the central electoral commission;
- elects six judges of the constitutional court;

- elects six members of the central electoral commission;
- overrules decisions of local Councils of Deputies that do not comply with applicable law and can dissolve those bodies for systematic non-compliance and in certain other cases prescribed by law;
- investigates serious allegations initiated by the House of Representatives against the President and can dismiss the President if there are grounds to do so; and
- considers and approves presidential edicts on establishing a state of emergency and the imposition of martial law, full or partial mobilisation and performs other duties.

The central electoral commission is the state body responsible for the preparation and running of the state elections for the office of the President, the House of Representatives, the Council of the Republic, the local Councils of Deputies, and the running of national referenda (the "**Central Electoral Commission**"). The President appoints six members of the Electoral Commission, including the Chairman, and the remaining six members are appointed by the Council of the Republic. The Electoral Commission's term of office is five years.

The last elections to the House of Representatives were also held in September 2016. The current composition of the House of Representatives includes 94 independent deputies who do not belong to any political party (and who have not announced their party membership), eight deputies from the Communist Party of Belarus, three deputies from the Republican Party of Labour and Justice, three deputies from the Belarusian Patriotic Party, one deputy from the Liberal Democratic Party of Belarus and one deputy from the United Civil Party.

The latest elections to the Council of the Republic were held in September 2016. The current composition of the Council of the Republic comprises 64 members and does not have any dominant political party.

Belarus has 15 political parties. The party system of Belarus is represented by the Liberal Democratic Party, the Belarusian Social Sports Party, the Belarusian Party "Green", Social Democratic Party of Popular Accord, the Belarusian Agrarian Party, the Republican Party, the Conservative Christian Party - BPF, Republican Party of Labour and Justice, Belarusian left party "Fair world", the United civil party, Belarusian patriotic party, the Belarusian Social Democratic party "Hramada", the Communist party of Belarus.

The next elections to the House of Representatives and the Council of the Republic are to be held by September 2020.

The Constitution of the Republic of Belarus provides for several forms of direct democracy, including referenda, direct elections and the All-Belarusian Assembly.

Judicial System

Belarus has a separate constitutional court and courts of general jurisdiction. The formation of emergency courts is prohibited. The constitutional court is responsible for ensuring the compliance of presidential edicts and orders, and legislation from the National Assembly, as well as any other exercise of constitutional power, with the Constitution (the "**Constitutional Court**"). The system of courts of general jurisdiction consists of the supreme court of the Republic of Belarus, regional courts, economic regional courts and district courts. The courts of general jurisdiction oversee criminal cases and civil cases.

The Constitutional Court is formed of 12 judges who cannot be older than 70 years of age. Six judges of the Constitutional Court are appointed by the President with the remainder being elected by the Council of the Republic. Judges of the Constitutional Court shall be appointed for 11 years and may be appointed for a new term. Members of the Constitutional Court cannot be removed until the end of their term. The Chairman of the Constitutional Court is appointed by the President with the consent of the Council of the Republic. The term of office of the Chairman of the Constitutional Court is five years.

All judges of the Constitutional Court and the courts of general jurisdiction are appointed and may be removed by the President.

Local Government

Local government within Belarus is organised on a regional, district, city, town, settlement and village basis on the principle of self-government for regional and local issues. Such self-government is exercised by citizens through local Councils of Deputies, executive and administrative authorities, other local authorities, local referenda, meetings and other forms of direct participation in government and public affairs.

The heads of local executive and administrative bodies are appointed (and dismissed) by the President, and these appointments are confirmed by the local Councils of Deputies.

Local Councils of Deputies (including the Council of Deputies for the city of Minsk) make decisions based on current legislation and have exclusive powers on the following issues:

- approval of economic and social development programmes and local budgets. including reports on their outcomes;
- the imposition of local taxes and duties;
- the management of municipal property; and
- holding local referenda.

Local Deputies are elected for renewable terms of four years by the relevant constituencies. The most recent local elections took place in Belarus on 18 February 2018.

International Relations

Overview

Belarus is a member of the United Nations (the "**UN**") and a member of a large number of UN agencies and programmes. It is also a founding member of the CIS and a member of the OSCE. Belarus cooperates with the North Atlantic Treaty Organisation Partnership for Peace, the North Atlantic Cooperation Council, the IMF, the World Bank and the EBRD as well as a number of other international organisations.

Belarus applied to join the World Trade Organisation (the "**WTO**") in 1993. Nine official meetings of the WTO Working Party on the accession of Belarus have been held, and bilateral negotiations with WTO members on market access issues are ongoing. As of 31 December 2017, overall sixteen bilateral market access protocols were concluded. See "- *Cooperation with the WTO*" below.

While upholding consistent approaches to development of relations with foreign states, Belarus concentrates its main efforts on a number of areas of focus. Among them are the neighbouring countries, first of all, the Russian Federation, the partnership with which is built within the framework of the Agreement on Establishment of the Union State and other integration associations. Belarus is an active participant of integration processes in the post-Soviet space. The establishment of the EEU as of 1 January 2015 significantly expanded integration opportunities in the region. Belarus also leads consistent dialogue and cooperation with both the EU (in 2017 Belarus acted as a chairman of the Central European Initiative) and Asia region (in 2015 Belarus was granted the status of an observer in the Shanghai Cooperation Organisation and Conference on Interaction and Confidence-Building Measures in Asia).

In execution of international obligations Belarus regularly provides human rights treaty bodies with national reports, interacts with the Office of High Commissioner for Human Rights at the United Nations, special mechanisms of the UN Human Rights Council, including the procedure of universal human rights periodic review ("**UPR**").

Historically, Belarus's relations with the United States and the EU were significantly affected by flaws in the electoral system of Belarus, identified by international observers, and alleged violations of human rights in Belarus. See "*Risk Factors—Risks Relating to Belarus—Belarus has complex relations with the EU and the United States and any such points of tension could have a material adverse effect on Belarus's economy or political environment or the market value of the Notes*". However, the parliamentary elections in 2016 were positively assessed by international observers from the OSCE, CIS, PACE and SCO and demonstrated development in the areas of democracy and human rights. Furthermore, on 24 October 2016 the Government approved (a) the first national human rights strategy in Belarusian history, (b) the multi-agency plan for implementation of recommendations adopted by the Republic of Belarus following the results of progression of the second cycle of the UPR at the UN Human Rights Council, and (c) recommendations addressed to the Republic of Belarus by human rights treaty bodies for 2016-2019.

Among the foreign policy objectives of Belarus is improving relations with the EU and the United States. Belarus aims to attract more Western investment and to further integrate into the world economy. In addition, Belarus is seeking to develop relationships with countries in Asia and Latin America. See "*—International Relations—Relations with Asian countries*" and "*—International Relations—Relations with countries in Latin America*".

Relations with IFIs

For further information on Belarus's relations with the EFSD, the IMF, the World Bank and certain other IFIs, see "*Public Debt—Relationships with IFIs*".

Relations with Russia

Belarus has traditionally had close ties with Russia and Russia remains Belarus's largest and most important political and economic partner and is one of Belarus's most significant trading partners.

In 1999, a Treaty on Establishing a Union State (the "**Union Treaty**") between the two countries was signed. This treaty set a goal of creating an economic union in which there is free movement of goods, services, capital and labour and equal conditions by which businesses may operate and in which there are equal rights in employment, wages, education, health care and other social benefits. Currently, the bodies of the Union State are as follows: Higher State Council of the Union State, and Council of Ministers of the Union State. The Permanent Committee of the Union State functions as their working apparatus. The deputies of the Parliaments of both countries formed the Parliamentary Assembly of the Union State of Belarus and Russia (terms as defined in the Union Treaty).

Creating a monetary union and introducing a single currency were initial objectives of the Union Treaty. However, monetary union and a single currency are no longer being pursued and the existing level of economic integration is considered sufficient. There are also no longer any active efforts to introduce single citizenship, although Belarus and Russia are working to ensure better equality of rights between citizens of the two countries. The two countries also cooperate in a common defence policy and coordinate with respect to foreign policy. The Belarusian and Russian cooperation in the military field has developed gradually. The regional force grouping of the armed forces of the Republic of Belarus and armed forces of the Russian Federation and unified regional air defence system are in operation. The countries effectively cooperate in the military and technical sphere.

As part of developing bilateral trade, Belarus and Russia signed a bilateral free trade agreement on 13 November 1992, a treaty establishing a Belarus-Russian customs union on 6 January 1995 and a treaty on improving trade and economic cooperation on 23 March 2007. The volume of mutual commodity circulation for 2016 amounted to U.S.$26.2 billion, decreasing by 4.7 per cent. as compared to 2015. The export volume of Belarus to Russia reached U.S.$10.9 billion, increasing by 5.3 per cent. as compared to 2015, and import from Russia amounted to U.S.$15.3 billion, dropping by 10.7 per cent. The volume of mutual commodity circulation for 2017 amounted to U.S.$32.4 billion, increasing by 23.5 per cent. as compared to 2016. The export volume of Belarus to Russia for this period reached U.S.$12.48 billion, increasing by 17.2 per cent. as compared to 2016 and imports from Russia for this period amounted to U.S.$19.46 billion, increasing by 28.0 per cent. as compared to 2016.

Belarus's exports to Russia principally comprise equipment, milk and dairy products, machinery, meat, tyres, furniture, spare parts for tractors and automobiles, and its imports from Russia principally comprise fuels, metal products and chemicals.

A number of oil and gas pipelines from Russia to the EU member states and a significant portion of Russian oil and gas exports run through Belarus. In January-November 2017, 16.4 million tonnes of Russia's oil and 17.13 billion cubic metres of its natural gas were delivered through Belarus. Russia is the main source of FDI in Belarus and is the principal provider of external funding to Belarus. In 2017, FDI sourced from Russia represented 37.3 per cent. of total FDI inflows. See "*Risk Factors—Risks Relating to Belarus—A deterioration in Belarus's relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and Russian investment in Belarus*".

Relations with Russia and Kazakhstan under the Customs Union, Common Economic Space and member states of the EEU

Since 2007, the presidents of Belarus, Russia and Kazakhstan signed a number of treaties for the creation of a three-member Customs Union, to advance cooperation and integration on issues not already addressed by the framework of the CIS. A Common Customs Code entered into force as amongst all three countries on 6 July 2010. The Customs Union is viewed as a transitional step towards the formation of a common economic space.

In November 2011, Belarus, Russia and Kazakhstan signed a framework of 17 joint agreements for the establishment of the Common Economic Space (the "**CES**") to promote free movement of goods, services, capital and workforce within it. The agreements set out common principles in respect of competition, industry subsidies and currency management policies.

On 29 May 2014 the Presidents of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation signed the EEUT, which became effective as of 1 January 2015. The EEU is an international economic organisation whose main goals are as follows:

- providing conditions for sustainable development of economies of the member states for advance in living standards of their population;
- striving for establishment of a common market of goods, services, capital and labour resources within the framework of the EEU; and
- comprehensive modernisation, cooperation and improving competitiveness of national economies in globalisation environment.

At present, five states are the members of the EEU: the Republic of Armenia (as of 2 January 2015), the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic (as of 12 August 2015), and the Russian Federation.

The Eurasian Economic Commission (the "**EAEC**") was established in January 2012. The EAEC is a supranational governing body and acts as the regulatory body of the EEU. The decisions of the EAEC are binding on each of the EEU member states. The EAEC carries out its functions in accordance with the Treaty on the Eurasian Economic Commission, other Customs Union treaties, and the decisions of the Supreme Eurasian Economic Council and operates in the following key areas: tariff and non-tariff regulation; customs administration; technical regulation; sanitary, veterinary and phytosanitary measures; trade regimes with third party countries; external trade statistics; macroeconomic, competition, currency and energy policies; industrial and agricultural subsidies; natural monopolies; procurement; mutual trade in services and investments; transport and forwarding; protection of intellectual property rights; labour migration; and financial markets (including banking, insurance, currency and securities markets).

Relations with CIS States

Cooperation between Belarus and other CIS states is based on bilateral treaties and constitutes an important objective of Belarus's foreign policy. The key trade partners of Belarus among the CIS countries are Russia, Ukraine, Kazakhstan, Azerbaijan, Moldova and Turkmenistan

In October 2011, Belarus, Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine signed an agreement on the establishment of a free trade zone which abolishes customs duties between the parties and restricts unilateral introduction of foreign trade protection measures within the free trade zone. In May 2013 the Protocol on Application of the Agreement on the Free Trade Zone as of 18 October 2011 was signed between its Parties and the Republic of Uzbekistan. At present this Protocol has not become effective in respect of Azerbaijan and Tajikistan.

Following on from the Free Trade Area Agreement in June 2016, Belarus, Armenia, Kyrgyzstan, Russia and Tajikistan signed the Protocol on Rules and Procedures of Regulation of state procurement determining the goals and principles of regulation in the field of state procurement, as well as the terms of introduction of technologies ensuring disclosure and transparency of procurement.

The volume of external trade between Belarus and the CIS countries in 2017 amounted to U.S.$38.5 billion (an increase of 23.4 per cent. or U.S.$7.3 billion as compared to 2016). Exports to the CIS countries amounted to U.S.$17.4 billion (an increase of 19 per cent. or U.S.$2.8 billion), and imports from the CIS countries amounted to U.S.$21.1 billion (an increase of 27.3 per cent. or U.S.$4.5 billion).

Oil products, fertilizers, trucks and lorries, tractors and tractive units, and tyres are the main commodity items of Belarusian export to the CIS countries.

Cooperation with the WTO

Belarus applied to join the WTO in 1993. Until 2005, seven meetings of the WTO Working Party on Belarus's accession were held. Belarus activated WTO membership negotiations in 2016. Two meetings of the WTO Working Party on Belarus' accession were held in 2017.

In September 2017, a special meeting on domestic support for agriculture was organized at the headquarters of the WTO. The meetings were accompanied by full-scale negotiations with WTO members. An extensive package of documents to be negotiated was prepared, including answers to the questions from interested WTO members, a draft working party report, materials on domestic support for agriculture, a report on industrial subsidies, a report on state-owned trading enterprises, an updated Legislative Action Plan and thematic questionnaires.

In July 2017 the first draft working party report was circulated among WTO members, which typically precedes the transition to the final stage of negotiations. The 10th meeting of the WTO Working Party on Belarus's accession is planned for March-April 2018 to be held in Geneva.

As of 31 December 2017, sixteen bilateral market access protocols were concluded – six of which were signed in 2017 (with the Republic of Korea, Japan, Ecuador, Norway, Guatemala, El Salvador). In 2018 and 2019, the Government intends to continue cooperation with the WTO countries and enter into several additional bilateral market access protocols, including with China, the EU and the United States, in order to become a member of the organisation by the end of 2019.

Relations with the EU

The EU is the second most important trade and economic partner of Belarus and main provider of the international technical assistance. At the same time, political dialogue between Belarus and the EU has been significantly affected by faults in the presidential elections in Belarus in December 2010, the result of which were not accepted by the EU and became the reason for the expansion of restrictive measures by the EU with regard to Belarus.

In recent years, there have been more positive dynamics in the interaction between the Republic of Belarus and the EU. Belarus undertook a number of measures in line with the EU's recommendations, including measures for liberalisation of social life and activation of dialogue and interaction with the Office for Democratic Institutions and Human Rights at the OSCE in the context of presidential (2015) and parliamentary (2016) elections. Following this, the EU has an initiated process for the normalisation of relations with Belarus, including activation of bilateral contacts and mitigation of current restrictions.

On 15 February 2016 the EU Council for Foreign Affairs approved the so-called "Belarus resolutions", providing for further steps to strengthen political relations with Belarus, as well as expansion of trade and economic cooperation, *inter alia*, through engagement with European financial institutions (European Investment Bank, the EBRD). On 25 February 2016 the EU Council also took the decision to cancel the majority of restrictive measures it had imposed with regard to Belarus, save for a firearms embargo (on 27 February 2017 the EU decided to make biathlon rifles and ammunition exempt from the arms embargo) and sanctions related to four natural persons (which were each extended for one year, until 28 February 2018).

A new diplomatic format, the Belarus-EU Coordinating Group ("**CG**"), was created in 2016 with the purpose of continuing structured, political dialogue and a regular discussion of key issues and priority areas of interaction between Belarus and the EU. The first meeting of the CG took place on 6-7 April 2016 in Brussels; the second one was held on 16-17 November 2016 in Minsk, the third one was held on 3-4 April 2017 in Minsk and the fourth one was held on 19 – 20 December 2017 in Brussels.

Through the CG, the scope of interaction between Belarus and the European Commission was expanded: expert dialogues were established to occur on a scheduled basis in the fields of ecology, economics and finance, and a customs and trade dialogue was initiated. In 2015 the dialogue between Belarus and the EU with regard to human rights was renewed.

Normalisation of political relations was accompanied with substantive steps aimed at the development of trade and economic and humanitarian cooperation.

On 6 September 2016, the decision of the European Commission on application of the mandate of the European Investment Bank (EIB) to Belarus was published in the official journal of the EU, which became effective on 26 September 2016. The signing of the framework agreement between the Republic of Belarus and EIB, which will lay the legal foundation for implementation of the EIB's projects in Belarus, was completed on 15 May 2017. The agreement came into effect on 9 August 2017. With the support of the EU, on 7 September 2016, the Board of Directors of the EBRD approved the Strategy for Belarus for 2016-2019, which provides for deep involvement of the EBRD to work with the Belarusian state sector, so long as Belarus follows the path of economic reforms. On 7 February 2017 the Council of the EU decided to abolish import quotas on Belarusian textile products. The parties continue to conduct talks on Belarus accession to WTO. In 2016 Belarus and the European Commission jointly held for the first time a Belarusian Investment Forum in Vienna. On 27 October 2017 a Belarus – European Economic Forum took place in the same format in Luxembourg.

The EU has doubled its assistance provided to Belarus within the framework of annual bilateral programmes from EUR14 million in 2015 to EUR29 million in each of 2016 and 2017. At the same time, Belarus continued to participate in a new cycle of cross-border cooperation programme of the EU "Latvia-Lithuania-Belarus" and "Poland-Ukraine-Belarus" for 2014-2020, as well as in regional and topical programmes of the EU in the fields of energy efficiency, education, nuclear safety, integrated border management, migration, and other spheres. In addition, the EU will allocate EUR3 million for a project supporting the economic policy of Belarus. The project, which will involve also the World Bank, will be running in 2018-2020.

On 13 October 2016, in a meeting of Ministers of the Interior of the EU member states in Luxembourg, the Declaration on Mobility Partnership was signed between the Republic of Belarus, the EU and the EU member states that participate in the Partnership. Since 2014 negotiations have been underway between Belarus and the EU with regard to the conclusion of visa facilitation agreements.

The Republic of Belarus continues to participate in the "Eastern Partnership", the EU's initiative which was launched in Prague in May 2009 with the purpose of improving political, economic and trade relations between the EU and its six Eastern neighbours, being Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. On 14 November 2016, the EU Council announced various conclusions with regard to the "Eastern Partnership", encouraging "opportunities of further improvement of the EU-Belarus relations in accordance with certain measures taken by Belarus, including in the field of human rights and democracy". The EU Council also positively assessed the conclusion of the Declaration on Mobility Partnership with Belarus and expressed its hope for quick completion of negotiations concerning a visa facilitation agreement. Foreign Minister Vladimir Makei led the Belarus delegation at the Brussels EaP Summit on 24 November 2017. The parties signed a high level memorandum of understanding at the Summit on TEN-T network extension to Belarus.

On the basis of the final declaration of the Riga summit of the "Eastern Partnership" in May 2015 Belarus and the EU began the negotiations on bilateral priorities of the partnership for 2017-2020, covering four areas: strengthening of institutions and good governance; economic growth and market opportunities; connectivity, energy efficiency and climate change; mobility and people-to-people contacts. In 2017 negotiations with the European Commission to simplify visa procedures continued. As of February 2018, draft agreements on the simplification of visa procedures are generally agreed, with the exception of certain principal points. The last round of talks was held on 18 December 2017 in Brussels.

Belarus cooperates with the EU in the field of transport and environment. Having the status of observer in the Northern Dimension ("**ND**"), which is one of the priorities of regional policy of the EU, the Republic of Belarus participates in activities of a number of ND partnerships, inter alia, in the field of transport, logistics and environment. In particular, a number of projects are being implemented in the environment-oriented sphere, financed by the Environmental Partnership Fund of the ND, Nordic Investment Bank and the EBRD. Activation of project activities and elaboration of opportunities of getting financial support of the project in the transport sphere is an important area of cooperation of Belarus within the framework of the ND partnership in the field of transport and logistics. In June 2017 Belarus joined the EU-funded Eastern European Energy Efficiency and Environment Partnership (E5P). Important allocations are already pledged for Belarus.

The Republic of Belarus has well-developed trade relations with a number of the EU member states, such as Great Britain (Great Britain's expected exit from the EU is not expected to affect its bilateral relations with Belarus), Germany, Italy, France, Belgium and the Netherlands. Belarus provides for transit of goods, services and energy products to the EU through its territory, developing the relevant infrastructure and ensuring smooth functioning and safety of mainstream gas and oil pipelines coming from Russia to the states of the EU through Belarus. A significant portion of Russian energy exports to EU countries run through Belarus. Belarus is implementing a number of programs aimed at improving industrial standards to the EU level. Belarus is striving to become a supplier of food and agricultural products to the EU markets and is therefore developing its certification system. Also, Belarus participates in the development of the European technical support program.

After the declines in 2015 and 2016, Belarus – EU trade returned to growth in 2017.

In 2017 the bilateral trade reached U.S.$14.5 billion (an increase of 30.5 per cent. year-on-year). Belarus' exports to the EU amounted to U.S.$7.9 billion (an increase of 39.5 per cent. as compared to 2016), while imports from the EU amounted to U.S.$6.6 billion (an increase of 20.7 per cent. as compared to 2016). The positive trade balance reached U.S.$1.3 billion compared to U.S.$149 million in 2016. The EU's share of the total Belarus exports amounted to 26.9 per cent. in 2017 (24 per cent. in 2016).

In 2016 Belarus attracted U.S.$3.4 billion in investments from the EU, of which U.S.$2.9 billion was in the form of FDI (the comparable figures in 2015 were U.S.$5.5 billion and 3.6 billion, respectively). In January – October 2017 the EU invested in Belarus U.S.$3.3 billion, including U.S.$2.9 billion in the form of FDI.

Participation in the Central European Initiative

Since 1996 the Republic of Belarus has been participating in the Central European Initiative ("**CEI**"). In 2017 Belarus assumed CEI Presidency for the first time. Its main topic was promotion of connectivity and compatibility in Europe ("Promoting connectivity in a Wider Europe"). This includes development of transport and logistical infrastructure, harmonisation of standards and customs procedures, introduction of modern information technologies for simplification of trade and development of cross-border services, encouragement of entrepreneurship along the main transport corridors, and other measures for barrier-free trade and economic and investment cooperation.

As part of its CEI Presidency, Belarus hosted meetings of the CEI Heads of Governments, CEI Foreign Ministers, CEI Parliamentary Assembly, two ministerial conferences on connectivity and biotechnology, a CEI Business Forum and a CEI Heads of Chambers of Commerce meeting.

Relations with the OSCE

The Republic of Belarus conducts systematic work to maintain constructive interaction with the OSCE, which is the largest regional forum for political dialogue of 57 participant states on a wide range of issues of military-political, economic-environmental and human dimensions of security.

Starting from 2014, Belarus has made consistent efforts to help resolve the crisis in neighbouring Ukraine, including by providing the venue and facilitating regular meetings of the Trilateral Contact Group on Ukraine and its thematic working groups. Meetings of heads and political directors of Foreign Ministries of the "Normandy Format" states in the capital of Belarus in 2016-2017 strengthened the image of Belarus as a reliable partner and security provider in the OSCE region.

The 26th Annual session of the OSCE Parliamentary Assembly, which was held for the first time in Minsk in July 2017, confirmed, inter alia, the important role of Belarus in promoting the unifying agenda in order to overcome the confidence deficit between the participating States.

Belarus conducts pragmatic and constructive cooperation with the OSCE Office for Democratic Institutions and Human Rights (ODIHR), including in the framework of project interaction (gender equality, the rule of law, development of human rights education), and on electoral issues.

Since February 2016, the Interagency Expert Working Group (IEWG) has been working in Belarus to review implementation of ODIHR's recommendations following the 2015 presidential elections. Belarus received positive feedback in the ODIHR's report following its observation of the 2016 parliamentary elections. At present, the additional proposals of the IEWG to improve the electoral legislation are under consideration by the country's leadership.

In order to further improving the electoral process, Belarus will continue to develop a constructive dialogue with the OSCE ODIHR and other international institutions.

Relations with the Council of Europe

The Council of Europe (CoE) is an international organisation comprising 47 European countries, including the 27 EU member states. Belarus is not currently a member of the CoE, however, it is a party to a number of conventions adopted by the CoE's member states, including the 1998 Criminal Law Convention on Corruption and the 1999 Civil Convention on Corruption. Belarus is also a member of the Group of States against Corruption, which is the CoE's monitoring body against corruption.

An Action Plan of the CoE for Belarus, which includes projects in the spheres of democracy, human rights and the rule of law, has been implemented for the first time since 1997.

Belarus participates in the implementation of the "Partnership for Good Governance" program, the CoE and the EU umbrella program, which covers cooperation with the "Eastern Partnership" countries in various fields (fight against corruption, cybercrime, issues of reforming electoral legislation and local governance).

Relations with the United States of America

The improvement of relations with the United States is one of the priorities of Belarus' foreign policy.

On 1 December 2010 as a result of an improvement in relations between Belarus and the United States in 2009-2010 the Minister of Foreign Affairs of the Republic of Belarus met the U.S. Secretary of State. Following the meeting the parties issued a joint statement on cooperation in the area of nuclear safety and nuclear non-proliferation between Belarus and the United States.

However, the United States' negative assessments of the result of the Belarusian presidential elections in 2010 resulted in a sharp deterioration in bilateral relations.

Since 2012 due to mutual efforts, Belarus – U.S. relations have been gradually normalising. Belarus and the United States cooperate in the areas of international security, non-proliferation and fight against transnational organized crime. Belarus – U.S. cooperation in the military field was also re-established. The two countries are working together to develop bilateral economic cooperation. Following development of a constructive dialogue, the United States has lifted or suspended all economic sanctions against Belarusian economic entities. Interagency contacts and official and business exchanges have been intensifying as well.

The United States made a balanced assessment of the results of the 2015 presidential elections and the 2016 parliamentary elections in Belarus. The remaining concerns of the United States regarding human rights and democracy are the subject of continuing bilateral discussions. Since 2015 the two sides have also been engaged in a human rights and democracy dialogue.

In September 2014 New York hosted the Belarusian Investment Forum. At the event a high-ranked representative of the U.S. Department of State encouraged American businesses to develop economic cooperation with Belarus. In March 2015 the United States lifted sanctions against "Belorusneft" oil company imposed in 2011 for cooperation with Iran. Since 30 October 2015 the United States has suspended sanctions against the "Belneftekhim" group.

In December 2016, on invitation of the U.S. Department of State, a high-level Belarusian economic delegation visited the United States. During the visit representatives of the two states discussed opportunities for bilateral economic, trade and investment cooperation. In 2016 the U.S. Department of State also cancelled its negative recommendation to American banks concerning the underwriting of Belarusian bonds and changed the wording of the recommendation to American investors concerning cooperation with Belarus from "negative" to "neutral or positive".

Belarusian regions and cities have been developing cooperation with the U.S. states. Honorary consulates of Belarus are now operating in Texas and Florida. The U.S. Embassy in Belarus provides assistance in organizing visits of representatives of American companies to Belarus.

The Belarus – U.S. forum of small and medium-sized businesses, the first of its kind in the history of bilateral relations, was held in the United States in April 2017.

The United States supports the process of the accession of Belarus to the WTO.

The United States is one of the main investors in Belarusian economy. As of 1 January 2018, 395 joint ventures and foreign enterprises with the American capital were registered in Belarus. As of 1 January 2018, there were 15 offices of American companies registered in Belarus.

In January-September 2017 the United States invested $49.3 million in Belarus (21 per cent growth comparing to the same period last year), including $4.6 million of direct investments (5.5 per cent growth), with a U.S.$18.6 million net inflow of FDI (38.8 per cent growth).

The Unites States provides technical and humanitarian assistance to Belarus relating to significant social, economic, science and technology, cultural and other projects.

In 2017 the volume of external trade with the United States amounted to U.S.$609.3 million (0.9 per cent. of the total external trade volume of Belarus) as compared to U.S.$645.9 million in 2016. Exports to the United States countries amounted to U.S.$224.8 million (0.8 per cent. of the total volume of Belarusian export in 2017) as compared to U.S.$130.6 million in 2016, while imports amounted to U.S.$379.1 million (1.1 per cent. of the total import volume) as compared to U.S.$515.3 billion in 2016.

In June 2017, the United States extended the regime of normal trade relations with Belarus for another year, until June 2018. However, the U.S. Government continues the practice of applying restrictive tariff measures against some categories of Belarusian exports, such as anti-dumping measures against building bar, produced by the Belarusian Steel Works (BMZ) and anti-dumping duty regarding Belarus-produced rod.

Belarus consistently advocates a complete lifting of the U.S. sanctions and full normalisation of Belarus – U.S. relations. Belarus and the United States continue collaborative work to improve bilateral relations, facilitate dialogue and resolve issues of mutual concern that remain on their bilateral agenda.

Relations with countries in Latin America

Strengthening of diverse relations of the Republic of Belarus with Latin American countries, as well as major regional integration groups is an important goal of the Belarusian foreign policy.

Argentina, Brazil, Cuba, Ecuador and Venezuela are the key trade partners of Belarus in Latin America. Belarus is however interested in the development and growth of external trade with Peru, Chile, Mexico and other Latin American and Caribbean countries.

In 2017, exports to Latin American and Caribbean countries amounted to U.S.$619.5 million (2.12 per cent. of the total volume of Belarusian exports in 2017), showing an increase of 5.2 per cent. as compared to 2016. In 2017, imports from Latin American and Caribbean countries amounted to U.S.$421.5 million (1.2 per cent. of the total volume of Belarusian imports in 2017), showing an increase of 37 per cent. as compared to 2016.

Relations with Asian countries

Developing foreign trade cooperation with countries in Asia has become increasingly important for Belarus's foreign policy. Belarus intends to further diversify its export markets and focus on developing cooperation with China, India, Vietnam, Indonesia, Pakistan, Thailand, Singapore, Australia, Malaysia, the Philippines, Cambodia and Laos. Principal types of goods exported to Asia are vehicles, heavy machinery and petrochemical products. Belarus intends to diversify the types of goods exported to Asia in the future and to increase exports of services.

In 2017 the volume of external trade with Asian countries amounted to U.S.$6.5 billion (10.3 per cent. of the total external trade volume of Belarus) as compared to U.S.$5.5 billion in the same period of 2016. Exports to Asian countries amounted to U.S.$1.98 billion (6.8 per cent. of the total volume of Belarusian export in 2017) as compared to U.S.$1.96 billion in the same period of 2016, while imports amounted to U.S.$4.7 billion (13.8 per cent. of the total import volume) as compared to U.S.$3.7 billion in 2016.

China is one of the largest creditors and investors in the Republic of Belarus. The Chinese Export-Import bank and the Chinese Development Bank are the leaders in the financing of the joint Belarusian-Chinese projects in Belarus among the Chinese financial institutions.

Belarus positions itself as a bridge between China and the countries of the EU within the framework of the Chinese initiative "One Belt, One Road". Thanks to the participation of Belarus in the "One Belt, One Road" initiative, Belarus and China have various joint projects related to direct investments. The main sources of investments are financial resources provided for the construction of a trade and logistics complex in the territory of the China-Belarus Industrial park "Great Stone".

In May 2017 the Edict of the President of the Republic of Belarus No. 166 "On the development of a special legal regime of the China-Belarus Industrial park "Great Stone" came into force. The Edict is aimed at guaranteeing a favourable legal regime for the residents of the industrial park in comparison with the other regimes in the Republic of Belarus and in the EEMA countries. On 20 December 2017 there were twenty-three residents registered in "Great Stone", of which 14 were registered during 2017.

During the state visit of the President of the Republic of Belarus to China on 28-29 September 2016 the parties reached an agreement on establishing a new level of bilateral relations: trust-based all-round strategic partnership and mutually beneficial cooperation. In total during the visit, 27 agreements and memorandums were signed, inter alia, on the development of cooperation in the spheres of industry and investments, finances, trade, education and science, military and technical cooperation, and tourism.

Also, Belarus is actively developing cooperation with Hong Kong. In January 2017 an agreement on the mutual visa abolition and an agreement on avoidance of double taxation and prevention of revenue and property fiscal evasion were signed.

During 2017 Belarus-China mutual trade amounted to approximately U.S.$3.1 billion, the volume of Belarusian exports was approximately U.S.$362.7 million (a decrease of 23.3 per cent. compared to 2016), imports – U.S.$2.7 billion (an increase of 28.8 per cent. compared to 2016).

There is a positive dynamics on the direct Chinese investment flows to Belarus: according to the results of January – September 2017 the inflow of investments amounted to $152,8 million, the increase was 4 per cent. in comparison with January – September 2016, including $55,6 million of direct investments into Belarus.

Belarus is also focused on strengthening cooperation with India. The visit of the President of the Republic of Belarus to India in September 2017 laid the foundation for further improving and developing the relationship between the two countries. Belarus and India agreed to cooperate in the development of the international transport corridor “North-South”.

Member states of the Association of South East Asian Nations are also considered as promising for diversification and potential increase of Belarusian exports. The October 2016 Agreement on Establishment of the Free Trade Zone between the EEU and Vietnam can be utilised as a foothold for establishment of joint enterprises aimed at the common market of the ASEAN.

THE ECONOMY OF THE REPUBLIC OF BELARUS

Introduction

The years immediately after Belarus acquired its independence in 1991 were accompanied by a severe economic crisis. Until the mid-1990s, Belarus's basic macroeconomic indicators consistently worsened, primarily as a result of the economic disintegration of the Soviet Union, poor management of and low efficiency in its economy and misdirected economic stabilisation measures.

Since 1996, the social and economic policy of Belarus has been focused on transforming the economy into a socially oriented market economy.

However, the reform has been slow and some commentators have criticised Belarus for failing to reform its economy sufficiently from a state-dominated system and for not actively promoting the private sector. In particular, such commentators have pointed to the Government's emphasis on full employment, the widespread use of subsidies and the absence of large scale privatisations as factors which have prevented the expansion of non-traditional sectors within the economy.

Belarus's economy remains dominated by the state and is planned and administered by the Government. The public sector represents approximately 47 per cent. of GDP.

In 2007 and 2008, Belarus's economy developed rapidly, resulting in increases in internal consumption rates, favourable foreign trade conditions and growth in the levels of financing and investment. After the end of 2008, Belarus's economy began to be increasingly affected by the global economic crisis. As a result, GDP growth significantly slowed and Belarus recorded marginally positive real GDP growth of 0.2 per cent. in 2009. In order to boost the economy, improve the competitiveness at the global level and attract direct foreign investments, starting from 2008, the Government implemented a range of structural economic policy measures. In particular, the Government reduced the extent of state regulation of the economy, liberalised price regulations and antimonopoly laws, and decreased tax burden on businesses. The Government simplified the procedures for registration, licencing and liquidation of enterprises and implemented certain measures to foster the development of innovation and information technologies. In 2010, the Government, supported by the World Bank, established the National Agency of Investment and Privatisation ("**NAIP**") aiming to improve the competitiveness of the Belarusian economy at the global level, and to increase the volume of direct foreign investments. As a result, in 2010-2014 the Belarusian economy gradually recovered from the consequences of the global economic crisis with GDP growing at 1.7 per cent. in 2014.

The social and economic development dynamics in Belarus were largely determined by global trends which were marked by a substantial deterioration of external economic conditions in 2015 and 2016. These include the decline in economies of Russia and Ukraine (the major trading partners of Belarus), including the sharp fall in investment demand, the devaluation of national currencies in the EEU member states, and a drop in prices in the oil and potash fertiliser markets, as well as in markets of other Belarusian exports. The unfavourable external economic environment limited growth of opportunities for the Belarusian economy and led to decreased exports and declining GDP in real terms. Real GDP in 2015 and 2016 declined by 3.8 per cent. and 2.5 per cent., respectively.

The adaptation to external conditions during 2015-2016 led to the tightening of monetary and fiscal policy. The macroeconomic stabilisation measures taken by the Government and the National Bank included fiscal consolidation, enhanced control of money supply, switching to a more flexible exchange rate regime, exchange rate adjustment, and alignment of the wage increase with the rise in labour productivity. Authorities also introduced measures to stimulate and support export sales (including reduction of mandatory sale of foreign currency revenues of export-oriented companies) and to stabilise the financial positions of enterprises. In 2016, such actions resulted in recovery dynamics of industrial production volumes, and increased physical volumes of goods for export.

2017 was characterised by a steady recovery of economic activity and consolidation of the emerging positive trends in the economy of the Republic of Belarus. In January 2018, the National Statistics Committee of Belarus issued a preliminary assessment of key economic indicators. It is estimated that

GDP in current prices for 2017 amounted to Br105.2 billion. GDP increased in real terms by 2.4 per cent. in 2017. Industry is the main driver of growth (an increase of 6.1 per cent. in 2017) with the improvement of its quality parameters, such as the minimum level of inventories for the last five years, the growth in profitability of sales and an increase in net profit. The growth rate of investments in fixed assets increased by 5.3 per cent. in 2017 as compared to 2016.

Economic growth in 2017 was observed against the backdrop of balanced indicators of other macroeconomic indicators: the level of inflation has decreased to 4.6 per cent. (December to December), which is the lowest value for the last 10 years (in 2016 the inflation rate was 10.6 per cent (December to December)), stability on the domestic currency market increased (this allowed, among other things, to reduce the normative mandatory sales of foreign currency earnings of enterprises from 20 per cent. in 2016 to 10 per cent. in 2017), the population's confidence in the national currency and monetary policy has improved, the ruble's exchange rate has stabilised, and gold and foreign currency reserves increased (by U.S.$2.5 billion as compared to 1 January 2017 to U.S.$7.3 billion as of 1 January 2018).

In 2017, interest rates on ruble loans were almost halved (from 20.5 per cent. in December 2016 to 11.3 per cent. in December 2017).

The shadow economy in Belarus amounted to less than 10 per cent in 2014-2016. The Government has introduced and is implementing a strategic plan for combating the shadow economy through complex control measures over industries with historically high risk of concealment of income. Such measures include, *inter alia*, mandatory taximetres installations (which led to increase in tax income in respect of the industry in 2016), introduction of electronic tracking systems and electronic invoices systems. Complex control measures aimed at combating the shadow economy introduced by the Government target both legal entities and individuals.

In 2016, due to the fall in world oil prices (the average price of Urals crude oil in 2016 amounted to U.S.$42 per barrel compared to the initial forecast of U.S.$50 per barrel used in budget preparation) the budget of the Republic of Belarus experienced a shortfall of export duties on oil and oil products and oil exports fees in an aggregate amount of approximately Br1 billion.

In 2017, a more cautious approach for budgetary purposes was used with respect to expectations of a recovery in oil prices. Initially, the forecast for the socio-economic development of the economy for 2017 was based on the average annual price of oil (Urals brand) at U.S.$45 per barrel and a more conservative estimate for the budget – U.S.$35 per barrel. A more dynamic recovery in oil prices made it possible to revise the estimate for 2017 (U.S.$53 per barrel). This made it possible to receive higher revenues from export duties on oil and oil products, which are used to repay the state's external obligations.

In 2018, the approach is also being continued, which uses a more conservative oil price for budgetary planning purposes (U.S.$43.8 per barrel (Urals brand)). For the purposes of forecasting the socio-economic development of the country in 2018, the price of oil was used at the level of U.S.$53 per barrel (Urals brand).

Gross Domestic Product

Between 2011 and 2017, the average annual increase of Belarus's GDP in real terms was approximately 0.85 per cent. According to preliminary estimates, real GDP for 2017 increased by 2.4 per cent., as compared to a 2.5 per cent. decline in 2016 and a 3.8 per cent. decline in 2015.

The following table sets out information on Belarus's GDP in nominal terms and in real terms for each of the periods indicated:

	Year ended 31 December					
	2012	**2013**	**2014**	**2015**	**2016[1]**	**2017[1][4]**
Nominal GDP, total						
At current prices, Br million	547,616,743	670,688,471	805,792,707	899,098,124	94,949.0	105,199.0
At current prices, U.S.$ million[2]	65,428	74,761	78,536	55,317	47,479	54,414
Real GDP growth, total (%)	1.7	1.0	1.7	(3.8)	(2.5)	2.4
Nominal GDP, per capita						
At current prices, Br million	57.9	70.9	85.0	94.7	9.99[3]	11.08
At current prices, U.S.$ thousand	6.9	7.9	8.3	5.8	5.0	5.7
Real GDP growth per capita	1.8	1.0	1.6	(4.0)	(2.6)	2.4

Notes:

(1) Post re-denomination of the Belarusian ruble. See "*Exchange Rate Information*".

(2) Calculated using the average exchange rate for the relevant year.

(3) Br thousands.

(4) Preliminary estimates.

GDP for the year ended 31 December 2015 was Br899.1 trillion, which represented a decrease (in comparable prices) of 3.8 per cent. as compared to 2014. GDP for the year ended 31 December 2016 was Br94.9 billion (re-denominated), which represented a decrease after giving effect to the currency re-denomination of 2.5 per cent. as compared to 2015. The main contributors to this decrease were declines in industrial output, trade and construction. According to preliminary estimates, GDP for 2017 was Br105.2 billion, which represented an increase of 2.4 per cent. as compared to 2016, mainly due to increase in Belarus industry and stabilization of global oil prices.

The following table sets out the structure and growth rates of GDP for each of the periods indicated:

	Year ended 31 December														
	2012			**2013**			**2014**			**2015**			**2016**[(1)]		
	GDP (Br million)	**Structure (%)**	**Nominal growth (%)**	**GDP (Br million)**	**Structure (%)**	**Nominal growth (%)**	**GDP (Br million)**	**Structure (%)**	**Nominal growth (%)**	**GDP (Br million)**	**Structure (%)**	**Nominal growth (%)**	**GDP (Br million)**	**Structure (%)**	**Nominal growth (%)**
Final consumption expenditure.............	337,432,179	61.6	76.7	433,842,729	64.7	28.6	536,508,508	66.6	23.7	609,580,484	67.8	13.6	66,619.0	70.2	9.3
of which:															
Households.............	259,992,467	47.5	75.7	339,704,110	50.7	30.7	420,821,860	52.2	23.9	470,058,692	52.3	11.7	51,121.5	53.8	8.8
general government.	74,293,526	13.5	79.8	90,072,242	13.4	21.2	110,830,927	13.8	23.0	134,161,262	14.9	21.1	14,862.5	15.7	10.8
non profit institutions serving households..	3,146,186	0.6	86.0	4,066,377	0.6	29.2	4,855,721	0.6	19.4	5,360,530	0.6	10.4	635.0	0.7	18.5
Gross capital formation	192,182,064	35.1	68.1	260,213,858	38.8	35.4	280,746,519	34.8	7.9	261,050,469	29.0	(7.0)	25,140.2	26.4	(3.7)
of which:															
gross fixed capital formation................	182,992,193	33.4	58.0	249,407,840	37.2	36.3	267,719,502	33.2	7.3	257,630,415	28.6	(3.8)	24,155.1	25.4	(6.2)
changes in inventories	9,189,871	1.7	–	10,806,018	1.6	–	13,027,017	1.6	–	3,420,054	0.4	–	985,1	1.0	–
Net exports of goods and services...................	24,470,526	4.5	–	(21,118,738)	(3.2)	–	(6,199,878)	(0.8)	–	959,380	0.1	–	(181.0)	(0.2)	–
Statistical discrepancy	(6,468,026)	(1.2)	–	(2,249,378)	(0.3)	–	(5,262,442)	(0.6)	–	27,507,791	3.1	–	3,370.8	3.6	–
GDP........................	547,616,743	100	78.2	670,688,471	100	22.5	805,792,707	100	20.1	899,098,124	100	11.6	94,949.0	100	5.6

Source: National Statistical Committee

Note:

(1) 2016 data post re-denomination of the Belarusian ruble. See "*Exchange Rate Information*".

	January-September 2017[1]		
	GDP (Br million)	Structure (%)	Nominal growth (%)
Final consumption expenditure	53,597.7	70.4	8.7
of which:			
Households	42,029.6	55.2	10.0
general government	11,036.7	14.5	3.9
non profit institutions serving households	531.4	0.7	13.8
Gross capital formation	18,257.4	24.0	6.7
of which:			
gross fixed capital formation	16,983.1	22.3	4.1
changes in inventories	1,274.3	1.7	–
Net exports of goods and services	1,234.6	1.6	–
Statistical discrepancy	3,084.5	4.0	–
GDP	76,174.2	100	9.0

Note:

(1) Preliminary estimates.

Principal Sectors of the Economy

The following table illustrates the breakdown of the public sector and private sector in Belarus as percentages of the total GDP as at the dates indicated:

	As at 31 December					
	2012	2013	2014	2015[(2)]	2016[(2)]	2017[(3)]
		(percentages)				
Public sector[(1)]	48.5	47.5	47.2	46.5	46.7	46.6
Private sector	51.5	52.5	52.8	53.5	53.3	53.4
Total GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: National Statistical Committee

Notes:

(1) Includes companies where the state owns at least 50 per cent. plus one share.

(2) Data provided in accordance with SNA-2008.

(3) Preliminary estimates.

The following table sets out Belarus's GDP by economic sector and as a percentage of gross value added ("**GVA**") for each of the periods indicated:

	Year ended 31 December								
	2012			**2013**			**2014**		
	Br billion(1)	**% of GVA**	**Real growth(2)**	**Br billion(1)**	**% of GVA**	**Real growth(2)**	**Br billion(1)**	**% of GVA**	**Real growth(2)**
Agriculture, forestry and fishing	44,526.4	9.3	5.8	45,667.8	7.7	(3.6)	58,847.5	8.3	2.5
Construction	40,175.1	8.4	(9.9)	67,490.6	11.4	7.2	83,377.6	11.7	(1.3)
Industry	158,513.8	33.0	5.3	173,311.4	29.3	(4.1)	201,704.2	28.3	2.4
Trade	74,706.4	15.5	(6.1)	82,809.8	14.0	10.5	98,054.8	13.8	7.2
Transport	32,423.9	6.8	4.6	42,723.4	7.3	1.2	45,890.4	6.4	1.2
Other activities(3)	129,947.9	27.1	2.5	179,105.5	30.3	(0.1)	223,917.0	31.5	0.6
GVA	480,293.5	100	1.5	591,108.5	100	0.6	711,791.5	100	2.0
Net taxes on products	67,323.2		3.4	79,580.0		3.4	94,001.2		(0.1)
GDP	547,616.7		1.7	670,688.5		1.0	805,792.7		1.7

Source: National Statistical Committee

Notes:

(1) Nominal value. 2011-2015 before re-denomination. 2016 data post re-denomination of the Belarus ruble. See "*Exchange Rate Information*".

(2) Rate of real annual growth, percentage.

(3) Includes services on temporary accommodation and catering: information and communication; financial and insurance activities; real estate, renting and services to consumers; public administration, professional, scientific and technical activities; administrative and ancillary services; education; health and social services; artwork; sports; entertainment and leisure; other services.

(4) Post re-denomination.

	Year ended 31 December								
	2015			2016			2017(4)		
	Br billion(1)	**% of GVA**	**Real growth(2)**	**Br billion(1)**	**% of GVA**	**Real growth(2)**	**Br billion(1)**	**% of GVA**	**Real growth(2)**
Agriculture, forestry and fishing	56,492.2	7.2	(2.4)	6.5	8.0	3.8	8.2	8.9	5.6
Construction	70,488.6	9.0	(10.2)	5.4	6.6	(15.8)	5.5	6.0	(2.4)
Industry	223,447.3	28.7	(6.2)	24.0	29.2	(0.5)	28.3	31.0	6.0
Trade	109,273.6	14.0	(2.1)	10.4	12.7	(7.3)	10.2	11.2	3.0
Transport	49,712.9	6.4	(6.4)	5.4	6.6	0.3	6.1	6.6	5.6
Other activities(3)	270,258.2	34.7	(0.2)	30.3	36.9	(1.0)	33.1	36.2	(1.1)
GVA	779,672.8	100	(3.9)	82.0	100	(2.6)	91.4	100	2.4
Net taxes on products	119,425.3		(3.2)	12.9		(1.3)	13.8		2.8
GDP	899,098.1		(3.8)	94.9		(2.5)	105.2		2.4

Source: National Statistical Committee

Notes:

(1) Nominal value. 2011-2015 before re-denomination.

(2) Rate of real annual growth, percentage.

(3) Includes services on temporary accommodation and catering: information and communication; financial and insurance activities; real estate, renting and services to consumers; public administration, professional, scientific and technical activities; administrative and ancillary services; education; health and social services; artwork; sports; entertainment and leisure; other services.

(4) Preliminary estimates.

Industry

The industrial sector of Belarus includes the mining industry, the manufacturing industry, the supply of electric power, gas, steam, hot water and air conditioning, waste disposal and pollution mitigation operations. The manufacturing industry accounts for over 85 per cent. of the industrial sector and includes the following industries: the manufacturing of food products, beverages and tobacco products, textile goods, clothing, leather and fur goods, wooden and paper products; graphic printing and reproduction of recorded information media; the manufacturing of petrochemical and chemical products, basic pharmaceutical products and medicines, rubber and plastic goods, other non-metal mineral products; the metallurgical production and the manufacturing of finished metal goods; the manufacturing of computer hardware, electronic and optical equipment, electric equipment, machines and machinery, means of transport and transport equipment.

The table below shows percentage changes in the rates of industrial production in comparable prices (current prices adjusted for inflation) for each of the periods indicated:

	Year ended 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(increase/(decrease) over comparable period of previous period, in %)					
Total Industry	**5.9**	**(4.9)**	**1.9**	**(6.6)**	**(0.4)**	**6.1**
of which:						
Mining industry	(1.9)	1.5	55.6	(7.8)	(0.8)	3.6
Manufacturing (processing)	6.6	(5.4)	0.1	(7.1)	(0.1)	7.0
Food, beverages and tobacco	4.5	2.0	(1.5)	(1.2)	2.5	3.2
Textiles, clothing, leather goods and fur	1.5	(2.5)	(3.9)	(15.0)	4.7	4.9
Wood and paper products, printing	(1.2)	1.3	4.3	(7.1)	10.2	14.4
Coke and refined petroleum products	9.0	(20.3)	8.5	0.5	(17.0)	0.0
Chemical products	19.9	(13.4)	28.9	6.2	(3.7)	9.8
Pharmaceutical products	8.6	13.1	2.0	38.5	4.4	10.1
Rubber and plastic products, other non-metallic mineral products	2.6	3.1	(7.0)	(15.4)	(4.8)	5.5
Metallurgical production. Fabricated metal products, except machinery and equipment	5.0	(6.2)	1.9	(9.7)	0.1	3.8
Computer, electronic and optical equipment	8.2	8.8	5.1	4.8	3.0	6.7
Electrical production equipment	4.9	5.0	(20.4)	(20.2)	10.7	5.5
Machinery and equipment not included into other categories	1.8	0.3	(21.4)	(24.9)	5.8	26.5
Vehicles and equipment	13.9	(4.6)	(23.2)	(13.3)	12.1	(9.4)
Production of other finished products; repair and installation of machinery and equipment	5.4	3.5	(11.0)	(5.1)	2.6	8.8
Electricity, gas, steam, hot water and air conditioning supply	0.1	0.4	3.1	(2.6)	(0.9)	2.7
Water supply; collection, treatment and disposal activities, activities to eliminate pollution	3.9	(0.5)	0.6	(7.6)	(7.6)	0.1

Source: National Statistical Committee

The table below shows the volume of produced industrial production in each sector for the periods indicated:

	Year ended 31 December											
	2012		**2013**		**2014**		**2015**		**2016[(•)]**		**2017[(1)(2)]**	
	Br million	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*
Total Industry........... *of which:*	**61,719.5**	**100.0**	**60,741.0**	**100.0**	**67,434.8**	**100.0**	**73,959.0**	**100.0**	**81,794.9**	**100.0**	**93,041.8**	**100,0**
Mining industry..........	769.0	1.2	873.8	1.4	896.7	1.3	901.5	1.2	1,014.4	1.2	1,193.1	1.3
Manufacturing (processing)................	55,884.1	90.6	54,193.8	89.3	59,776.4	88.6	64,391.6	87.1	70,051.9	85.6	81,847.6	88.0
Food, beverages and tobacco..........	11,404.0	18.5	13,616.3	22.4	16,100.9	23.9	17,667.9	23.9	20,724.5	25.3	23,051.3	24.8
Textiles, clothing, leather goods and fur	2,240.3	3.6	2,443.5	4.0	2,580.0	3.8	2,583.3	3.5	3,236.6	4.0	3,613.2	3.9
Wood and paper products, printing..	1,518.8	2.5	1,799.8	3.0	1,998.2	3.0	2,404.3	3.3	3,158.2	3.9	3,710.9	4,0
Coke and refined petroleum products......	12,709.6	20.6	9,632.8	15.9	10,984.6	16.3	12,113.1	16.4	10,496.7	12.8	13,263.0	14.3
Chemical products	6,977.4	11.3	4,270.6	7.0	6,177.1	9.2	7,666.9	10.4	6,682.8	8.2	8,097.5	8.7
Pharmaceutical products	337.3	0.5	411.9	0.7	513.1	0.8	846.3	1.1	997.6	1.2	1,147.5	1.2
Rubber and plastic products, other non-metallic mineral products ...	4,970.6	8.1	5,765.6	9.5	6,011.3	8.9	5,448.2	7.4	6,128.8	7.5	7,028.8	7.6
Metallurgical production. Fabricated metal products, except machinery and equipment	4,048.7	6.6	4,097.6	6.7	4,371.9	6.5	4,632.7	6.3	4,943.4	6.0	5,984.9	6.4
Computer, electronic and optical equipment .	715.6	1.2	789.8	1.3	806.4	1.2	973.8	1.3	1,282.6	1.6	1,485.8	1.6
Electrical production............	1,645.9	2.7	1,713.1	2.8	1,589.4	2.4	1,781.2	2.4	2,271.1	2.8	2,457.9	2.6
Machinery and equipment not included into other categories	4,992.1	8.1	4,924.9	8.1	3,989.6	5.9	3,555.2	4.8	4,507.6	5.5	5,999.5	6.4
Vehicles and equipment	2,742.3	4.4	2,727.4	4.5	2,397.3	3.6	2,177.7	2.9	2,635.5	3.2	2,804.0	3.0

	Year ended 31 December											
	2012		2013		2014		2015		2016(•)		2017(1)(2)	
	Br million	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*	*Br million*	*(%)*
Production of other finished products; repair and installation of machinery and equipment	1,581.7	2.6	2,000.6	3.3	2,256.7	3.3	2,541.2	3.4	2,986.6	3.7	3,203.4	3.4
Electricity, gas, steam, hot water and air conditioning supply.....	4,151.6	6.7	4,643.0	7.6	5,583.1	8.3	7,405.3	10.0	9,388.5	11.5	8,489.0	9.1
Water supply; collection, treatment and disposal activities, activities to eliminate pollution	914.8	1.5	1,030.4	1.7	1,178.6	1.7	1,260.6	1.7	1,340.3	1.7	1,512.1	1.6

Source: National Statistical Committee

(1) Post re-denomination of the Belarusian ruble. See "*Exchange Rate Information*".

(2) Preliminary estimates.

A large portion of large industrial enterprises is state-owned. The following table illustrates the shares of the public sector and private sector in the industrial sector measured by output at current prices for each of the periods indicated:

	Year ended 31 December						
	2011	2012	2013	2014	2015	2016	2017(1)
				(%)			
Public sector	20.6	16.2	17.1	13.0	14.8	16.5	15.1
Private sector(2)	79.4	83.8	82.9	87.0	85.2	83.5	84.9
of which private sector with state participation	53.3	55.0	56.5	58.9	57.4	61.3	62.1
Total output	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: National Statistical Committee

Notes:

(1) For large and medium-sized industrial organizations.

(2) Includes companies with foreign investment.

In 2016 the system of economic targeting has changed in the Republic of Belarus. Previously, ministers overseeing specific industries determined output targets (such as volume of production, level of energy and material consumption, wage growth, etc.) and set them for state-owned enterprises. Targets were obligatory. Since 2016 the Government set KPIs (key performance indicators such as net profit, profitability, reduction of production and realisation costs, etc.) for state-owned enterprises. The KPIs represent guidelines for the state-owned enterprises, which are to report to the respective supervisory boards on the performance versus these indicators.

Metallurgical production, the manufacturing of machines and equipment, electric equipment, computer hardware, electronic and optical equipment and means of transport, the manufacturing of petrochemical and chemical products, basic pharmaceutical products and medicines, textile goods, clothing, leather and fur goods and the supply of electric power, gas, steam and hot water consume considerable amount of imported resources, which are imported primarily from CIS countries (mainly from Russia). In turn, the markets of these countries and the EU countries are the main consumers of finished products for Belarus. The manufacturing of food products, beverages and tobacco products, the timber and woodworking industry as well as the pulp and paper industry provide mainly for the domestic market and use domestic raw materials.

In 2016, the volume of industrial production increased in comparable prices in the majority of industries against 2015: in the manufacturing of food products, beverages and tobacco products – by 2.5 per cent.; textile goods, clothing and leather and fur goods – by 4.7 per cent.; wooden and paper products; graphic printing industry and reproduction of recorded information media – by 10.2 per cent.; basic pharmaceutical products and medicines – by 4.4 per cent.; metallurgical production –by 0.1 per cent.; computer hardware, electronic and optical equipment – by 3.0 per cent.; electric equipment – by 10.7 per cent.; machines and equipment not included in other groups – by 5.8 per cent.; vehicles and transport equipment – by 12.1 per cent.; the manufacturing of other finished products; repairs, machine and equipment assembly – by 2.6 per cent.

In 2017, the industrial production in comparable prices versus 2016 increased in all areas other than vehicles and equipment.

Trade and Catering

In 2016, the Republic of Belarus had 59,145 retail trade facilities and 12 779 catering facilities. Catering facilities included canteens (36.2 per cent. of the total number of public catering facilities), cafes, bars and eateries (28.5 per cent.), restaurants, including fast food restaurants (4.9 per cent.), mini cafes and cafeterias (16.7 per cent.) and other catering facilities (13.7 per cent.). The share of private and foreign property in the Republic of Belarus in the volume of retail turnover is more than 90 per cent., in the turnover of public catering - more than 75 per cent.

In 2017, the retail trade turnover amounted to Br39.2 billion, or 103.8 per cent. in comparable prices to the level of the previous year. The turnover of public catering in 2017 amounted to Br2.1 billion, or 102.3 per cent. compared to the previous year.

In 2017, the retail trade turnover amounted to Br39.2 billion, or an increase of 3.8 per cent. in comparable prices as compared to the level of 2016.

Construction

In recent years the volume of construction contract work and the number of construction companies has been decreasing. In 2016 the volume of contract works decreased by 14.8 per cent. compared to 2015. The gross added value of the construction sector in 2016 was 5.7 per cent. of the GDP as compared to 7.8 per cent. of GDP in 2015.

In 2017, the volume of contract work amounted to a 95.3 per cent. as compared to the previous year. According to preliminary estimates, the gross added value of the construction sector in 2017 decreased forth to 5.3 per cent. of GDP.

In recent years, there has been a steady decline in housing construction in Belarus, the total area of housing construction has decreased from 5.5 million square metres in 2011 to 4.3 million square metres in 2016. During 2017, 3.8 million square metres of the total area of housing were put into operation.

Transport

By virtue of its geographical position, Belarus is at the centre of the basic transport routes that connect Western Europe with the East and the regions of the Black Sea coast with the countries of the Baltic Sea. The transport sector accounted for approximately 5.8 per cent of GDP in 2017, 5.7 per cent. of GDP in full year 2016 and 5.5 per cent. in full year 2015. Belarus's transportation infrastructure includes:

- pipelines for the transportation of natural gas, oil, and oil products across Belarus's territory;
- a well-developed network of railways, part of which is included in international transport corridors No. 2 and No. 9. and roads;
- regular air routes from Minsk which reach 31 foreign countries; and
- navigable internal waterways in Belarus.

Moreover, Belarus is an important link of the Economic Silk Road belt, which provides for close cooperation with China on the modernisation of transport infrastructure, including the construction and reconstruction of roads and railways and electrification of sectors of the Belarusian railway.

Given the importance of Belarus's transport routes for Belarus's economy, maintaining transport infrastructure is an important priority for the Government. Investment in the maintenance and modernisation of the transport infrastructure is financed through the relevant enterprises operating in the transportation sector and the Public Sector Budget by means of raising funds from the EBRD (road P80), the World Bank (M-5 and M-6 highways), as well as within the framework of the PPP mechanism (a pilot project with the EBRD for the reconstruction of the M-10 highway). In 2016, expenditure under the Public Sector Budget for financing of Belarus's road network amounted to approximately Br0.6 billion (approximately U.S.$0.3 billion). Maintenance of the oil and gas pipelines networks in 2016 was financed by the relevant enterprises operating the respective networks.

The following table sets out data on the freight transportation in Belarus for each of the periods indicated:

	Year ended 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Freight transportation volume, *thousand tonnes*	484,371	471,210	467,486	447,212	417,643	439,469
Freight turnover, *million tonnes-kilometres*	131,684	130,752	131,402	125,957	125,820	133,347

Source: National Statistical Committee

Communication

Belarus has completed the modernisation of its international and long-distance telecommunications networks through the replacement of analogue equipment with digital and has been taking further proactive measures to develop national information and telecommunications infrastructure, which includes the construction of multi-service networks of electric telecommunications and the implementation of intellectual platforms (IMS platforms). This has created conditions for providing each user with a whole set of services, ranging from telephone communications and broadband Internet connection to IP TV broadcasting services.

The Republic of Belarus was the first among the CIS countries to have fully switched to digital on-air TV broadcasting: 99.45 per cent. of the territory of Belarus is covered with the first multiplex, which broadcasts eight TV programmes included in the mandatory public package; 95.12 per cent. is covered with the second multiplex, which broadcasts 18 TV programmes; and 93.66 per cent. of the territory is covered with the third multiplex, which broadcasts 18 TV programmes.

There are three mobile electric telecommunications operators in Belarus, which provide services to the general public, as well as one infrastructure operator. As at 1 October 2017, the mobile telecommunications services cover 98.2 per cent. of the territory of the Republic of Belarus. In addition, an LTE mobile electric telecommunications network and LTE-based services have been developing rapidly. At present, LTE services are provided in Minsk and all regional towns. By the end of 2018, the LTE technology is expected to reach district towns and other populated settlements with over 50,000 inhabitants.

From 2011 to 2016, the share of the gross added value of the information and communication technology sector in the total GDP increased from 2.8 per cent. to 4.5 per cent., respectively.

IT sphere

In the past several years Belarus has earned the reputation of the leading information technology ("**IT**") developer in the Eastern European region. Belarusian IT companies have regularly appeared in the internationally recognized Global Outsourcing 100 and Software 500 lists. Six of them were listed in Global Outsourcing 100 list and ten companies were included in Software 500 list in the end of 2017. In December 2016, The Wall Street Journal named Belarus "The Silicon Valley of Eastern Europe".

According to Gartner, a global research and advisory company, Belarus is among Top 9 Primary Locations for Outsourcing & Service Delivery centres in Europe, Middle East and Africa region in 2017, with the best government support for IT industry, well-developed educational system and high professionalism of workforce which are recognised globally.

In 2005, the Hi-Tech Park ("**HTP**") was established in Belarus for development of software industry and attraction of foreign investments. HTP is now one of the leading innovative IT clusters in Europe with about 32,000 software engineers experienced in different fields of software development. Software and IT services exports of the HTP companies is expected to surpass U.S.$1 billion in 2017. As of 1 January 2018, there were 192 companies in the HTP. Companies in the HTP enjoy special preferences, such as (i) favourable tax regime until 2020, including the exemption from income tax and VAT; (ii) lower personal income tax: (iii) exterritorial principle of registration (the company can become a resident of HTP even if its legal registered address is outside the territory of HTP), and (iv) access to qualified workforce.

HTP residents provide services to well-known global corporations, including Facebook, Google, Samsung, London Stock Exchange, World Bank, Citibank, Reuters, SAP, Coca-Cola, MTV, Expedia, and many others. Five out of ten world's largest companies by revenue (according to Forbes Lists) are among HTP customers. Fortune's list of 200 largest companies features 60+ HTP customers.

Some of major international companies have already opened their R&D centres in Belarus, including SK hynix (the world's second largest memory chipmaker and the world's fifth largest semiconductor company, South Korea) and IAC (a large American media and Internet company, with over 150 brands across 100 countries).

In December 2017, the decree "On Digital Economy Development" that, *inter alia*, legalises initial coin offerings (ICO), cryptocurrencies and smart contracts in Belarus was signed by the President of the Republic of Belarus and is to come into force on 28 March 2018 (the "**Decree on Digital Economy Development**"). Adoption of the Decree on Digital Economy Development makes Belarus the first world's jurisdiction with the overall legal regulation of businesses based on blockchain technology. The Decree on Digital Economy Development does not include any restrictions or special requirements for the creation, issue, storage, sale or exchange of digital tokens, as well as operation of cryptocurrency exchanges and platforms. Activities related to mining, creation, acquisition and sale of digital tokens are to remain tax-free until 2023.

The Decree on Digital Economy Development provides for, *inter alia*:

- broader access to the HTP with its wide range of tax exemptions and benefits. Apart from IT, companies operating in other high-tech sectors will qualify for HTP residence;
- further improvement/liberalization of the operating environment for HTP residents: lifting restrictions on capital flows and in the area of foreign trade operations;
- the existing benefits to HTP residents to be extended till 2049 and introduction of new benefits to HTP residents with product business models;
- new legal doctrines (English law) to be introduced;
- legislative framework for implementation of blockchain technology, use of tokens and cryptocurrencies;
- abolishment of permits requirement for residents of HTP to employ foreign specialists; and
- delegation of IT education oversight from the Ministry of Education to the HTP's administration.

According to the International Finance Corporation (the "**IFC**"), by 2020 the revenue of the IT-sphere of Belarus may reach U.S.$3-4 billion. As of the date of this Prospectus, 41 per cent. of HTP residents are companies with Belarusian capital, 59 per cent. with foreign and joint capital. 91 per cent. of the software produced in HTP is exported with 43 per cent. supplied to the United States, 49 per cent. to Europe and 5 per cent. to Russia and CIS.

	Year ended 31 December		
	2006	2011	2016
Export of IT services, U.S.$ million	47.9	274.1	957.5
Share of IT services in total amount of export of services, %	2	5	14
HTP export, U.S.$ million	21.9	215.2	820.6
Share of HTP in export of IT services, %	46	79	86

Source: National Statistical Committee

Agriculture and Forestry

In 2016, 425.1 thousand people, or 9.6 per cent. of all population employed in the Belarusian economy, were engaged in the agriculture and forestry sectors. According to the 2016 estimate, agriculture and forestry accounted for 6.8 per cent. of GDP. In 2015, agriculture and forestry accounted for 6.3 per cent. of GDP. In 2017, agriculture and forestry accounted for 7.8 per cent of GDP compared to 6.9 per cent in 2016.

Following the disintegration of the Soviet Union and the economic disruption experienced in Belarus in the early 1990s, agricultural production and exports of agricultural and food products from Belarus contracted sharply. Beginning in 2000, as a result of measures supporting large agricultural enterprises, agricultural production gradually started to grow again. In parallel, the Government began to encourage greater agricultural specialisation, placed more emphasis on modernisation of equipment and introduced more advanced agricultural technologies. These measures proved to be successful in restoring profitability of the majority of agricultural enterprises. From 2005 to 2010, the Government implemented a state programme for the revitalisation and development of rural areas. The programme provided for subsidies for the purchase and application of organic and mineral fertilisers to improve the fertility of lands, lime treatment of sour lands and measures relating to the effective use of ameliorative systems. Emphasis was placed on innovative solutions, reconstruction and modernisation of the agricultural sector and upgrading tractors and machinery of agricultural enterprises.

Since 2016, the implementation of the next Government program aimed at developing the agrarian business, based on increasing competitiveness, efficiency and exports, has begun.

In 2011-2015, the Government implemented a programme for the continued development of rural areas. The programme provided for subsidies for large-scale investment projects and for the purchase of fertilisers, protective equipment, fuels, lubricants and spare parts. The emphasis of the programme has been placed on increasing the effectiveness of the agricultural industry, updating it technologically and promoting its export potential. In addition to the programme, the Government implemented measures encouraging consolidation among meat and milk producers within regions and country-wide, to increase efficiency and benefit from economies of scale.

As a result of these actions, in 2011 - 2016, the total growth in the production of agricultural products at the farms of all categories reached 13.6 per cent. In 2016, the production of grain (based on after-treatment weight) increased to 7.5 million tonnes against 7 million tonnes in 2010. In 2016, the production of meat increased by 19.8 per cent. and amounted to 1.7 million tonnes against 1.4 million tonnes in 2010. In 2016, the production of agricultural products at the farms of all categories grew by 3.3 per cent. (in comparable prices) against 2015. During the same period, the production of meat increased by 0.9 per cent/ and the production of milk grew by 1.3 per cent. as compared to 2015. In 2016, the total volume of grain produced (based on after-treatment weight) amounted to 7.5 million tonnes, a decrease of 13.8 per cent. as compared to 2015 primarily as a result of unfavourable weather conditions.

In 2017, on the back of increased demand the production of agricultural products in all types of farms increased (in real prices) by 4.1 per cent. compared to 2016. Milk production in 2017 increased by 3.3 per cent., and the sale of livestock and poultry for slaughter increased by 0.3 per cent. Grain production (in terms of weight after processing) in 2017 was approximately 7.6 million tons and increased by 7.3 per cent. as compared to 2016.

The table below shows the volumes of agricultural production at the farms of all categories:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
Agricultural products (in current prices[1]	94,864	103,854	128,991	135,378	15,502[2]	18,246[2]
Including:						
crop production............	42,629	47,123	61,350	60,582	7,177[2]	8,739[2]

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
livestock production	52,235	56,731	67,641	74,796	8,325(2)	9,507(2)
Total harvest of grain crops and grain legume crops (based on after-treatment weight), *thousand tonnes*	9,226	7,600	9,564	8,657	7,461	7,990
Production of main types of livestock products						
realisation of cattle and poultry livestock for slaughter (on a live weight basis), *thousand tonnes*	1,557	1,669	1,548	1,661	1,677	1,677
production of milk, *thousand tonnes*	6,766	6,633	6,703	7,047	7,141	7,321

Source: National Statistical Committee

Notes:

(1) The data is given in accordance with the National Classification of the Republic of Belarus OKRB 005-2011 "Types of economic activity". 2011-2015 data in Br billions. 2017 data in Br million reflecting the re-denomination of the Belarusian ruble. See "*Exchange Rate Information*".

(2) Br million (data is based on prices effective as of 1 July 2016).

The table below shows the changes in the production volumes of agricultural products at the farms of all categories in comparable prices against the previous year:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
			(%)			
Agricultural products (in comparable prices)..................	6,0	(4,0)	3,1	(2,5)	3,3	4.1
of which:						
crops	6,2	(8,5)	9,6	(9,7)	5,9	6.2
livestock................................	5,8	(0,5)	(2,9)	4,8	1,0	2.4

Source: National Statistical Committee

On 1 January 2009, a new Land Code of the Republic of Belarus came into force (as approved by the Law of the Republic of Belarus dated 23 July 2008). The Land Code of the Republic of Belarus stipulates the fundamental principles governing the ownership of land in the Republic of Belarus and the procedure for allocating land plots owned by the state. Private companies that are residents of the Republic of Belarus may acquire land plots into private ownership by way of an auction. Foreign legal entities and representative offices of foreign legal entities may take land plots on lease. Without an auction, land plots may be allocated to legal entities for maintaining capital facilities (buildings and structures) and in other instances prescribed by Edict No. 667 of the President of the Republic of Belarus dated 27 December 2007 "On the withdrawal and allocation of land plots".

In addition, according to Decree No. 10 of the President of the Republic of Belarus dated 6 August 2009 "On the creation of additional conditions for investment activities in the Republic of Belarus", having concluded an investment contract for the implementation of an investment project, an investor and/or an organisation, which was validly established in the Republic of Belarus by the investor or with the investor's participation, is entitled to take a land plot on lease without the need to win an auction for the right to conclude the lease of the land plot.

To ensure further development of the agricultural sector and an increase in exports, key priorities for the Government include improving the quality control of production and competitiveness of Belarusian agricultural products at the foreign markets. At present, the work on the accession of the Republic of Belarus to the WTO has been intensified. Belarus' membership in the WTO will help to increase the competitiveness of Belarusian goods and services, strengthen Belarus's position in international trade and increase the attractiveness of the business and investment climate. See "*Overview of the Republic of Belarus - International Relations - Cooperation with the WTO*".

Fuel and Energy

Fuel and Energy Industry (FEI) of the Republic of Belarus forms a key component of Belarus's national economy and includes the extraction, transportation, storage, manufacture and distribution of the main energy carriers: natural gas, oil and oil products, solid fuels, and electrical and thermal energy. FEI has well-developed production infrastructure, including a net of oil and gas pipelines, as well as power transmission lines. Intensive development of the sector took place in the 1960s and 1970s with the construction of power plants, electricity and heating networks, and gas and oil pipelines to create a solid energy base for developing all other parts of the economy, particularly the heavy machinery manufacture and metallurgy and chemical and petrochemical subsectors. The energy system of Belarus is a continuously developing complex, joined with the common operation pattern.

Approximately 85 per cent. of the total domestic consumption of fuel and energy came from imports in 2016. Natural gas consumption represents approximately 60 per cent. of the total domestic consumption of fuel and energy resources. Russia accounts for more than 90 per cent. of the total fuel and energy imports.

The NPP project is expected to allow Belarus to partially reduce its reliance on imported natural gas, reduce the price of electric power and raise the energy security of Belarus. See "*NPP*".

The basic purpose of the Energy Policy implemented by the Republic of Belarus is to determine the ways and generate the mechanisms to maximise efficiency in consumption of the fuel and energy resources, achieving energy security of the state. To implement a system-based approach in the energy field for the period through 2035, the Concept of Energy Security of the Republic of Belarus has been developed and introduced. The Concept outlines the following basic principles of the long-term development of the country's fuel and energy complex with the below objectives:

- to raise energy independence of the country;
- to raise the diversity of suppliers and energy resource types;
- to maintain security of fuel and energy supply to the end consumers, ensure the wear of the main production facilities and investments in the FEI basic capital at the acceptable level;
- to reduce percentage of GDP attributed to the energy industry; and
- to raise the resistance of the county's economy to the changing prices for imported energy resources.

Implementation of the energy conservation policy in the Republic of Belarus in the period 2005-2015 served to increase GDP across the country by a total of 50.5 per cent. as compared to 2005 without increasing the consumption of fuel and energy resources (FER). In fact, gross consumption of FER has been lowered by 1.6 per cent. by 2015 as compared to 2005. In the recent years significant work has been done to commit local FER to the Republic's fuel and energy balance. From 2005-2015 the increment in consumption of local FER created 2.15 million tonnes of reference fuel (t.r.f.). The share of local FER (including the local fuel types, waste energy and renewable energy sources) in boiler and furnace fuel increased from 20.7 per cent. in 2010 to 29.5 per cent. in 2015.

According to Government statistics, energy independence of the Republic of Belarus (the share of primary energy production in the gross consumption of FER) in 2016 amounted to 14.6 per cent., while the share of primary energy production from renewable energy sources accounted for 5.7 per cent. in the gross consumption of FER. The Government plans to increase the above indicators to 16 per cent. and 6 per cent., respectively, by 2020. The priorities are sustainable energy and oil product supplies to the national economy and population as well as increased energy efficiency in order to lower the cost of energy supplies. To that effect, the Republic of Belarus is implementing several renewable energy projects, including construction of the windmill and hydro power plants. The fuel and energy sector faces the task of reducing the economic risks connected with dependence on deliveries of energy. In parallel, there is a focus on maintaining the level of domestic energy supplies for Belarus's fuel and energy sector including alternative and renewable energy sources.

Oil

The table below shows the data for oil consumption in Belarus in the indicated periods:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
	(million tonnes)					
Processing	21.7	21.2	22.3	23.0	18.6	18.1
Extraction	1.65	1.65	1.65	1.65	1.65	1.65
Imports from Russia	21.5	21.3	22.5	22.9	18.1	18.06
Imports from other countries	–	–	–	–	0.04	0.06
Exports from the Republic of Belarus	1.65	1.62	1.62	1.62	1.62	1.62

Source: Belarusian State Concern for Oil and Chemistry (Belneftekhim Concern)

The table below shows the data on transit of the Russian oil through JSC "Gomeltransneft-Druzhba":

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
Amount of oil transit through JSC "Gomeltransneft-Druzba" (*million tonnes*)	53.4	50.4	49.0	52.4	52.8	49.6
Proceeds from transit of crude oil from Russia through the territory of Belarus, *U.S.$ million*	260.0	252.7	223.3	168.4	180.4	204.8

Source: Belarusian State Concern for Oil and Chemistry (Belneftekhim Concern)

Belarus and Russia have had a number of disputes in the past regarding the level of duty to be imposed on Russian crude oil exports to Belarus, including a dispute in the Economic Court of the Commonwealth of Independent States in 2010. Belarus withdrew its claim against Russia in the Economic Court of the Commonwealth of Independent States following the implementation of the new agreement with Russia in December 2010 and the launch of the Customs Union. Under the new agreement, Russia has abolished duties on crude oil and oil products exported to Belarus. Export duties on exports of crude oil from Russia and oil products produced from crude oil imported from Russia from Belarus to countries outside the Customs Union will be paid to Russia. Belarus and Russia agree the quantity of crude oil supplies at the intergovernmental level on an annual basis. Terms of supply are agreed by Belarusian processing plants and Russian crude oil suppliers.

Since 1 January 2015 the Russian Federation has implemented a "tax manoeuvre" in the oil sector, stipulating a gradual decrease of export customs rates for oil and basic oil products during the period 2015 - 2017 with the simultaneous increase of the tax on mineral resource extraction. Due to the lowering of the export customs rate, the cost of Russian oil for Belarus in the comparable conditions increases, approximately, by the customs duty change value. As the result of oil tax reform finalisation in the Russian Federation, the Republic of Belarus will have to start purchasing oil at world market prices by 2020.

Annually Belarus and Russia agree upon the amount of crude oil supplied at the intergovernmental level. The table below shows the agreed amounts of crude oil supplies from Russia, the amount of crude oil actually supplied, average prices for the indicated periods:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
Agreed amount of crude oil supplies from Russia, *million*	21.5	21.0	23.0	23.0	24.0	24.0

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
tonnes......................................						
Crude oil supplied from Russia, *million tonnes*............	21.5	21.3	22.5	22.9	18.1	18.06
Average price per 1 tonne, *U.S.$*	391.9	385.6	363.6	247.3	218.7	294.3

Source: Belarusian State Concern for Oil and Chemistry (Belneftekhim Concern)

Proceeds for transit of Russia's crude oil through JSC "Gomeltransneft-Druzhba" were U.S.$168.4 million, U.S.$180.4 million and U.S.$204.8 million in 2015, 2016 and 2017, respectively.

In April 2017, the governments of the two countries reached an agreement on the annual delivery of Russian oil to the Republic of Belarus in the period from 2017 to 2024 by pipeline transport in the amount of 24 million tons. This agreement is fixed in the Protocol on Amendments to the Intergovernmental Agreement on Measures to Settle Trade and Economic Cooperation in the Field of Oil and Oil Products Export of 12 January 2007 (hereinafter - the Protocol).

International crude oil prices have fluctuated widely in 2012-2017 in response to global supply and demand, general economic conditions, and competition from other energy sources and other factors. According to the U.S. Energy Information Agency, the average spot price of Brent crude oil was U.S.$64.37 /bbl in 2017, as compared to an average of U.S.$43.55/bbl in 2016, U.S.$52.32/bbl in 2015, U.S.$98.97/bbl in 2014, U.S.$108.56/bbl in 2013, U.S.$111.63/bbl in 2012 and U.S.$111.26/bbl in 2011. The sharp decline in oil prices in 2015-2016 adversely affected the Russian economy as one of the largest oil exporters, and indirectly had a negative effect on the Belarusian economy as Russia is its main trading partner and many export industries of Belarus are oriented towards Russia. Furthermore, as oil products present a large part of the Belarus exports, decrease in global oil prices led to decreasing exports of oil and oil products for the Republic of Belarus. For instance, upon the results of 2016 export of oil and oil products decreased by U.S.$2.8 billion as compared to 2015 and by U.S.$3.6 billion in 2015 as compared to 2014. In 2017, following stabilization of global oil prices, export of oil and oil products increased by U.S.$1,4 billion as compared to 2016.

As a result, fluctuations in international oil prices may have a material impact on Belarusian economy, fiscal revenues, balance of payments, external reserves and future financial condition.

Electricity

Electric power production is the most important industry in the fuel and energy sector of Belarus. This is one of the leading sectors of the economy, which is traditionally in possession of high technical and engineering resources, making it a key industry in the economy as a whole. Production facilities of the Belarus's energy system have sufficient capability to satisfy the domestic demand. Nevertheless, when economically expedient, Belarus imports part of the electric power to diversify the power supplies of the country. The main producer of the electric energy in Belarus is the state production association of power industry "Belenergo" (GPO "Belenergo").

The table below shows the electric energy consumption, production and imports in Belarus for the indicated period:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
	(billion kWh, besides the percentage)					
Domestic consumption	38,244	37,694	38,035	36,704	36,339	36,929
Domestic production	30,643	31,324	34,717	34,083	33,318	34,343
% of total consumption	80.1	83.1	91.3	92.9	91.7	93.0
Imports from Russia	3,698	3,597	1,425	2,815	3,181	2,733
% of total consumption	9.7	9.5	3.7	7.7	8.8	7.4
Imports from Ukraine	4,051	3,004	2,401	1	–	–
% of total consumption	10.6	8.0	6.3	0.003	–	–
Imports from Baltic States	149	115	–	–	–	–
% of total consumption	0.4	0.3	–	–	–	–

Source: Ministry of Energy

In the 2012-2016 period Belarus has been satisfying from 80 to 93 per cent. of its domestic demand for electric power. The remaining part has been imported from Russia, Ukraine and Lithuania. However, given newly launched high efficiency generation facilities in the country and construction of the NPP, Belarus's strategy is to gradually decrease and eventually stop imports of energy over the coming years.

In the period from 2012 to 2017, Belarus has been focusing its effort on upgrading the main production facilities of its energy system and implementation of the energy saving measures in accordance with the state industrial programs. This led to increase in efficiency of electric and thermal energy production facilities as well as ensured the commitment of the local fuel and energy resources, including the renewable ones, to the country's energy balance.

Implementation of the energy system modernisation programme allowed to:

- save fuel and energy resources in the amount of 1,892 million t.r.f., which is equivalent to reduction of natural gas consumption by 1.65 billion cubic metres;
- launch of 1,908MW of high efficiency generating facilities;
- decrease the specific consumption of fuel for electric power production by 32.2 t.r.f./kWh (from 264.3 9 t.r.f./kWh in 2011 to 232.1 t.r.f./kWh in 2017);
- reduce the electric power imports from approximately 8 billion kWh back in 2012 to 2.7 billion kWh in 2017.

In 2016, Power Industry Development Programme 2016-2020 and the Complex Plan for Electric Power Production Development through 2025 were approved, providing for the launch of the Belarusian NPP.

In May 2014 Belarus, Russia and Kazakhstan signed the EEUT, which obliged the parties to create a common electric power market not later than 1 June 2019. During the 2015 to 2017 period, the parties have been implementing a number of preparatory measures, including the adoption of the EEU Common Electric Power Market Concept by the Supreme Eurasian Economic Council and preparation of the EEU Common Electric Power Market Program. The creation of the EEU common electric power market is aimed at establishing competitive relations in the field of interstate energy product supply to promote growth in the number of suppliers of such resources and diversity of prices offered for such resources. The expected result of such actions is a decrease in payments for imported energy resources for end consumers in Belarus.

Before the creation of the EEU Common Electric Power Market, Belarus (GPO "Belenergo") and Russia (PJSC "Inter RAO") co-operated within the framework of bilateral contracts for power supplies. The electric energy imported by Belarus shall not be charged export duty in Russia.

NPP

Since 2010, the Republic of Belarus has been increasing its electrical production infrastructure in order to diversify its energy production facilities. In March 2011, the Government of Belarus signed a contract with the government of Russia for the "turnkey" construction of the NPP in Belarus (with the total design output of up to 2,400MW).

To start construction of the power plant, in 2012 Belarus entered a number of design and development contracts with Atomstroyexport – a branch of Rosatom – the Russian national nuclear corporation. To finance the NPP construction in Belarus, in November 2011 Belarus and Russia signed a U.S.$10 billion export credit loan, which fully covers the expected expenses required to put the NPP into operation. In January 2012, a contract for exploration works and the development of design documentation on the Belarusian NPP was signed, stipulating stage by stage issuing of design documents, including those for the preparatory works (e.g. the foundation pit). The contract for development of the design documentation has been fulfilled.

In March 2012, the contract for preparatory works was signed. The works on the production facilities and the foundation pit for the first unit of the NPP have been performed in full. The production facilities (62 objects) required for construction of the Belarusian NPP were commissioned in 2015. At the stage of preparatory works in 2011, Belarus completed the main NPP infrastructure construction projects (the pioneering production base required for construction of the NPP, external power supply networks, access motor road, access relating to rail track). Construction of the NPP residential infrastructure (e.g. housing and schools for employees and their families) is in progress.

As of the date of this Prospectus, full-scale works under the General Contract are in progress on construction of the 1st and 2nd power units of the Belarusian NPP. The commissioning of the first block of Belarusian NPP is scheduled for 2019.

All the nuclear energy industry development works in the Republic of Belarus, including the creation of national nuclear infrastructure required for the development of nuclear power industry, as well as the NPP construction, are performed in compliance with recommendations of the International Atomic Energy Agency.

The NPP will allow Belarus to:

- annually replace natural gas in the amount of up to 5 billion cubic metres, increasing the energy security of Belarus;
- reduce greenhouse gas emissions;
- ensure the removal of obsolete and inefficient generating capacities from the Belarusian energy system;
- improve the economy of the country and the development of other branches of the national economy to a qualitatively new level;
- give a powerful impetus to the development of the region around the NPP site.

Natural Gas

Belarus imports natural gas from Russia. Belarus also transports natural gas through the "Yamal-Europe" pipeline, which accounts for about 25 per cent. of Russia's gas exports, as well as through "Gazprom Transgaz Belarus" (the new name of "Beltransgaz"). According to the bilateral intergovernmental agreement with Russia entered into in 2011, the gas transport pipelines in the territory of Belarus belong to "Gazprom" and are managed and maintained by "Gazprom Transgaz Belarus". Under the agreement, natural gas supplied for internal consumption and transit to EU is exempt from the Russian 30 per cent. export duty.

The table below shows the data of domestic consumption, import of natural gas, price for the imported gas and the price for gas transit through the territory of Belarus in the respective periods.

	Year ended 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(billion cubic metres)			
Domestic consumption	20.25	20.26	20.05	18.79	18.64	19.014
Import from Russia	20.25	20.26	20.05	18.79	18.64	19.014
			(U.S.$/thousand cubic metres)			
Price of imported natural gas	165.6	162.4	166.4	140.6	132.8	142.26
			(U.S.$ million)			
Price of the gas transited through Belarus	496.8	537.4	505.7	424.8	356.1	363.5

Source: Ministry of Energy

In November 2011, Belarus and Russia signed a Long Term Natural Gas Supply Contract (the "**LT Contract**") (the contract was made for undetermined period), to stipulate a significant reduction of natural gas price for Belarus starting 1 January 2012 (U.S.$165.6/thousand cubic metres) compared to the price in the fourth quarter of 2011 (U.S.$305.7/thousand cubic metres). The LT Contract stipulated a fixed price of natural gas for 2012. During 2013 through 2017, the price of natural gas for Belarus under the LT Contract has been determined based on the price of natural gas for the consumers in Yamalo-Nenets Autonomous Okrug of Russia plus the costs of transporting natural gas from the place of extraction to the border of Belarus, the costs of storing natural gas in Russia's underground tanks and the expenses of PJSC "Gazprom" for the sale of natural gas. In accordance with the amendments to the LT Contract on gas supplies for the Republic of Belarus for the period 2018 - 2019 signed on 13 April 2017, the price for natural gas imported from the Russian Federation during each settlement year will be fixed at U.S.$129 and U.S.$127 / m cu. respectively. In the LT Contract it is stipulated that Russia will guarantee the supplies of natural gas to Belarus in the amounts sufficient for satisfaction of the domestic demand in Belarus in full amount.

In August 2012, Belarus and PJSC "Gazprom" announced launching a new programme to promote the use of natural gas as motor fuel. In November 2012, PJSC "Gazprom" announced the implementation of a broad scale programme of investment in "Gazprom Transgaz Belarus" to upgrade the gas supply and storage facilities in order to ensure efficient use of such facilities and a 30 per cent. growth of the Russian gas transport to EU through Belarus.

In May 2014, Belarus, Russia and Kazakhstan signed the EEUT, which obliged the parties to create a common EEU gas market not later than 1 January 2025. Throughout 2015 - 2017, the parties implemented a number of preparatory measures, including the adoption by the Higher Eurasian Economic Council of the EEU, and also completed the development of the programme for the formation of the common gas market of the EEU.

Creation of the EEU common gas market is aimed at establishing competitive relations in the field of interstate energy products supply to promote growth in the number of suppliers of such resources and diversity of prices offered for such resources. The expected result of such actions shall be a decrease in payments for imported energy resources for end consumers in Belarus while Belarus's proceeds from the transit of natural gas through its territory are not expected to be materially affected.

On actions to reduce the scope of state price regulation

In 2011-2016, Belarus has adopted a number of measures to significantly reduce the scope of state price regulation. Currently, the EEUT and the Law of the Republic of Belarus "On Pricing" constitute the legal framework for regulated prices in Belarus. The law stipulates that regulated prices (tariffs) in the Republic of Belarus are applicable to: (i) goods produced (sold) and services provided (rendered) by natural monopolies, as well as goods (work, services) of legal entities and individual entrepreneurs included in the State Register of Economic Entities Occupying a Dominant Position on commodity markets of the Republic of Belarus (republican and local levels); and (ii) certain goods (works, services), a specific list which is adopted by the President (such lists includes, amongst other things, essential goods and services such as housing services and utilities, transport communication, catering products sold in educational institutions, medications and medical care). This list has been expanded several times: in 2016 - five items of major socially important goods (milk and dairy products, meat, bread, eggs, fresh chicken and baby food), in 2017 - potatoes and fresh vegetables.

In order to implement the provisions of the EEUT, in 2014 the Council of Ministers adopted a resolution providing that prices for socially important goods, previously controlled on a regular basis, can be regulated for no more than 90 days in one year in case of a significant increase in prices, sharp shortage of certain goods or certain imbalance in the market.

Inflation

Before 2008, the Government relied primarily on price controls to reduce inflation. Regulated prices (tariffs) were applied to a wide range of goods or services produced or supplied in Belarus that were intended for domestic consumption. As a result of measures taken by the Government to stabilise the balance of payments and the equalisation of the economy, in 2012 the inflation rate declined, reaching 21.8 per cent. (as compared to 108.7 per cent. in 2011) and 10.6 per cent. in 2016.

In 2017, in accordance with the main directions of monetary policy, the Government and the National Bank set a target to reduce inflation rates to no more than 9 per cent. *See "Monetary and Financial System"*. In fact, inflation rate in 2017 declined to 4.6 per cent.

The following table sets out past inflation rates and inflation targets going forward:

	As at 31 December								
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Index of consumer prices, %	121.8	116.5	116.2	112.0	110.6	104.6	106.0(2)	105.5(1)	105.0(2)

Source: National Bank

(1) Preliminary estimates.

(2) Targets.

The following table presents the percentage of increase in consumer prices and producer prices for each of the periods indicated:

	As of December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
			(%)			
Consumer price index	21.8	16.5	16.2	12.0	10.6	4.6
Monthly average(1)	1.7	1.3	1.3	0.9	0.8	0.4
Price index of industrial product manufacturers(2)	20.6	10.7	13.5	17.0	8.9	11.2
Monthly average(1)	1.6	0.9	1.1	1.3	0.7	0.9

Source: National Statistical Committee

Notes:

(1) Average monthly growth rate of the relevant index.

(2) Calculations in accordance with OCRB005-2011 classifications.

Employment, Wages, Pensions and Social Security

Wages

Starting from 2011, the mechanism of government regulation in the field of remuneration of labour in the real sector of Belarusian economy there have been significant changes that included liberalisation of remuneration in commercial organisations and the extension of the rights of employers. A new regulatory framework was adopted in 2010 and 2011, which aimed to reduce administrative barriers and restrictions for performers of entrepreneurial activities. These employers are granted broad rights and can apply various labour remuneration systems, taking into account the effectiveness of each employee and the financial possibilities entrepreneurial activities.

Remuneration of labour of employees who work in public (budgetary) organisations is based on a tariff system which includes centrally fixed wage grades and tariff coefficients in the 27-grade Common Tariff Scale of the employees in the Republic of Belarus and first class wage rate fixed by the Government. Increase of the labour remuneration level of budgetary sphere employees is carried out by means of increasing the first class wage rate. During the period from 2011 to 2017 the first class wage rate for remuneration of labour of budgetary sphere employees was increased 16 times from Br15.1 to 33.0 (after denomination). In general, during this period the first class wage rate increased more than by 2 times. As a result, for the period from 2011 to 2017 the nominal accrued average monthly wage of budgetary sphere employees increased more than by 3.7 times.

The minimum wage is the governmental minimum social standard in the field of remuneration of labour of employees. The procedure for setting the minimum wage was revised in 2014. In accordance with the revised Law of the Republic of Belarus "On Determination of and Procedure for Increase of the Minimum Wage" (in the latest version of 24 April 2014) the minimum monthly wage is established on an annual basis, taking into account the economic opportunities of the central and local budgets, as well as employers, in material goods and services, the level of employment and labour productivity, the forecast value of growth in consumer prices, the level of nominal accrued average monthly earnings. There is also the possibility of securing a higher level of the minimum monthly wage in the collective agreement.

The size of the monthly minimum wage is established by the Council of Ministers. In January 2016, the monthly minimum wage was set at Br230 (approximately U.S.$121), in January 2017 – Br265 (approximately U.S.$136), in January 2018 – Br305 (approximately U.S.$153). In January 2018, the minimum wage amounted to 140.1 per cent. of the subsistence minimum budget for the able-bodied population, established by the Ministry of Labour and Social Protection of the Republic of Belarus, which in January 2018 amounted to Br217.74 (approximately U.S.$109).

The table below shows the data on the fluctuation of wage index for each of the mentioned periods:

	Year ended 31 December											
	2012		**2013**		**2014**		**2015**		**2016**		**2017**[(1)]	
	Br	*(%)*[(2)]	*Br*	*(%)*	*Br*	*(%)*	*Br*	*(%)*	*Br*	*(%)*	*Br*	*(%)*
Average Nominal Monthly Wage[(3)]	367.61	93.5	506.14	37.7	605.24	19.6	671.5	10.9	722.7	7.6	815.2	12.6
Real Wage.........	–	21.5	–	16.4	–	1.3	–	(-2.3)	–	(-4.0)	–	6.2

Source: National Statistical Committee

Notes:

(1) With no regard for micro-organisations and small organisations without departmental affiliation.

(2) Change of the percentage index as compared to the previous period.

(3) On re-denomination basis for all periods. See "*Exchange Rate Information*".

In 2017, the nominal average monthly wage in Belarus increased by 12.6 per cent. compared to the corresponding period of the previous year and amounted to Br815.2 (about U.S.$422). The increase in real wages for the same period was 6.2 per cent. During 2016 the nominal accrued average monthly wage as compared to 2015 increased by 7.5 per cent., and amounted to Br722 (post re-denomination, approximately U.S.$361 (average weighted exchange rate in 2016). The decrease in real wages for the same period amounted to 3.8 per cent.

The table below shows the nominal accrued average monthly wage according to types of economic activity:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017(1)
			Br million(3)			
Agriculture, forestry and fishery	384.64	458.37	492.83	506.9	569,8	587.1
Industry	546.99	634.95	686.14	750.9	867.0	897.9
Construction	638.54	760.44	754.71	736.2	826.5	857.3
Wholesale and retail trade; repair of cars and motorcycles	457.16	559.80	620.05	665.5	760.3	780.9
Transport activities, warehousing, postal and courier activities	531.64	615.41	673.71	730.0	851.4	882.3
Information and communication	806.5	1,036.4	1,579.1	2,033.1	2,312.1	2352.9
Other activities(2)	440.49	540.17	619.79	657.3	671.2	691.6
Total	**506.14**	**605.24**	**671.50**	**722.7**	**789.9**	**815.2**

Source: National Statistical Committee

Notes:

(1) With no regard for micro-organisations and small organisations without departmental affiliation.

(2) With regard to services of temporary accommodation and food; financial and insurance activities; real estate transactions; professional, scientific and technical activities; activities in the field of administrative and auxiliary services; governmental management; education; healthcare and social services; creative work, sports, entertainment and leisure; provision of other types of services.

(3) On a re-denomination basis for all periods. See "*Exchange Rate Information*".

Employment

In recent years, the situation in the Belarusian labour market has been characterised by a reduction in labour resources, which is primarily the result of a decrease in the size of the employable population.

In 2016, the size of the economically active population (workforce) and size of the employed population decreased by 1.7 per cent. and 1.8 per cent., respectively, as compared to 2015.

In 2016, 252.4 thousand employees of organisations (8.3 per cent. of the average monthly number of employees) were partially unemployed (a 21.2 per cent. decrease as compared to 2015). As of 31 December 2016, 35,329 people were registered as unemployed, representing 18.5 per cent. decrease as compared to the similar index as of 31 December 2015. The registered level of unemployment as of 31 December 2016 amounted to 0.8 per cent. of the size of economically active population (workforce).

The table below shows certain data on employment in each of the stipulated periods:

	Year ended 31 December				
	2012	2013	2014	2015	2016
	(thousand people)				
Labour force[(1)] on average for the period	6,030.0	5,989.1	5,962.9	5,874.8	5,797.6
% of total size of population	63.7	63.3	62.9	61.9	61.0
Economically active population (workforce)[(2)] on average for the period	4,640.6	4,601.8	4572.8	4,537.3	4,450.9
Employed people among economically active population (workforce)[(3)] on average for the period	4,612.1	4,578.4	4,550.5	4,496.0	4,405.7
Unemployed people[(4)] as of the end of the period	24.9	20.9	24.2	43.3	35.3
Number of unemployed people as percentage of economically active population (workforce) as of the end of the period	0.5	0.5	0.5	1.0	0.8

Source: National Statistical Committee

Notes:

(1) Labour force is the population that is involved in economy or able to work, including those who do not work for some reason. Labour force comprises able-bodied population of employable age and employed persons who are older or younger than the employable age. Able-bodied population of employable age is the resident population of employable age (men of 16-59 years old, women of 16-54 years old), except unemployed persons who receive pensions, including: disability pension, group I and II (including disabled pensioners among national servicemen); pension for length of service; contributory retirement pension. Apart from the resident population, in the course of calculation of the size of able-bodied population of employable age the number of foreign citizens involved in economy of Belarus is considered.

(2) Economically active population (workforce) is a part of the population which provides the labour supply for production of goods (performance of works, rendering of services). Economically active population comprises the employed population and unemployed people who are registered in labour, employment and social protection bodies.

(3) Population involved in economy (employed population) comprises people who work for a wage or salary, as well as self-employed persons who work to gain profit or income, as well as persons who are temporarily absent. The size of employed population comprises people who perform work (assist) in organisations, the founder (participant) of which is a member of a household or a relative. The difference between the total number of labour resources and number of employed persons is determined by the fact that a certain portion of labour resources are not engaged in search for jobs during a certain period of time, for example, persons who are on maternity leave, on leave to attend to a child up to the age of three years; persons who study in educational institutions and who do not combine study with labour activities; persons who manage a household.

(4) Unemployed people registered in labour, employment and social protection bodies are able-bodied citizens who are permanently resident in the territory of the Republic of Belarus, who do not have job and salary, who registered in labour, employment and social protection bodies at their permanent place of residence with the purpose of searching for suitable work, who are searching for jobs and are ready to commence such work.

There is an ongoing trend of redistribution of the number of employed people from the public to private sector. For a general breakdown of the public and private sectors (including state participation in the private sector) as percentages of GDP, see "- *Principal Sectors of the Economy*". The following table sets out the distribution of employed persons among the public and private sectors of Belarus's economy on average for each of the periods indicated:

	As at 31 December				
	2012	2013	2014	2015	2016
			(thousand people)		
Involved in economy - total	4,612.1	4,578.4	4,550.5	4,496.0	4,405.7
Whereas:					
Public sector	1,965.0	1,879.4	1,771.6	1,765.3	1,769.7
Private sector[(1)]	2,647.1	2,699.0	2,778.9	2,730.7	2,643.0
			(% of total)		
Public sector	42.6	41.1	39.0	39.3	40.2
Private sector[(1)]	57.4	58.9	61.0	60.7	59.8

Source: National Statistical Committee

Notes:

(1) Includes companies with foreign investment, reformed companies and companies with state participation.

The following table sets out the annual average distribution of persons employed in the principal sectors of Belarus's economy for each of the periods indicated:

	As at 31 December				
	2012	2013	2014	2015	2016
			(thousand people)		
Agriculture, forestry and fishery	454.9	430.4	428.2	430.7	425.1
Industry	1,182.2	1,152.8	1,117.2	1,063.8	1,027.1
Construction.............................	360.9	369.7	376.7	350.3	308.0
Wholesale and retail sale; repair of cars and motorcycles	626.7	643.6	649.7	650.6	633.5
Transport activities, warehousing, postal and courier activities .	305.2	307.7	305.4	300.3	297.0
Information and communication	84.6	87.6	91.7	96.1	98.8
Other types of economic activities[(1)]	1,597.6	1,586.6	1,581.6	1,604.2	1,616.2
Total	**4,612.1**	**4,578.4**	**4,550.5**	**4,496.0**	**4,405.7**

Source: National Statistical Committee

Notes:

(1) With regard the following types of economic activities: services of temporary accommodation and food; financial and insurance activities; real estate transactions; professional, scientific and technical activities; activities in the field of administrative and auxiliary services; governmental management; education; healthcare and social services; creative work, sports, entertainment and leisure; provision of other types of services; activities of private households that employ household workers and manufacture goods and services for their own consumption.

Unemployment Benefits

Since 1 January 2007, unemployment benefits have been financed by the SPF, a state extra-budgetary fund managed by the Ministry of Labour and Social Protection.

The amount of unemployment benefits ranges from 70 per cent. to 200 per cent. of a so-called base rate, a metric set by the Government and adjusted from time to time. As of 1 January 2018, base rate amounts to Br24.5 (approximately U.S.$12.3).

In December 2017 the average monthly unemployment compensation amounted to Br26 (approximately U.S.$13), which amounted to 2.6 per cent. of the average nominal wage.

The duration of unemployment benefits may not exceed 26 calendar weeks within each 12 month period calculated from the date of registration as being unemployed. For unemployed persons that have worked for 25 years or more for men or 20 years or more for women, the duration of unemployment benefits is increased by two weeks for each year of work above these thresholds.

Until the end of 2018 and during 2019-2023 no substantial changes are expected in unemployment benefits expenditures.

Pensions and Other Benefits

In the Republic of Belarus, there is a solidarity pension system with defined benefits.

The main source of financing pensions are current mandatory contributions for pension insurance, paid by employers and employees to the state extra-budgetary Social Protection Fund.

The size of the average pension awarded upon reaching the stipulated age was: in 2015 – Br279.87 (approximately U.S.$172), in 2016 - Br292.22 (about U.S.$146), in 2017 - Br309.56 (about U.S.$160).

Pensions are periodically raised (taking into account the growth of earnings from employees and changes in the cost of living) on the basis of targeted Decrees of the Head of State within the budget of the Social Security Fund, but at least once a year. In general, the size of the old-age pension is maintained at around 40 per cent. of the average salary of employees. In recent years, pension expenditures accounted for about 9 per cent. of GDP.

For the purpose of adaptation of the pension system to aging population, pension expense growth is systematically managed. Thus, from 1 January 2017, the retirement age is gradually increasing (every year for 6 months) until reaching the age of 58 years for women and 63 years for men in 2022. The requirements for the length of service to qualify for a pension are also being raised to 20 years.

Pension terms in 2017 were as follows:

- for men - reaching the age of 60 years 6 months, having length of service of at least 25 years, including work with the payment of contributions to the social security fund for at least 16 years;
- for women - reaching the age of 55 years 6 months, having length of service of at least 20 years, including work with the payment of contributions to the social security fund for at least 16 years.

The state pension can be supplemented by pension payment in programs of voluntary pension insurance in insurance organisations. Employers and employees can participate in these programs voluntarily - on their own and at their own expense.

Government Sponsored Social Assistance

According to the National Statistical Committee of the Republic of Belarus, in the third quarter of 2017 5.9 per cent. of the population of the Republic of Belarus lived below the minimum living standards, as compared to 5.7 per cent. and 5.1 per cent. in 2016 and 2015, respectively. The low-income population includes the population with the level of per capita disposable resources below the subsistence minimum budget. The value of the subsistence minimum budget per capita average in the third quarter of 2017 amounted to Br197 (about U.S.$101). See "*—Employment, Wages, Pensions and Social Security—Wages*". To keep the income of this group of people at a guaranteed minimum level, a system of state social targeted assistance has been introduced in Belarus since 2001. During the functioning of the system of state targeted social assistance, almost 3 million people received targeted assistance, the total amount of payments for which amounted to more than Br362.5 million (in prices after the re-denomination). In 2017 targeted social assistance was received by approximately 310,200 citizens, and the total amount of state targeted social assistance amounted to Br87.9 million. Targeted assistance is provided in the form of monthly payments and one-off payments for food, medicine, clothing and certain other items.

FDI and Privatisation

FDI

Attracting FDI is an important priority for the Government. FDI comprises capital from purchasers of shares by foreign investors through direct investment in enterprises, reinvested earnings and inter-company loans, where the foreign investor holds at least 10 per cent. of a Belarusian company's shares or voting power. FDI is a component of total foreign investment, which is a broader category including direct, portfolio, capital and other investments in the form of cash, shares and other securities, credit, technology, machinery and equipment, and intellectual and other property. Belarus is seeking to attract further investment through an attractive tax and customs regime, including the performance of six existing free economic zones (one in each region) where a special tax and customs regime is applicable to residents of such zones. These special tax and customs regimes make it easier for local businesses to achieve higher profitability, which in turn makes such businesses more attractive for foreign investors. Further, the Government has sought to encourage investment in rural areas of Belarus by establishing beneficial tax regulations for such areas. Belarus's Government attracts investors through establishing unrestricted FDI access to diversified range of assets and lifting restrictions on profit repatriation. Further, Belarus attracts FDI in respect of such investment projects as the "Great Stone"; HTP; the Avgustov Canal tourist and recreation park; and other public-private partnerships. The main areas pursued by the above regimes are aimed at fostering high-tech, import-substituting and export-oriented industries.

The main benefits available to the resident enterprises of the Great Stone include the following:

- Exemption from (i) real estate tax on the objects thereof located in the park, irrespective of the purpose of their usage, (ii) land tax on the sites located in the park for residents and (iii) the income tax on a joint management company for the entire duration of the special legal regime (that is, until 14 June 2062);
- Exemption from profit tax in respect of the profits of the residents of the park from the sale of goods (works, services) produced by such residents in the park territory for a period of 10 years from the first tax period in which the resident has a profit from the sale of the said goods (works, services), after the expiration of this period the tax is paid at a rate reduced by 50 per cent. from the prevailing rate until the end of the special legal regime;
- The right not to include exchange rate differences in the composition of non-operating income or expenses for the entire duration of the special legal regime;
- Income tax relief in respect of employment income received from the residents of the park is reduced to 9 per cent. (until 1 January 2027). Income of other types received from the park residents not exceeding 500 basic units per year is exempt from income tax.

The residents of the free economic zones (the "**FEZ**") of the Republic of Belarus enjoy the following main benefits:

- Profits of FEZ residents received from the sale of goods (works, services) of their own production for export and other residents are exempt from income tax for 10 years; after expiration of this period a lower 50 per cent. tax rate on profits is applied (but no more than 12 per cent.);
- Exemption from property tax on buildings and structures located at respective FEZ, regardless of the purpose for which they are used;
- Exemption from payment of land tax for land plots at facilities design and construction stages regardless of the purpose of their use. This exemption is limited to a five year period starting from the date of registration of the company as a FEZ resident;

- Exemption from payment of rent for the state owned land plots regardless of the purpose for their use and from the payment for the right of execution of the rent agreements in respect of the land plots provided for the purpose of construction and maintenance of real estate objects;
- Exemption from payment of state duty for obtaining special permits for the right to work in the Republic of Belarus to foreign citizens and stateless persons who are attracted by a FEZ resident for the implementation of an investment project on the territory of the FEZ, etc.

According to the Doing Business 2018 report published by the World Bank, Belarus ranks 40 in terms of the protection of investors in the rating of countries based on the conditions for doing business, as compared to the 42nd place in the same rating for 2017 and 62nd place in 2016.

The Government participates in some infrastructure and investment projects by issuing State guarantees or by becoming a party to investment agreements. The parties may have disagreements on commercial and other matters while implementing such projects and, as a result, the Government could become subject to legal claims by investors.

As at the date of this Prospectus, two investment claims are pursued against the Government:

- In November 2017, the Republic of Belarus received a notification that arbitration proceedings pursuant to Article 3 of the UNCITRAL 2013 Arbitration Rules have been initiated by the Russian limited liability company "MANOLIUM-PROCESSING" in connection with an investment dispute. The claim challenges the expropriation of the plaintiff's assets by the defendant, which was undertaken due to the failure of the plaintiff to perform some of its obligations under the investment agreement relating to the construction of a hotel in Minsk. The total amount of the claim is approximately U.S.$200 million. The Republic of Belarus responded to the claim in December 2017, and as of the date of this Prospectus, the parties are discussing the proceedings' schedule and related procedural matters. The defendant believes the claim has no merit and plans to defend its position.
- In January 2018, the Russian non-public joint-stock company GRAND EXPRESS brought a claim against the Republic of Belarus in the International Centre for Settlement of Investment Disputes ("**ICSID**"). The claim challenges the Government's (as a creditor) taking possession and ownership of certain assets of a Belarusian joint venture company that declared bankruptcy in 2017 and in which the plaintiff has an interest. The total amount of the claim is approximately U.S.$200 million. The claim was registered with the ICSID on 31 January 2018 and the ICSID has 90 days to appoint the panel. The defendant believes the claim has no merit and plans to defend its position.

The following table shows FDI for each of the periods indicated:

	As at 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(U.S.$ million)					
FDI (received by the Republic of Belarus in the given period)................................	10,358.4	11,083.4	10,168.9	7,241.4	6,928.6	7,634.2
FDI on a net basis(1)	1,376.5	2,167.0	1,811.7	1,611.8	1,307.2	1,246.8
FDI (the amount accumulated in the Republic of Belarus as at the end of the reporting period)	4,767.9	6,159.0	6524,5	6419,2	6722,3	7,429.6

Source: National Statistics Committee

Note:

(1) FDI on a net basis (net of the indebtedness owed to the direct investors for goods, work or services).

In 2012-2016, the FDI inflow amounted to U.S.$45.8 billion. Inflows of direct investments exceeded the outflow in all periods. In 2016, the volume of FDI accumulated in Belarus amounted to U.S.$6,722.3 million. As of 31 December 2017 the amount of FDI accumulated in the Republic of Belarus was U.S.$7,429.6 million.

The following table shows FDI inflows in Belarus by country (excluding the banking sector) of origin for each of the periods indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
			(%)			
CIS	52.3	53.9	51.7	46.5	54.4	40.9
including Russia	48.6	52.5	50.3	45.1	50.9	37.3
EU countries, including	44.4	41.6	43.9	49.6	41.6	54.5
Great Britain	32.0	25.3	23.8	30.3	20	32.2
Cyprus	4.6	6.8	7.0	9.0	8.1	8.6
Austria	1.0	2.2	1.9	1.0	2.3	1.5
Netherlands	0.5	0.6	1.5	0.8	1.5	1.1
Germany	1.4	1.4	1.9	1.0	1,3	1.1
Latvia	0.7	0.9	0.8	0.8	0.8	1.5
Lithuania	1.2	1.0	3.6	1.9	2.7	2.4
USA	1.0	1.2	0.5	0.8	0.7	0.7
China	0.8	0.7	1.6	1.1	1.4	1.5

Source: National Statistical Committee

Russia remains the largest investor in the economy of Belarus. In 2012-2016, the FDI inflow from the Russian Federation amounted to U.S.$22,756.4 million, or 49.7 per cent. of the total value for the Republic of Belarus, while the inflow from the EU countries amounted to U.S.$20,145.9 million (or 44 per cent.). In the first nine months of 2017, Russia continued to be the leader in investing FDI in the Republic of Belarus, with the EU taking up the second place.

The following table shows FDI inflows in Belarus by the sectors in which FDI has been received for each of the periods indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
			(%)			
Agriculture, forestry and fishing industry	0.4	0.5	0.5	1.5	0.2	0.6
Industrial sector	9.9	11.1	12.2	11.7	15.1	15.8
Construction	0.9	0.9	1.2	0.8	1.2	0.7
Wholesale and retail; repairs of cars and motorcycles	47.3	41.4	37.9	45.1	34.9	46.7
Transport activities	36.1	37.5	39.1	31.2	38.6	24.0
Communications	1.7	2.3	2.5	2.6	5.1	6.1
Other	3.7	6.2	6.7	7.1	4.9	6.1

Source: National Statistical Committee

In 2012 - 2016, the largest amount of FDI came in the development of trade and transport activities. This trend continued in 2017, as the main inflow of foreign direct investment was trade. There is also a positive dynamics of the share of attracted FDI in industry, communications and agriculture.

Privatisation

Privatisation in Belarus first began in 1991 when the Government adopted a programme which covered all the basic forms of denationalisation and privatisation, including, sales at auction, tenders and the free transfer of shares of relevant enterprises to members of labour collectives in exchange for privatisation vouchers made available to the population. In order to create favourable conditions for investment activities by acquiring state property in the Republic of Belarus, a number of significant acts of legislation have been adopted over the recent years, with account to global practice and expertise.

In Belarus, privatisation is generally a two-stage process. The first stage is the transformation of a state enterprise into an open joint-stock company with 100 per cent. of the shares initially being owned by the state. The second stage involves the sale of some or all of the shares to one or more investors. Privatisation is generally an open process and shares are offered for sale by public tender. Privatisation of state-owned property was one of the most significant steps in the transformation of Belarus from a centralised planned economy and resulted in the formation of a private sector and the creation of a number of market institutions (such as joint-stock companies, banks and insurance companies).

Prior to September 2012, the Government implemented privatisation based on three-year privatisation plans. The last such plan was for 2011 to 2013.

In May 2010, the President established NAIP. The function of NAIP is to liaise with investors to encourage FDI and to ensure that privatisation measures are implemented in an efficient, professional and transparent manner. NAIP also provides investors and stakeholders with information and administrative support, including after completing privatisations, and engages financial consultants to assist enterprises in marketing their business to potential investors.

In September 2012, the President abolished the old system of privatisation planning and, consequently, the 2011 to 2013 privatisation plan was abolished. In October 2012, the Government approved a new plan for 2011-2013 providing for transformation of state enterprises into open joint-stock companies with state ownership. Under the plan, 35 enterprises were reformed in 2011, 15 enterprises were reformed in 2012, and 78 in 2013. Although no plan was adopted for 2014-2017, privatisation has continued (as described below).

Under new privatisation principles in force since October 2012, privatisation is carried out on a case-by-case basis depending on the terms offered by the investor and subject to the approval by the President. The State Property Committee has issued recommendations for the sale of shares and enterprises owned by Belarus as property complexes. The recommendations have been approved by the Government and distributed to the State authorities, organisations, regional executive committees and Minsk city executive committee as guidance.

The Belarusian legislation provides equal rights to both foreign and domestic investors for participating in the privatisation of state property. The following persons may participate in the process of privatisation: individuals, including individual entrepreneurs, foreign citizens and stateless persons, as well as legal entities of the Republic of Belarus, except for state-owned organisations and business entities, in the authorised fund of which the shares (participatory interests) owned by the Republic of Belarus and/or its administrative and territorial units exceed 50 per cent., foreign states and their administrative and territorial units, international organisations, foreign legal entities, as well as foreign unincorporated organisations.

In 1991-2017, over 5,150 state enterprises have been reformed. The so-called “small” privatisation has been virtually completed in full in the sphere of retail trade, services (catering and amenity services), consumer goods manufacturing, food industry, wood-working industry, construction, the processing of agricultural products and agriculture servicing sector.

In 2011-2016, 344 state unitary enterprises in total have been transformed into open joint-stock companies in such industries as petrochemical, machine-building and instrument-making industry, so that these companies could be subsequently privatised using foreign investments, where practical. Such major national enterprises as MAZ, BELAZ, BELOMO, Minsk Motor Plant, Integral, Belaruskali and others have been transformed into joint-stock companies.

In 2011-2016, 12 transactions were concluded with non-residents of the Republic of Belarus for the sale of shares in business entities owned by the Republic of Belarus, for Br73,321 million (before re-denomination) and U.S.$2,525.8 million. In 2017, shares of five joint-stock companies belonging to the Republic of Belarus were offered for sale at auctions in the trading system of the Belarusian Currency and Stock Exchange OJSC (the "**Belarusian Exchange**") in the form of a simple standard auction with the announcement of the starting price. Buyers showed interest in the shares of three joint-stock companies. To date no sales have been completed.

The chart below sets forth the annual privatisation receipts for the periods indicated:

	As at 31 December						
	2011[(1)]	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
				(U.S.$ million)			
Privatisation revenue....	2,508.8	1.4	19.1	5.3	-	-	-

Source: National Statistical Committee

Note:

(1) the numbers in Br are translated at the official exchange rate as of 31 December 2011.

Starting from 2012, NAIP has been implementing a Pilot Project of "Support for Privatisation" (the "Project") with the assistance and methodological support from the World Bank. The main task of the Pilot Project is to elaborate, by engaging competent experts, a clear-cut, objective and transparent system for the Republic of Belarus to attract strategic investments for state enterprises during their privatisation, based on the best international expertise, which system would facilitate the appearance of an effective owner and would bring the enterprises up to a new level of development, as well as would foster the inflow of direct private investments into the national economy.

The purposes of the Project are:

- to attract private investments to the enterprises being privatised, in order to upgrade technologies, expand the distribution markets and ensure efficient and socially responsible governance;
- to sell the state shareholdings in the enterprises for a competitive price on an open and transparent basis; and
- to expand the share of the private sector in the economy in order to increase the competitiveness of the economy.

NAIP has prepared eight joint-stock companies for tenders based on international practices, in order to search for strategic investors. International tenders have been announced for all the enterprises included in the Project and a broad marketing campaign has been carried out. In particular, announcements have been placed in the international (Financial Times, Mergermarket, Allequityfunds, ISIDealwatch and Interfax) and national mass media and contacts with over 800 potential investors have been concluded. Repeated tenders have been announced for three enterprises. Investors have demonstrated the most interest in the enterprises engaged in the food sector and the healthcare industry. At present, a repeated tender is being conducted for OJSC Minsk Margarine Plant.

In close cooperation with the experts from the World Bank, NAIP has determined other eight companies to be included in the Project. These additional companies operate in the chemicals, food, consumer goods and electrical engineering industries. It is planned to engage financial advisers in the near future in order to prepare the enterprises for the procedure of attracting strategic investors. In relation to these companies, it is planned to conduct a preliminary comprehensive audit of the company, develop recommendations on the measures necessary to improve its competitiveness and investment attractiveness, evaluate the internationally accepted methodology of value and market interest in the company (including the compilation of a list of potential investors), prepare financial documents in accordance with IFRS, the development of an individual approach to attract a strategic investor.

Leading international consultants with the necessary knowledge and experience will be involved in carrying out these activities.

In addition, in 2017-2020 the Government intends to finalise privatisation of two state-owned banks:

"Bank Moscow-Minsk" JSC

A Memorandum of Understanding (the "Memorandum") has been concluded between the National Bank and the EBRD regarding the privatisation of "Bank Moscow-Minsk" JSC, which notes the intention of the EBRD to support the privatisation process by providing assistance to Bank Moscow-Minsk. In the future, the possibility of EBRD acquisition of a minority stake (25 percent plus one share) through subscription in an additional share issue by "Bank Moscow-Minsk" JSC is being considered.

The ultimate goal of cooperation between the National Bank and the EBRD within the framework of the Memorandum should be the withdrawal of the parties from the authorized capital of "Bank Moscow-Minsk" JSC by selling a controlling stake to an acceptable strategic investor before 1 January 2020.

Belinvestbank

The Republic of Belarus has executed a memorandum with the EBRD, which provides for the privatisation of Belinvestbank to be finalised by 1 January 2020. The Government intends to sell no less than a 75.0 per cent. of shares of Belinvestbank to a strategic investor.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

In January-September 2017, the overall balance surplus amounted to U.S.$1.4 billion as compared to the U.S.$0.1 billion for the nine months ended 30 September of 2016.

In January-September 2017, foreign economic relations of the Republic of Belarus with the rest of the world were set up with a deficit of current account transactions in the amount of U.S.$0.3 billion, or 0.9 per cent. of GDP (as compared to the deficit of U.S.$1.0 billion, or 3.0 percent. of GDP in January-September 2016). As of 30 September 2017, net foreign borrowing of the Republic of Belarus on payment balance financial account amounted to U.S.$1.4 billion as compared to U.S.$1.4 billion as of 30 September 2016.

The table below sets out Belarus's balance of payments for each of the periods indicated:

	Year ended 31 December					Nine months ended 30 September
Balance Sheet Items	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
I. Current account......	***(1,862.2)***	***(7,567.3)***	***(5,227.7)***	***(1,831.0)***	***(1,675.9)***	***(347.0)***
as a per cent. of GDP...........................	(2.8)	(10.1)	(6.7)	(3.2)	(3.5)	(0.9)
1. Goods and services.......................	**2,834.0**	**(2,340.9)**	**(488.9)**	**100.7**	**(77.5)**	**654.8**
Export...........	51,886.0	44,046.1	43,302.9	32,797.8	29,917.4	26,256.5
Import...........	49,052.0	46,387.0	43,791.8	32,697.1	29,994.9	25,601.7
1.1. Goods	**565.4**	**(4,593.4)**	**(2,635.4)**	**(2,142.5)**	**(2,511.3)**	**(1, 491.1)**
Exports (in FOB prices)..	45,574.3	36,540.1	35,423.3	26,164.3	23,099.8	20,719.3
Import (in FOB prices)..	45,008.9	41,133.5	38,058.7	28,306.8	25,611.1	22,210.4
1.2. Services	**2,268.6**	**2,252.5**	**2,146.5**	**2,243.2**	**2,433.8**	**2,145.9**
Export...........	6,311.7	7,506.0	7,879.6	6,633.5	6,817.6	5,537.2
Import...........	4,043.1	5,253.5	5,733.1	4,390.3	4,383.8	3,391.3
2. Primary income..	**(1,473.2)**	**(2,684.8)**	**(2,414.3)**	**(2,465.8)**	**(2,206.6)**	**(1,740.6)**
Credit............	916.7	858.6	900.4	607.8	657.3	638.1
Debit.............	2,389.9	3,543.4	3,314.7	3,073.6	2,863.9	2,378.7
3. Secondary income	**(3,223.0)**	**(2,541.6)**	**(2,324.5)**	**534.1**	**608.2**	**738.8**
Credit.............	1,974.0	2,090.2	1,902.8	1,430.3	1,538.3	1,623.5
Debit..............	5,197.0	4,631.8	4,227.3	896.2	930.1	884.7
II. Capital account.....	***3.7***	***10.3***	***7.7***	***4.6***	***6.5***	***2.0***
Credit............	6.6	11.7	10.0	6.1	10.0	4.9
Debit.............	2.9	1.4	2.3	1.5	3.5	2.9
Balance according to current account and capital account **Net lending (+) / net borrowing (-) ....**	***(1,858.5)***	***(7,557.0)***	***(5,220.0)***	***(1,826.4)***	***(1,669.4)***	***(345.0)***
III. Financial account (balance according to financial account) **Net lending (+) / net borrowing (-)* ....**	***(602.2)***	***(6,754.9)***	***(2,260.4)***	***(702.1)***	***(1,228.9)***	***(1,380.9)***
3.1. Direct investment.................	**(1,308.1)**	**(1,983.9)**	**(1,788.6)**	**(1,545.7)**	**(1,124.0)**	**(939.3)**
Net acquisition of financial assets	155.5	262.2	73.4	106.6	122.9	38.6
Net incurrence of liabilities...	1,463.6	2,246.1	1,862.0	1,652.3	1,246.9	977.9

Balance Sheet Items	Year ended 31 December 2012	2013	2014	2015	2016	Nine months ended 30 September 2017
3.2. Portfolio investments	**191.0**	**59.1**	**19.6**	**952.1**	**(646.1)**	**(1,384.7)**
Net acquisition of financial assets	(27.9)	17.7	23.1	8.9	(42.6)	(3.4)
Net incurrence of liabilities...	(218.9)	(41.4)	3.5	(943.2)	603.5	1,381.3
Including the government sector	(227.0)	(0.4)	0.0	(989.7)	(2.7)	1,393.7
3.3. Financial derivatives..................	**(51.2)**	**(0.8)**	**29.6**	**24.7**	**2.3**	**(8.5)**
Net acquisition of financial assets	(51.0)	(2.1)	2.0	0.5	(0.8)	(0.1)
Net incurrence of liabilities...	0.2	(1.3)	(27.6)	(24.2)	(3.1)	8.4
3.4. Other investments	**566.1**	**(4,829.3)**	**(521.0)**	**(133.2)**	**538.9**	**951.6**
Net acquisition of financial assets	(452.4)	(332.0)	(218.0)	442,4	(929.8)	(88.1)
3.4.1. Other equity participation instruments.......	0.0	0.0	0.0	0.0	0.0	0.0
3.4.2. Debt instruments.......	(452.4)	(332.0)	(218.0)	442.4	(929.8)	(88.1)
3.4.2.1. The National Bank	(1,070.9)	(397.5)	77.0	61.0	8.6	578.3
3.4.2.2. Depository institutions, except for the National Bank	(723.8)	(78.3)	(157.6)	345.7	(531.9)	(2,029.2)
3.4.2.3. The government sector	(0.3)	0.0	0.0	0.0	0,0	0.0
3.4.2.4. Other sectors..........	1,342.6	143.8	(137.4)	35.7	*(406.5)*	*1,362.8*
Foreign cash and bank deposits......................	*(21.3)*	*(17.5)*	*30.1*	*278.6*	*163.9*	*707.0*
Loans and borrowings	*(30.9)*	*1.7*	*88.4*	*(37.2)*	*(48.3)*	*42.9*
Insurance, pension programs, standard protection plans..........	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Trade credits and advances	*1,391.2*	*154.3*	*(249.4)*	*(188.5)*	(522.9)	618.6
Other receivables........	*3.6*	*5.3*	*(6.5)*	*(17.2)*	0.8	(5.7)
Net incurrence of liabilities	(1,018.5)	4,497.3	303.0	575.6	(1,468.7)	(1,039.7)
3.4.1. Other equity participation instruments.......	0.0	0.0	0.0	0,0	0,0	0,0
3.4.2. Debt instruments.......	(1,018.5)	4,497.3	303.0	575.6	(1,468.7)	(1,039.7)

Balance Sheet Items	Year ended 31 December 2012	2013	2014	2015	2016	Nine months ended 30 September 2017
3.4.2.1. The National Bank	(1,100.4)	876.8	988.5	(393.8)	(769.3)	(95.7)
3.4.2.2. Depository institutions, except for the National Bank	27.3	1,997.1	(212.2)	(637.5)	(644.3)	(1,014.3)
3.4.2.3. The government sector	(22.3)	(416.7)	(1,365.4)	1,158.8	1,040.6	495.9
3.4.2.4. Other sectors..........	76.9	2,040.1	892.1	448.1	*(1,095.7)*	*(425.6)*
Loans and borrowings	*474.6*	*1,439.6*	*846.3*	*732.6*	*(729.8)*	*(39.8)*
Insurance, pension programs, standard protection plans..........	*0.1*	*0.2*	*(0.2)*	*0.0*	*0.1*	*0.0*
Trade credits and advances.....................	*(397.7)*	*582.2*	*54.0*	*(292.2)*	(370.5)	(392.4)
Other payables............	*(0.1)*	*18.1*	*(8.0)*	*7.7*	4.5	6.6
IV. Statistical net errors and omissions.	**897.3**	**(935.3)**	**(450.7)**	**504.2**	**923.1**	**315.0**
V. Balance sheet overall balance	**(359.0)**	**(1,737.4)**	**(3,410.3)**	**(620.1)**	**482.6**	**1,350.9**
VI. Financing............	**(359.0)**	**(1,737.4)**	**(3,410.3)**	**(620.1)**	**482.6**	**1,350.9**
6.2. Reserve assets	81.0	(857.4)	(1,410.3)	(620.1)	482.6	2,050.9
6.2. Loans and borrowings from the IMF	0.0	0.0	0.0	0.0	0.0	0.0
6.3. Exceptional financing (liabilities)............	440.0	880.0	2,000.0	0.0	0.0	700.0

Source: National Bank

Current Account

The current account surplus in foreign trade in goods and services in the nine months ended 30 September 2017 amounted to U.S.$0.7 billion as compared to U.S.$0.5 billion in the nine months ended 30 September 2016. The deficit of foreign trade in goods amounting to U.S.$1.5 billion was more than offset by the surplus in foreign trade in services (U.S.$2.1 billion).

The growth of foreign trade turnover by 21.7 per cent. is explained by the increase in exports by 22 per cent. over the period and the increase in imports of goods by 21.4 per cent. The growth of exports is mainly due to recovery of the external demand and the increase in prices for exported oil and oil products. The physical volume of exports (excluding energy) in the nine months ended 30 September 2017 increased by 9.7 per cent., while the average export prices increased by 10 per cent.

The growth of imports is largely due to the return of the economy to growth and is provided mainly by increasing physical volumes. The main negative impact on the balance of foreign trade in goods are intermediate goods, both energy and non-energy.

The negative primary income balance was U.S.$1.7 billion in September 2017 (U.S.$2.0 billion in the nine months ended 30 September 2016) resulting from net payments of investment income (U.S.$2.2 billion) exceeding the net inflow of income from compensation of temporary employees (U.S.$0.4 billion).

Capital Account

In accordance with the IMF methodology, the capital account shows capital transfers receivable and payable between residents and non-residents and the acquisition and disposal of non-produced, non-financial assets (such as natural resources, contracts, licences and goodwill) between residents and non-residents. In the nine months ended 30 September 2017, Belarus recorded a capital account surplus of U.S.$2.0 million.

Financial Account

The financial account records transactions that involve financial assets and liabilities that take place between residents and non-residents. In the nine months ended 30 September 2017, the economy of the Republic of Belarus remained a "net borrower" of financial resources from the global economies. Inflow on financial account was registered in Belarus in the amount of U.S.$1.4 billion (as compared to U.S.$1.4 billion over the nine months ended 30 September 2016).

Net foreign borrowing of financial resources by the Republic of Belarus was mainly due to net inflow of FDI (largely due to reinvested earnings of foreign owners) and accumulation of external liabilities of the government sector. The net inflow on the direct investments for the nine months ended 30 September 2017 amounted to U.S.$0.9 billion (of which net reinvested earnings equal to U.S.$0.6 billion), a decrease of 5.1 per cent. as compared to the nine months ended 30 September 2016.

The major part of FDI came from the Russian Federation. In addition to residents of the Russian Federation, the key direct investors in the Belarusian economy included residents of the United Kingdom, Cyprus, Poland, Lithuania, and Austria. The transportation, wholesale trade and manufacturing industries represent the main industries attracting direct foreign investment.

In the nine months ended 30 September 2017, foreign economic operations with portfolio investment provided net borrowing of financial resources of U.S.$1.4 billion, as compared to U.S.$0.1 billion in the nine months ended 30 September 2016.

Operations with other investments in the nine months ended 30 September 2017 ensured net lending to the global economies of U.S.$1.0 billion (as compared to the net borrowing U.S.$0.3 billion in the nine months ended 30 September 2016).

Foreign Trade

The Republic of Belarus is implementing a multi-vector foreign-economic policy and actively participates in the international integration processes. Belarus maintains trade relations with more than 180 countries of the world. Export is one of the main priorities of the development of the Belarusian economy and accounts for more than half of the country's GDP.

In 2015, the foreign trade turnover in goods of the Republic of Belarus amounted to U.S.$57 billion representing a decrease of 25.6 per cent. as compared to 2014), and to U.S.$51.2 billion in 2016, accounting for a decrease of 10.2 per cent. as compared to 2015. In 2017 foreign trade turnover in goods of the Republic of Belarus amounted to U.S.$63.5 billion which is an increase of U.S.$12.3 billion, or 24.0 per cent., as compared to 2016.

Belarus export of goods in 2015 amounted to U.S.$26.7 billion (a 26.1 per cent. decrease as compared to 2014), and to U.S.$23.5 billion in 2016, representing a 11.7 per cent. decrease in 2015. In 2015, the Republic of Belarus imported U.S.$30.3 billion worth of goods (a 25.2 per cent. decrease as compared to 2014), and U.S.$27.6 billion worth of goods was imported over 2016 (a 8.9 per cent. decrease in 2015). In 2017 export of goods amounted to U.S.$29.2 billion, an increase of U.S.$5.7 billion, or 24.3 per cent., as compared to 2016.

In 2016 the balance of foreign trade in goods was in deficit in the amount of U.S.$4.1 billion, which is U.S.$441.4 million more than in 2015. The deterioration in the foreign trade balance is mainly due to the fact that export deficits decreased by 2.8 per cent., faster than import reduction rates. In 2017, the foreign trade deficit amounted to U.S.$5.0 billion, which is U.S.$950.0 million worse than in 2016.

The decreases of Belarus export volumes (in value terms) in 2016 and in the first months of 2017 as compared to 2015 and 2014 was due to two interrelated factors: the drop in prices of exported goods and the unfavourable foreign market conditions, the latter attributable to the slackening in the rates of economic growth of the countries who are Belarus' trade partners and to the application of elements of protectionist policy.

In 2017, the increase in exports in the regional context was recorded in all directions, the most significant was in the markets of the CIS countries (which increased by U.S.$7.3 billion) including Russia (which registered an increase of U.S.$1.8 billion).

The following table shows Belarus's trade balance by principal geographic area for each of the periods indicated:

	2011 / 2010 (%)	2012	2012 / 2011 (%)	2013	2013 / 2012 (%)	2014	2014 / 2013 (%)	2015	2015 / 2014 (%)	2016	2016 / 2015 (%)	2017	2017 / 2016 (%)
							(U.S.$ million)						
Foreign trade in goods - total													
turnover...	144.9	92,464.3	106.0	80,225.8	86.8	76,582.9	95.5	56,951.9	74.4	51,147.2	89.8	63,446.2	124.0
export......	163.8	46,059.9	111.2	37,203.1	80.8	36,080.5	97.0	26,660.4	73.9	23,537.3	88.3	29,211.8	124.1
import......	131.2	46,404.4	101.4	43,022.7	92.7	40,502.4	94.1	30,291.5	74.8	27.609.9	91.1	34,234.4	124.0
balance....		(344.5)		(5,819.6)		(4,421.9)		(3,631.1)		(4,072.6)		(5,022.6)	
CIS countries													
turnover...	141.8	53,834.5	109.9	48,224.6	89.6	45,294.6	93.9	32,419.0	71.6	31,193.4	96.2	38,494.6	123.4
export......	149.4	23,693.3	116.3	23,015.3	97.1	21,107.5	91.7	14,076.2	66.7	14,647.7	104.1	17,431.0	119.0
import......	136.8	30,141.2	105.4	25,209.3	83.6	24,187.1	95.9	18,342.8	75.8	16,545.7	90.2	21,063.9	127.3
balance....		(6,447.9)		(2,194.0)		(3,079.6)		(4,266.6)		(1,898.0)		(3,632.9)	
Russian Federation													
turnover...	140.7	43,859.8	109.7	39,742.4	90.6	37,371.2	94.0	27,541.6	73.7	26,254.8	95.3	32,424.6	123.5
export......	145.8	16,308.9	112.4	16,837.5	103.2	15,181.0	90.2	10,398.4	68.5	10,948.0	105.3	12,830.3	117.2
import......	137.9	27,550.9	108.1	22,904.9	83.1	22,190.2	96.9	17,143.2	77.3	15,306.8	89.3	19,594.3	128.0
balance....		(11,242.0)		(6,067.4)		(7,009.2)		(6,744.8)		(4,358.8)		(6,764.0)	
Countries outside CIS													
turnover...	148.9	38,629.8	101.1	32,001.2	82.8	31,288.3	97.8	24,532.9	78.4	19,953.8	81.3	24,951.3	125.0
export......	180.7	22,366.6	106.3	14,187.8	63.4	14,973.0	105.5	12,584.2	84.0	8,889.6	70.6	11,780.8	132.5
import......	123.1	16,263.2	94.7	17,813.4	109.5	16,315.3	91.6	11,948.7	73.2	11,064.2	92.6	13,170.5	119.0
balance....		6,103.4		(3,625.6)		(1,342.3)		635.5		(2,174.6)		(1,389.7)	

Source: National Statistical Committee

The commodity composition of Belarusian exports consists of more than 1,000 descriptions, among them are mineral products (oil products, potassium and nitrogen fertilisers), chemical industry production (chemical fibres and yarns, caprolactam, tyres), products of food industry (dairy products and meat products, sugar), and feedstock. The country manufactures a wide range of sophisticated products enjoying stable demand on external markets: agricultural equipment, cargo vehicles, trolleybuses and trams, road-building machinery, technological equipment and electrical equipment, gas stoves, washing-machines, and microelectronics goods and optical instruments. The innovative progressive development of the economy by building up the science-consuming and high-technology production potential is on the agenda.

The export shortfall in 2016 was largely caused by a decline in the overseas deliveries of a narrow group of goods: oil and oil products by U.S.$2.8 billion, potassium and nitrogen fertilisers by U.S.$768.3 million, liquefied gas by U.S.$69.8 million, some types of unalloyed steel products by U.S.$136.1 million, accounting for total of U.S.$3.6 billion, thus making for the overall drop in exports.

At the same time, an increase in export of a wide range of goods, including high added-value products, save for tractors, has been secured. In 2016, an increase in exports was recorded on road-building machinery (2.4 times), automobiles (2.0 times), buses (1.6 times), combine harvesters (by 31.9 per cent.), tractive units and cargo vehicles (by 10.8 per cent.). A significant growth has also been achieved on some items in the groups of household appliances, goods of light industry, woodworking industry, and food commodities.

In 2017, 36 new commodity items were exported, including tanned leather from the skins of other animals, vessels of cruise sightseeing, ferries and other means for passenger transportation; live poultry.

In recent years, the Belarusian export pattern was displaying a trend to export deliveries diversification, which features a reduction of the mineral product share (mainly, oil products) and a concurrent growth of the share of some other product groups. Thus, the share of mineral products in the total export volume reduced from 36.0 per cent. in 2012 to 24.6 per cent. according to results for 2017, whereas the share of food industry products and feedstock rose from 10.7 per cent. to 16.6 per cent., of machines and equipment increased from 7.5 per cent. to 9.4 per cent., of textile and textile products increased from 2.1 per cent. to 2.9 per cent., and of wood and paper-pulp products increased from 1.7 per cent. to 4.5 per cent., in each case for 2012 to 2017.

The following table shows commodity composition of the Belarusian exports for each of the periods indicated:

	2012		2013		2014		2015		2016		2017	
	U.S.$ million	**% of total export volume**	**U.S.$ million**	**% of total export volume**	**U.S.$ million**	**% of total export volume**	**U.S.$ million**	**% of total export volume**	**U.S.$ million**	**% of total export volume**	**U.S.$ million**	**% of total export volume**
Food industry products and feedstock	4,942.2	10.7	5,650.8	15.2	5,528.0	15.3	4,368.6	16.4	4,164.0	17.7	4,842.2	16.6
Chemical industry production, rubber (including chemical fibres and yarns).......	9,944.4	21.6	5,634.0	15.1	6,227.2	17.3	5,682.9	21.3	4,736.0	20.1	5,388.3	18.4
Machines and equipment.......	3,428.0	7.5	3,516.5	9.4	2,923.5	8.1	2,042.6	7.6	2,382.1	10.1	2,767.0	9.4
Wood and paper-pulp products..	793.5	1.7	920.2	2.5	1,017.3	2.8	859.1	3.2	1,013.0	4.3	1,319.3	4.5
Ferrous, non-ferrous metals and metalware.......	2,526.0	5.5	2,342.6	6.3	2,361.9	6.5	1,737.3	6.5	1,614.5	6.9	2,056.6	7.0
Mineral products	16,595.8	36.0	12,276.5	33.0	12,327.3	34.2	7,935.0	29.8	5,053.8	21.5	7,192.7	24.6
Textile and textile products..........	953.8	2.1	990.3	2.7	913.7	2.5	642.3	2.4	780.8	3.3	849.3	2.9
Hides, furs and goods made of them	144.4	0.3	125.2	0.3	80.8	0.2	77.1	0.3	70.1	0.3	79.4	0.3
Means of transport	4,803.6	10.4	3,630.0	9.8	2,548.9	7.1	1,647.9	6.2	1,972.7	8.4	2,532.3	8.7
Other products	1,928.2	4.2	2,117.0	5.7	2,151.9	6.0	1,667.6	6.3	1,750.3	7.4	2,184	7.6
Total	**46,059.9**	**100**	**37,203.1**	**100**	**36,080.5**	**100**	**26,660.4**	**100**	**23,537.3**	**100**	**29,211.8**	**100**

Source: National Statistical Committee

The principal market for Belarusian production is the Russian Federation. In 2016, it accounted for 46.5 per cent. of Belarusian exports and for 43.9 per cent. in 2017. Total U.S.$11.0 billion worth of production was exported to Russia in 2016 (a 5.8 per cent. increase as compared to 2015), while 2017 total export to Russia amounted to U.S.$12.8 billion (a 16.9 per cent. increase as compared to 2016 on the back of general increase in export volume).

The EU market is the second largest market of Belarus after Russia. In 2015, its share accounted for 32.1 per cent. of the total volume of Belarusian exports, and 24.2 per cent. in 2016. U.S.$8.5 billion worth of goods was exported to EU countries (a 19.9 per cent. decrease as compared to 2014) in 2015, and U.S.$5.7 billion worth of goods during 2016 (33.7 per cent decrease against 2015).

Exports to the EU countries in 2017 amounted to U.S.$7.87 billion and increased by 39.0 per cent or by U.S.$2.21 billion. The share of the EU in the export of the Republic of Belarus increased to 26.9 per cent in 2017 from 24.0 per cent. in 2016.

Exports to Asian countries in 2016 amounted to U.S.$2.6 billion (11.1 per cent. of the total volume of Belarusian export for 2016) as compared to U.S.$3.9 billion in 2015. For the purposes of increasing possibilities to expand exports into Asia, Africa, America and Oceania countries, work is being done jointly with Belarus' partners to improve access to foreign markets by entering into preferential free trade agreements.

According to the results of the ten months ended 31 October 2017, exports to countries of Asia, Africa, America and Oceania amounted to U.S.$2.55 billion and grew by 8.6 per cent. or by U.S.$201.4 million as compared to the ten months ended 31 October 2016. This was due to an increase in the export of potash fertilizers by U.S.$174.4 million or 12.8 per cent., semi-finished products from non-alloy steel by U.S.$39.3 million or 2.8 times, hot rolled bars in coils of unalloyed steel by U.S.$19.2 million or 94.9 per cent., condensed milk and cream by U.S.$15.7 million or 19.2 times, seamless pipes from ferrous metals by U.S.$15.7 million or 8.3 times, tractors and truck tractors by U.S.$13.9 million or 38.0 per cent., trucks by U.S.$13.5 million or 26.1 per cent., compounds containing a functional nitrile group by U.S.$12.1 million or by 1.7 times, butter by U.S.$10.8 million. or 41.3 times.

In the January-October 2017 period, compared to the corresponding period in 2016, Belarus exported goods to 19 new countries (Brunei, Nepal, Madagascar, Guinea-Bissau, Swaziland, etc.). The total volume of exports to these countries was U.S.$1.93 million (mainly due to potash fertilizers, condensed milk, books).

Some of the traditional products for our exports have entered new markets: potash fertilizers (Puerto Rico (USA), Brunei, Mauritius, Madagascar, Zimbabwe); tractors and truck tractors (Madagascar, Zambia); condensed and dried milk and cream (Oman, Nepal); timber timbers-sawn timber (Gambia, Liechtenstein).

The table below shows the classification of exports by geographical allocation for each of the periods indicated:

	2012	Share in total volume, %	2013	Share in total volume, %	2014	Share in total volume, %	2015	Share in total volume, %	2016	Share in total volume, %	2017	Share in total volume, %
						(U.S.$ million)						
Export - total.........	**46,059.9**	**100.0**	**37,203.1**	**100.0**	**36,080.5**	**100.0**	**26,660.4**	**100.0**	**23,537.3**	**100.0**	**29,211.8**	**100.0**
Russia.....................	16,308.9	35.4	16,837.5	45.3	15,181.0	42.1	10,398.4	39.0	10,948.0	46.2	12,830.3	43.9
EU countries...........	17,553.8	38.1	10,461.8	28.1	10,667.9	29.6	8,549.0	32.1	5,655.9	24.2	7,871.3	26.9
particularly:												
UK	556.6	1.2	1,024.2	2.8	2,928.9	8.1	2,940.5	11.0	1,079.7	4.6	2,407.3	8.2
Netherlands..........	7,551.3	16.4	3,330.4	9.0	1,708.9	4.7	1,149.7	4.3	926.9	3.9	1105.7	3.8
Germany	1,737.1	3.8	1,753.4	4.7	1,654.1	4.6	1,086.2	4.1	944.3	4.0	1118.1	3.8
Lithuania.............	1,181.2	2.6	1,072.6	2.9	1,038.5	2.9	964.0	3.6	767.0	3.3	850.2	2.9
Poland.................	949.7	2.1	781.8	2.1	843.9	2.3	766.3	2.9	814.5	3.5	1083.8	3.7
Latvia..................	3,269.7	7.1	526.7	1.4	501.5	1.4	598.1	2.2	269.9	1.2	350.9	1.2
Ukraine	5,557.2	12.1	4,195.8	11.3	4,063.7	11.3	2,514.9	9.4	2,845.7	12.2	3,367.4	11.5
China...................	432.6	0.9	460.7	1.2	640.3	1.8	781.0	2.9	472.7	2.0	362.7	1.2
Kazakhstan...........	806.9	1.8	870.4	2.3	879.4	2.4	525.1	2.0	363.9	1.6	594.3	2.0
Brazil	801.7	1.7	518.6	1.4	709.5	2.0	521.2	2.0	441.0	1.9	440.4	1.5
Other countries........	4,598.8	10.0	3,858.3	10.4	3,938.7	10.8	3,370.8	12.6	2,810.1	12.0	3,745.4	13.0

Source: National Statistical Committee

The basis of the commodity composition of Belarusian imports is energy resources (oil and natural gas), primary products, materials, and components (metals and metalware, feedstock for chemical production, machine parts), and technological equipment.

Mineral products accounted for 31.1 per cent. of the Belarusian imports in 2015, and for 27.5 per cent. in 2016. U.S.$9.4 billion worth of mineral products was imported in 2015 (a 22.4 per cent. decrease as compared to 2014), and U.S.$7.6 billion worth in 2016 (19.6 percent. decrease against 2015).

The share of machines and equipment in the composition of imports has increased from 14.7 per cent. in 2011 to 17.9 per cent. in 2015, to 17.5 per cent in 2016 and to 17.8 in 2017, while the share of chemical industry goods and rubber has increased from 11.7 per cent. to 13.6 per cent, 14.9 per cent. and 14.6 per cent, respectively.

Imports in 2017 amounted to U.S.$34.23 billion, an increase of 24.0 per cent. as compared to the 2016. The increase in imports of goods in 2017 was U.S.$6.62 billion, including machinery and equipment - by U.S.$1.24 billion; chemical products – by U.S.$0.81 billion; and food and agricultural products – by U.S.$0.49 billion.

The dynamics of the commodity composition of the Belarusian imports for each of the periods are indicated below:

	2012		2013		2014		2015		2016		2017	
	U.S.$ million	**% of total import volume**	**U.S.$ million**	**% of total import volume**	**U.S.$ million**	**% of total import volume**	**U.S.$ million**	**% of total import volume**	**U.S.$ million**	**% of total import volume**	**U.S.$ million**	**% of total import volume**
Food industry products and feedstock	3,607.3	7.8	4,114.2	9.6	4,788.7	11.8	4,406.2	14.5	4,026.4	14.6	4,518.6	13.2
Chemical industry production, rubber (including chemical fibres and yarns)........................	5,730.8	12.3	5,915.1	13.7	5,737.5	14.2	4,106.2	13.6	4,121.9	14.9	4,983.0	14.6
Machines and equipment..	7,747.6	16.7	8,647.1	20.1	7,386.2	18.3	5,422.6	17.9	4,838.8	17.5	6,081.6	17.8
Wood and paper-pulp products...........................	801.1	1.7	917.9	2.1	887.3	2.2	598.2	2.0	568.9	2.1	671.5	2.0
Ferrous, non-ferrous metals and metalware.......	4,672.9	10.1	4,554.7	10.6	3,703.9	9.1	2,535.1	8.4	2,505.8	9.1	3,420.5	10.0
Mineral products	18,297.4	39.4	12,956.9	30.1	12,146.9	30.0	9,429.3	31.1	7,582.8	27.5	9,923.5	29.0
Textile and textile products...........................	682.0	1.5	780.5	1.8	843.8	2.1	585.3	1.9	802.7	2.9	1,034.5	3.0
Hides, furs and goods made of them...................	169.1	0.4	177.1	0.4	158.9	0.4	80.5	0.3	90.3	0.3	121.9	0.4
Means of transport	2,876.3	6.2	3,027.1	7.0	2,850.7	7.0	1,659.2	5.5	1,484,5	5.4	1,820.9	5.3
Other products.................	1,819.9	3.9	1,932.1	4.6	1,998.5	4.9	1,468.9	4.8	1,587.7	5.7	1,658.4	4.7
Total	**46,404.4**	**100**	**43,022.7**	**100**	**40,502.4**	**100**	**30,291.5**	**100**	**27,609.9**	**100**	**34,234.4**	**100**

Source: National Statistical Committee

In 2015 the volume of import from CIS countries amounted to U.S.$18.3 billion (60.6 per cent. of total imports), which is a 25.2 decrease as compared to 2014, from non-CIS countries amounted to U.S.$12.0 billion (39.4 per cent. of total imports), which is a 26.8 decrease as compared to 2014.

In 2016 imports delivered to the Republic of Belarus from CIS countries amounted to U.S.$16.5 billion (66.9 per cent. of the total volume of import), which is a 9.9 per cent. decrease as compared to 2015. Imports from non-CIS countries in 2016 amounted to U.S.$11.0 billion (44.4 per cent. of the total volume of import), representing a decline of 7.6 per cent. as compared to 2015.

Total imports in value terms reflected decreases in both the prices of imported goods and the physical volumes of deliveries. In 2015, as against 2014, average import prices reduced by 15.6 per cent., and volumes of deliveries in physical terms reduced by 11.4 per cent. In 2016, as compared to 2015, average prices of imported goods fell by 9.0 per cent., and physical volumes of deliveries by 3.2 per cent.

The Russian Federation accounts for more than half of the imports in value terms. Goods were imported from Russia valued at U.S.$17.1 billion in 2015 (56.6 per cent. of the total volume of import), a decrease of 22.7 per cent. as compared to 2014, and U.S.$15.3 billion (55.4 per cent. of the total volume of import), a decrease of 10.5 per cent. against 2015.

In 2017, imports from Russia increased across a wide range of goods. During this period, compared to 2016, the growth in imports was registered s totalling U.S.$4.28 billion.

The EU countries have consistently had a high share (around 20 per cent.) in the volume of imports to the Republic of Belarus. Goods imported from the EU countries amounted to U.S.$5.8 billion in 2015, a decrease of 38.3 per cent. as compared to 2014, and to U.S.$5.5 billion in 2016, representing a 5.2 per cent. decrease as compared to 2015. Imports from the EU countries in 2017 increased by U.S.$1.14 billion, as compared to 2016.

Imports of consumer goods in the ten months ended 31 October 2017 amounted to U.S.6.13 billion and increased by U.S.896.2 million, or 17.1 per cent. At the same time, the share of consumer goods in total imports decreased from 23.5 per cent. to 22.4 per cent. (by 1.1 percentage points). In 2017 the structure of imports of consumer goods has changed with the proportion of food product imports decreasing: in the ten months ended 31 October 2016, 52.5 per cent. of imports were non-food products, with the remaining 47.5 per cent. for food products; in the ten months ended 31 October 2017 this level changed to 55.6 per cent. for non-food products and 44.4 per cent. for food products.

In 2014 Asian countries accounted for 10.6 per cent. of Belarus's imports, and increased by 12.8 per cent. in 2015. However, in physical form imports decreased by 10 per cent. and amounted to U.S.$3.9 billion in 2015. In 2016, imports from Asian countries totalled U.S.$3.9 billion (14.1 per cent. of the total import volume) as compared to U.S.$3.9 billion in 2015.

The biggest supplier of goods to the Belarusian market from Asia is China. Goods imported from China amounted to U.S.$2.1 billion in 2016, a decrease of 11.9 per cent. as compared to 2015 primarily as a result of decrease of purchasing power of Belarusian customers in 2017.

The table below shows the classification of imports by geographical allocation for each of the periods indicated:

	2012	Share in total volume, %	2013	Share in total volume, %	2014	Share in total volume, %	2015	Share in total volume, %	2016	Share in total volume, %	2017	Share in total volume, %
						(U.S.$ million)						
Import – total	**46,404.4**	**100.0**	**43,022.7**	**100.0**	**40,502.4**	**100.0**	**30,291.5**	**100.0**	**27,609.9**	**100.0**	**34,234.3**	**100.0**
Russia	27,550.9	59.4	22,904.9	53.2	22,190.2	54.8	17,143.2	56.6	15,306.8	55.4	19,594.3	57.2
EU countries	9,306.5	20.1	10,508.0	24.4	9,448.6	23.3	5,833.5	19.3	5,519.7	20.0	6,662.5	19.5
particularly:												
Germany	2,732.1	5.9	3,035.5	7.1	2,465.4	6.1	1,385.5	4.6	1,332.6	4.8	1,728.0	5.0
Poland	1,349.2	2.9	1,581.5	3.7	1,535.0	3.8	1,085.8	3.6	1,185.2	4.3	1,338.4	3.9
Italy	956.3	2.1	1,111.6	2.6	1,166.0	2.9	636.7	2.1	576.4	2.1	697.6	2.0
France	436.0	0.9	495.7	1.2	424.2	1.0	320.7	1.1	243.3	0.9	299.6	0.9
Lithuania	371.2	0.8	466.4	1.1	365.5	0.9	277.8	0.9	265.5	1.0	318.2	0.9
Czech Republic	440.9	1.0	495.5	1.2	411.7	1.0	275.7	0.9	192.5	0.7	197.5	0.6
Netherlands	448.4	1.0	443.4	1.0	482.6	1.2	211.1	0.7	209.9	0.8	300.2	0.9
China	2,373.5	5.1	2,829.4	6.6	2,373.2	5.9	2,401.2	7.9	2,129.5	7.7	2,743.7	8.0
Ukraine	2,309.5	5.0	2,053.5	4.8	1,688.9	4.2	951.5	3.1	985.4	3.6	1,219.1	3.6
Turkey	347.2	0.7	410.1	1.0	463.2	1.1	487.9	1.6	734.9	2.7	807.8	2.4
USA	634.1	1.4	587.1	1.4	507.6	1.3	445.9	1.5	515.3	1.9	379.1	1.1
Other countries	3,882.7	8.3	3,729.7	8.6	3,830.7	9.4	3,028.3	10.0	2,418.3	8.7	2,827.9	8.2

Source: National Statistical Committee

MONETARY AND FINANCIAL SYSTEM

The National Bank

The National Bank was established as the central bank of Belarus in December 1990 following the enactment of the Belarusian laws entitled "On the National Bank of the Republic of Belarus" and "On Banks and Banking Activities in the Republic of Belarus". The National Bank was established on the basis of the Belarusian Republican Bank of the USSR State Bank, which had represented the Belarusian banking system prior to independence.

The National Bank is a central bank and a government body of Belarus, which carries out its activities in accordance with the Constitution, the Charter of the National Bank, the Bank Code, relevant Belarusian legislation and legal acts passed by the President and is independent in its activity. The National Bank is accountable to the President. The Charter of the National Bank sets out provisions relating to its status as a legal entity, its functions, its operations, the organisation of its activities, its property and its governing bodies. In particular, the Charter of the National Bank provides that the National Bank's objectives are to:

- support price stability;
- ensure stability of the banking system of Belarus; and
- ensure that Belarus's payment system functions in an efficient, reliable and secure manner.

The governing body of the National Bank is the Board of the National Bank. The number of the Board members is determined by the President. Currently the Board of the National Bank comprises nine members. Each member of the Board of the National Bank is appointed by the President (and approved by the Council of the Republic). The duties of the Board of the National Bank include:

- reviewing and submitting to the President, in concert with the Government, the monetary policy guidelines for the forthcoming financial year;
- providing the annual performance report of the National Bank for approval of the President;
- establishing, with the agreement of the President, the rate of foreign capital participation in the banking system;
- making decisions regarding the regulation of credit relations and money circulation, establishment of settlement procedures and foreign exchange regulation and other duties.

Development Bank of the Republic of Belarus

Belarus Financial Sector Assessment prepared by the World Bank and published in November 2009 recommended the authorities to establish a dedicated agency that would take over all existing government-directed loans and associated state funding from state-owned commercial banks. This agency was to become the sole channel of budget funding for state development programs. The objective was to reduce the role of the Government in the governance of the state-owned commercial banks, limit the excessive credit growth stimulated by directed lending, allow commercial banks to operate on market terms and thereby improve the allocation of credit in the economy, increase the transparency of directed lending, and support the implementation of monetary policy. This recommendation was echoed in subsequent IMF reports. It is planned that the Government will gradually reduce the volume of direct lending to state owned enterprises (up to Br1.2 billion in 2018 as compared to Br1.9 billion in 2017). This form of funding is expected to be narrowed over time with the expansion of lending on a commercial basis.

Following this recommendation Development Bank of the Republic of Belarus (the "**DBRB**" or the "**Development Bank**") was established in 2011 as a joint-stock company under Presidential Edict No. 261 of 21 June 2011 ("**Edict No. 261**"), last amended on 31 May 2016. In accordance with the provisions of Edict No. 261 the Development Bank did not need to receive special permission (licence) for performing banking activities in order to perform transactions specified in the Edict No. 261. Edict No. 261 explicitly prohibits DBRB from providing banking operations to individuals, opening current (settlement) accounts to legal entities and individual entrepreneurs and using cash. In 2016 DBRB became subject to regulations of the National Bank in terms of banking supervision with some exceptions in comparison with commercial banks.

The Council of Ministers holds a 95.473 per cent. stake in DBRB. Key government figures, including the Prime Minister, are members of DBRB's Supervisory Board, allowing the state to maintain close oversight of the DBRB's activities. DBRB's Supervisory Board also includes five independent directors (62.5 per cent. of the Supervisory Board).

The initial aim of the Development Bank, as set out in Edict No. 261 and DBRB's Articles of Association, was twofold: to finance projects included in state programs and to acquire other banks' assets related to state programs. In December 2011 Belarusbank and Belagroprombank transferred directed lending assets to the value of Br0.2 billion to DBRB. This was followed by transfers of Br0.6 billion in 2012 and Br0.5 billion in 2013. DBRB also received a further Br0.1 billion in transfers of assets from Belagroprombank in 2014 and Br0.05 billion in 2016. The transfers were at par value, including for NPLs, which effectively strengthened the balance sheets of the state banks.

In January 2013 the Development Bank's mandate was broadened to allow it to provide export financing, including for export leasing (of at least U.S.$1 million). Beginning in late 2014, the bank has started providing investment loans to private small and medium enterprises (SMEs) via partner-banks.

At present, therefore, the DBRB's primary tasks include:

- Financing capital-intensive long-term investment and high social significance projects, particularly those specified in the various Belarus government development programs;
- Acting as an export bank supporting Belarusian producers focused on overseas markets;
- Supporting development and extending investment credit to SMEs; and
- Serving as an agent of the Government for managing so-called "family capital" – cashless lump sums, introduced in late 2014, to families with three children or more, which have to be managed for 18 years to maintain a minimum yield before they can be spent on housing or education.

By the end of third quarter of 2017 the Development Bank was the third largest bank in Belarus in terms of assets. DBRB's assets more than doubled from Br2.4 billion at the end of 2012 to Br5.7 billion at 30 September 2017 (see the chart below). Its main assets were Br3.3 billion in loans to customers and securities for sale of Br1.7 billion. By the end of third quarter of 2017 the Development Bank was behind the largest state-owned commercial banks, Belarusbank and Belagroprombank, in terms of equity. Its equity amounted to Br1.7 billion, up from Br0.5 billion in 2012, providing sizable capital buffers for DBRB with general capital adequacy ratio at 33.41 per cent. The original sources of financing for the Development Bank were government deposits from the Ministry of Finance, which were linked to the transfer of loans under directed lending programs from the state-owned commercial banks, as well as issued bonds. In 2013 the Development Bank started borrowing from the interbank market.

The table below sets forth key figures based on the IFRS financial statements of DBRB:

	2012	2013	2014	2015	2016	Nine months ended 30 September 2017
			(Br million)			
Total assets	**2,412**	**3,170**	**3,741**	**4,844**	**5,295**	**5,737**
Due from banks	271	159	152	253	334	524
Loans to customers	868	1,693	2,245	2,857	3,153	3,281
Securities available for sale	1,235	1,229	1,177	1,507	1,521	1,664
Total liabilities	**1,929**	**2,163**	**2,567**	**3,356**	**3,750**	**4,028**
Due to banks	–	127	342	679	986	1,265
Deposits of the government bodies	61	284	477	656	662	571
Debt securities issued	1,860	1,705	1,712	1,849	1,828	1,809
Equity	**483**	**1,007**	**1,174**	**1,487**	**1,545**	**1,709**
Net profit (loss)	**226**	**69**	**63**	**131**	**112**	**195**
General capital adequacy ratio, %	22.20	31.75	32.46	32.60	30.45	33.41
Br/U.S.$	0.8570	0.9510	1.1850	1.8569	1.9585	1.9623

Source: National Bank

Monetary and Exchange Rate Policy

The Belarusian ruble was introduced as the official currency of Belarus in May 1992. On 1 January 2000, the Belarusian ruble was redenominated at a rate of old Br1,000 to new Br1. Further, in 1 July 2016, Belarusian ruble was redenominated at a rate of old Br10,000 to new Br1.

At the beginning of 2009, the National Bank changed from the peg of the Belarusian ruble to the U.S. dollar and the Russian ruble, to the peg of the ruble to a currency basket including the U.S. dollar, the Euro and the Russian ruble (in equal proportions). See – "*Risk Factors - The Belarusian currency is subject to volatility*". This change allowed the National Bank greater flexibility to respond to currency price fluctuations. The move to shadow the U.S. dollar and the Euro was motivated by the importance of such currencies in foreign economic operations, as seen in the volumes of such currencies traded in the domestic money market and by the size of the savings in these currencies of the population. The move to shadow the Russian ruble as an intermediary monetary target is based on Russia being Belarus's most important foreign trading partner, its main market for non-raw material exports and its main supplier of manufacturing resources.

In 2015-2017, the foreign currency policy of the National Bank was based on the managed floating exchange rate principle. Currency interventions were used solely to smooth out the fluctuations of the foreign currency basket value in volumes that guaranteed a positive balance of sales and purchase of foreign currency by the National Bank in a mid-term period.

As of 1 November 2016, the foreign currency basket configuration was modified: the Russian ruble share was increased to 50 per cent. (from 40 per cent.), U.S. dollar's share remained at 30 per cent., Euro's share was decreased to 20 per cent.(from 30 per cent.). This was done in order to bring closer the share of the Russian ruble in the foreign currency basket and the proportion of the Russian Federation in the external trade turnover of Belarus.

The depreciation of the Belarusian ruble against the foreign currency basket in 2017 amounted to 6.0 per cent. Over the same period the depreciation of the Belarusian ruble against U.S. dollar was 0.7 per cent., as compared to 15.2 per cent. against the Euro and 5.7 per cent., against the Russian ruble.

The following table sets out average official exchange rates of the Belarusian ruble to the indicated currencies for each of the periods indicated (calculated as the arithmetical mean):

	2012	2013	2014	2015	2016(1)	2017(1)
Exchange Rate						
U.S.$	8,337.05	8,881.42	10,226.90	15,905.05	1.9876	1.9324
EUR......................	10,717.62	11,799.12	13,578.33	17,654.54	2.2001	2.1831
Russian rubles	268.41	278.95	270.64	261.35	2.9744(2)	3.3124(2)

Source: National Bank

Notes:

(1) Post re-denomination of the Belarusian ruble. See "*Exchange Rate Information*".

(2) Per RUR100.

As of 31 December 2017, the official Belarusian ruble exchange rates were: Br1.9727 to the U.S. dollar, Br2.3553 to the Euro and Br3.4279 to 100 Russian rubles.

In accordance with the Statute of the National Bank of the Republic of Belarus the main objective of its monetary policy is ensuring price stability.

In 2016-2017, monetary and credit policy was aimed at maintaining macroeconomic stability and controlling inflation. Consumer inflation decreased from 10.6 per cent. in 2016 to 4.6 per cent. in 2017. According to the National Bank estimates, the inflation rate is expected to not exceed 6.0 per cent. in 2018. The following table sets out the index of consumer prices for each of the periods indicated:

	As at 31 December								
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Index of consumer prices, %..........	121.8	116.5	116.2	112.0	110.6	104.6	106.0(1)	105.5(2)	105.0(2)

Source: National Bank

Note:

(1) Preliminary estimates.

(2) Targets.

Liquidity and Money Supply

To regulate the money supply and the liquidity of the banking sector, the National Bank uses standing facilities (such as overnight credit, fixed rate deposits and swaps), performs bilateral operations (fixed lombard credit and two-way swaps) and open market operations (lombard credit auctions, REPO operations, SWAP auctions, auctions on issuance of short-term Belarusian ruble bonds and deposit auctions). Depending on the influence on liquidity the National Bank's operations are divided into liquidity support operations and liquidity withdrawal operations.

The following table sets out the monetary indices for each of the periods indicated:

	As of 31 December					
	2012	2013	2014	2015	2016(1)	2017(1)
	(Br billion)					
Index						
Cash in circulation (M0).....................	11,307.3	12,302.0	13,923.8	14,236.1	1,790.6	2,346.6
Active monetary aggregates in Br (M1).....................	34,438.2	37,099.1	41,764.6	42,733.3	5,324.6	7,302.9
Monetary aggregates	68,669.5	79,331.2	90,844.5	90,496.3	10,807.7	14,070.2

	As of 31 December					
	2012	2013	2014	2015	2016[(1)]	2017[(1)]
			(Br billion)			
in Br (M2*)..........						
Rate of growth as compared to previous year, *(%)*	57.2	16.4	14.5	(0.4)	19.4	30.2
Broad monetary aggregates (M3)....	161,293.8	193,306.8	239,442.7	326,938.8	33,935.0	39,848.5
Rate of growth as compared to previous year, *(%)*	45.1	19.8	23.9	36.5	3.8	17.4
M3 to GDP,*(%)*	25.38	27.01	27.67	33.45	35.71	
Monetary base	30,318.4	34,388.4	39,139.1	44,962.5	4,579.1	7,169.3
Deposits in Br..........	54,294.5	65,180.2	76,227.5	74,899.5	8,849.1	11,340.0
Current	23,130.9	24,797.1	27,840.8	28,497.2	3,533.9	4,956.4
Term..................	31,163.6	40,383.1	48,386.7	46,402.3	5,315.1	6,383.6
Deposits in foreign currency...............	88,231.1	107,467.3	137,705.6	218,787.8	20,842.4	23,113.1
Current	15,623.3	19,041.6	23,394.9	35,478.6	3,274.5	5,129.7
Term..................	72,607.8	88,425.7	114,310.7	183,309.2	17,567.9	17,983.5
Credit advanced by banks	201,948.3	259,390.9	313,988.6	377,771.2	35,851.0	38,762.5

Source: National Bank

Note:

(1) Post re-denomination of the Belarusian ruble. See "*Exchange Rate Information*".

In 2017, the changes in monetary aggregates reflected the National Bank's policy of control over money supply as part of the monetary targeting regime aimed at reducing inflation and maintaining macroeconomic stability. In 2017, the monetary aggregate in Belarusian rubles M2* increased by 30.2 per cent., broad monetary aggregate M3 by 17.4 per cent. (the average M3 aggregate in annual terms by 15.3 per cent.), natural persons' term deposits decreased by 0.7 per cent. In addition, with a view to maintaining banking sector stability, the National Bank issues U.S. dollar-denominated bonds to absorb excess foreign currency liquidity from the market for the purpose of boosting liquidity reserves.

Gold and Foreign Exchange Reserves

The Republic of Belarus's gold and foreign exchange reserves consist largely of foreign currency reserves held in deposit accounts with banks outside Belarus or invested in securities and treasury bills issued by non-Belarusian issuers, gold holdings, IMF special drawing rights ("**SDRs**") and other assets. Belarus calculates its foreign reserve assets on the basis of the Special Data Dissemination Standard of the IMF.

The table below sets out total foreign reserve assets held by the National Bank as at the dates indicated:

	As of 31 December					
	2012	2013	2014	2015	2016	2017
			(U.S.$ million)			
Foreign currency	3,240.2	3,738.2	2,882.8	1,953.7	2,420.1	4,282.2
Gold[(1)]	2,286.0	1,713.9	1,637.1	1,432.2	1,720.3	1,939.9
Other assets	567.5	571.7	538.7	515.2	499.8	529.5
Other assets[(2)]	2,001.2	627.1	0.5	274.7	286.9	563.7
Total gold and foreign exchange reserve assets..........	**8,095.0**	**6,650.9**	**5,059.1**	**4,175.8**	**4,927.2**	**7,315.3**

Source: National Bank

Notes:

(1) Gold was valued per ounce at U.S.$1,664.00, U.S.$1,201.50, U.S.$1,199.25, U.S.$1,062.25, U.S.$1,159.10 and U.S.$1,296.50 as of 2012, 2013, 2014, 2015, 2016 and 2017, respectively.

(2) Including assets such as reverse repos, funds in trusts and accrued interest.

Due to the need to maintain gold and foreign exchange reserves and cover the current account deficit, in 2011-2016 the Government stepped up its efforts to privatise state property and attract foreign investment and financing using the EFSD funds. In 2011, Belarus topped up its international reserve assets by U.S.$2.5 billion following the privatisation of JSC "Beltransgaz". See - "*The Economy of the Republic of Belarus - Privatisation*".

In addition, the Government boosted gold and foreign exchange reserves by increasing its foreign borrowings. As at 31 December 2016, Belarus had foreign borrowings totaling U.S.$8.64 billion, including loans from the EFSD of U.S.$3.36 billion. In addition, sales of Eurobonds in the amount of U.S.$0.8 billion contributed to maintenance of the gold and foreign exchange reserves.

As of 1 January 2018, the volume of gold and foreign exchange reserves has increased since 1 January 2017 by U.S.$2.4 billion and amounted to U.S.$7,315.3 million, which corresponds to 2.5 month of imports of goods and services versus 2.0 month of imports of goods and services as of 1 January 2017.

In 2017, the Republic of Belarus carried out the regular issue of Eurobonds in the amount of U.S.$1.4 billion, as well as attracted foreign loans totalling U.S.$1.5 billion (loans granted by the EFSD and the government of the Russian Federation).

The Government will continue to work towards increasing gold and foreign exchange reserves in order to be able to reach its target of covering three months of imports of goods and services by 2020.

Interest Rates

In 2017, the interest rates policy preserved the orientation towards maintaining the interest rates at a positive level in real terms and a progressive (with due consideration of the current macroeconomic developments) increase of accessibility of credit resources.

Amidst stabilisation of the monetary and foreign exchange markets, the refinancing rate was gradually lowered in 2017 from 18 per cent. to 11 per cent. per annum, rates on standing facilities designed to provide and withdraw liquidity were lowered from 23 per cent. to 12 per cent. per annum and from 11 per cent. to 8 per cent. per annum, respectively. Effective from 14 February 2018, the refinancing rate is to be further decreased to 10.5 per cent. per annum.

In addition to the refinancing rate, the National Bank also used a liquidity support rate and a liquidity withdrawal rate to manage interest rates in the banking market and support the stability of the banking system. The liquidity support rate is a rate at which the National Bank provides short-term loans to banks to support their liquidity. As at 31 January 2018, the liquidity support rate stood at 12 per cent. The liquidity withdrawal rate is a rate at which the National Bank borrows money from Belarusian banks when they have excess liquidity. As at 31 January 2018, the liquidity withdrawal rate was 8 per cent.

In 2015-2017, the National Bank's interest rate policy was aimed at a gradual reduction in interest rates in the economy as favourable conditions were created and positive interest rates in real terms were ensured.

In December 2017, the natural persons' interest rates on new Belarusian ruble term deposits was for 7.5 per cent. per annum (a decrease from December 2016 by 6.8 percentage points). The natural persons' interest rates on new time deposits denominated in foreign exchange was 1.1 per cent. (the decrease of 1.2 percentage points compared to the level of December 2016).

The average interest rates on legal persons' new term deposits denominated in the national currency was 5.6 per cent. per annum reduced in December 2017, a reduction as compared to December 2016 of 3.0 percentage points.

Average interest rates on banks' new loans in national currency (excluding loans issued on preferential conditions in accordance with decisions of the President of the Republic of Belarus, the Government at the expense of funds of republican government agencies and local authorities) in December 2017 were at the level of 11.3 per cent. per annum, decreasing by 9.2 percentage points compared to December 2016. Average interest rates on new loans of banks in foreign exchange in December 2017 was 5.7 per cent. per annum, reducing by 2.6 percentage points compared to December 2016.

The table below shows the average refinancing rate, the average interbank market annual rate, average rate on new deposits and average rate on new loans as a rate per annum for each of the periods indicated (excluding loans issued on preferential conditions in accordance with decisions of the President of the Republic of Belarus covered by the funds of the national and local authorities).

	On average for the year ended 31 December					
	2012	2013	2014	2015	2016	2017
	(% per annum)					
Index						
Average refinancing rate	34.5	25.6	21.5	24.9	21.2	13.4
Average interbank market annual rate	37.0	33.3	25.3	30.9	21.3	9.6
Average rate for new term deposits:						
in Br	32.8	35.0	28.4	29.7	15.4	6.3
in foreign currency	4.5	5.1	4.9	4.9	3.2	1.7
Rate for new loans:						
in Br	37.7	35.7	35.5	38.4	26.3	13.9
in foreign currency	9.1	8.6	9.2	10.0	8.8	6.5

Source: National Bank

Banking Sector

As of the end of 2017, banking sector of the Republic of Belarus consisted of 24 active banks, five of which were state-owned, 14 controlled by foreign investors (with the authorized capital of four of them being 100 per cent. foreign-owned), and five banks controlled by private non-foreign capital. As of the end of 2017, five representative offices of foreign banks were active in the territory of the Republic of Belarus: two of Russian banks, one of a Latvian bank, one of a German bank, one of the Interstate Bank. As of the end of 2017, the share of foreign investment in a total volume of the authorised funds registered by Belarusian banks totalled 15.9 per cent.

In 2008, Decree of the President of the Republic of Belarus "On Guarantees of Safety of Monetary Funds of Natural Persons Placed on Accounts and (or) in Bank Deposits" came into force. Pursuant to this decree, the state guarantees the repayment of natural persons' monetary funds in Belarusian rubles and foreign currencies placed in current and/or term deposit accounts with Belarusian banks. The Decree provides for 100 per cent. reimbursement of funds (with no limitation on the amount) in the currency of the account in the event the National Bank revokes the licence of the relevant bank.

The following table sets out certain data relating to the banking sector in Belarus as at the dates indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
Total number of banks [(1)]	32	31	31	26	24	24
Banks in which the share ownership of state exceeds 50%	4	4	5	5	5	5

Banks in which the share ownership of foreign investors exceeds 50%	23	22	20	16	14	14
Other banks	5	5	6	5	5	5
Total equity of banks, *Br million*	4,668.9	5,589.8	6,507.9	8,001.5	8,628.7	9,631.4
Total assets of banks, *Br million*(2)	32,124.0	39,516.4	48,153.1	63,046.3	64,467.0	66,679.6
Total loans to customers (gross), *Br million*	20,194.8	25,939.1	31,398.9	37,777.1	35,851	38,762.5
of which:						
in national currency	11,008.5	12,911.5	15,429.4	16,183.3	15,761.8	19,077.7
in foreign currency	9,186.3	13,027.6	15,969.5	21,593.9	20,089.1	19,684.8
Total provisions for impairment, *Br million*	853.3	983.3	1,118.2	1,916.6	2,319.1	2,688.4
Total deposits, *Br million*.	14,450.6	17,267.7	21,427.3	29,520.7	29,946.0	34,795.5
of which:						
in national currency	5,627.5	6,520.9	7,656.7	7,616.1	9,019.7	11,579.6
in foreign currency	8,823.1	10,746.7	13,770.6	21,904.6	20,926.3	23,215.8
Tier I capital adequacy ratio, %(3)	14.6	10.5	11.5	13.0	13.0	12.8

Source: National Bank

(1) Excluding those banks which are in the process of being liquidated.

(2) Including those banks which are in the process of being liquidated.

(3) Tier I capital adequacy. The minimum Tier I capital adequacy ratio set by the National Bank starting from 1 January 2016 being 6 per cent.

The following table sets out certain data relating to the Belarusian banking sector as at the dates indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
Return on total assets, in %	1.8	1.9	1.7	1.0	1.3	1.4
Return on the regulatory capital, in %..................	12.7	13.8	13.1	8.4	10.8	9.6
Revenue, *Br million*(1) ...	539.4	682.3	759.4	585.9	884.9	886.7
Problem assets (Group III, IV, V), *Br million*(1).	1,197.3	1,226.8	1,445.0	2,767.2	5,139.8	5,549.2
of which, in local currency, *Br million*(1)....	533.7	629.7	587.8	1,011.2	2,028.4	1,928.4
Net interest margin, %(2)	4.5	4.0	4.2	4.0	5.2	5.1

Source: National Bank

(1) Post re-denomination.

(2) Net interest margin is defined as the ratio of the difference between interest income and interest expense to the average value of assets that generate income for the year.

The following table sets out certain data relating to the Belarusian bank sector's capital adequacy as at the dates indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
Tier I capital adequacy ratio, (%)(1)	14.6	10.5	11.5	13.0	13.0	12.8
Adequacy of the regulatory Capital, %(2)..........................	20.8	15.5	17.4	18.7	18.6	18.5

Source: National Bank

(1) Tier I capital adequacy. The minimum Tier I capital adequacy ratio set by the National Bank starting from 1 January 2016 being 6 per cent.

(2) The minimum regulatory capital adequacy ratio being 10 per cent. plus 0.625 per cent. (1.25 per cent. since January 2017) of the capital conservation buffer. As stipulated by Basel III framework, regulatory capital consists of Tier I and Tier II, capital previously subject to regulatory restrictions excluded; off-balance reserves for doubtful losses deemed as necessary; trust property assets; previously issued senior loans; subordinated loans.

The following table sets forth the share of distressed and NPLs as at the dates indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
The share of problem assets in assets subject to credit risk, %	5.5	4.4	4.4	6.8	12.8	12.9
The share of assets for IV and V risk groups (NPLs) in assets subject to credit risk (%)	0.7	1.3	0.9	1.9	4.0	2.0

Source: National Bank

The share of problem assets is the ratio of problem assets subject to credit risk (attributed to the III-V risk groups) to all assets subject to credit risk. The share of non-performing assets (NPLs) is the ratio of non-performing assets subject to credit risk (classified as IV-V risk groups) to all assets subject to credit risk.

As of 31 December 2017, total assets of the Belarusian banking sector reached U.S.$33.8 billion. At that date the total amount of deposits totalled U.S.$17.6 billion, and total capital totalled U.S.$4.9 billion. The average profitability of regulatory capital in the banking sector reached 9.6 per cent. at the end of 2017.

The following table sets out information regarding deposits in the Belarusian banking sector by the type of customer as at the date indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
			(Br million)			
Deposits by public sector	1,787.3	1,925.3	1,882.1	2,149.2	2,553.8	3,884.6
Deposits by private sector	4,131.0	4,498.4	5,360.5	7,141.2	7,307.8	9,475.0
Deposits by natural persons	7,806.7	10,233.9	13,433.3	19,272.0	19,074.2	20,103.5
Deposits by non-banking credit and finance institutions	725.6	610.1	751.4	958.3	1,010.1	1,332.3
Total deposits	**14,450.6**	**17,267.7**	**21,427.3**	**29,520.7**	**29,946.0**	**34,795.5**

Source: National Bank

The following table sets out certain data regarding the loan portfolio of the Belarusian banking sector by the type of borrower as at the dates indicated:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
			(Br million)			
Total loan portfolio	20,194.83	25,939.09	31,398.86	37,777.12	35,851.0	38,762.5
of which:						
loans to public sector	9,217.92	12,296.97	14,413.56	16,994.65	15,759.8	15,619.8
loans to private sector(1)	6,662.79	7,944.55	10,334.2	13,198.06	11,860.2	12,613.9
loans to natural persons	4,018.36	5,397.12	6,293.61	6,878.84	7,155.4	9,031.9
loans to non-banking credit and finance institutions	295.76	300.44	357.49	705.57	1,075.6	1,496.9

NPLs(2)	156.3	352.0	309.7	767.5	1,625.2	856.9

Source: National Bank

Notes:

(1) Private sector includes enterprises with state participation. See "*The Economy of the Republic of Belarus – Principal Sectors of the Economy*".

(2) Assets that are subject to credit risk and classified as assets of IV and V group of risk.

Banking Sector Supervision

The principal document setting out the legislative scope of banking activities in the territory of the Republic of Belarus is the Banking Code adopted in 2000 (the "**Banking Code**"). The Banking Code codifies the fundamental elements of banking supervision in Belarus as well as the rights and responsibilities of the National Bank in respect of its banking regulatory functions. In 2012, amendments were made to the Banking Code which significantly broadened the scope of banking supervision. In particular, the National Bank was granted the power to set requirements for corporate governance and risk management systems and to monitor Belarusian banks' compliance with such requirements.

The National Bank acts as the banking supervisory agency in the Republic of Belarus. The primary objective of the banking supervision system outlined below is to ensure the stability of, and confidence in, the Belarusian banking system as well as reducing the risk of any losses being incurred by creditors and/or depositors of banks and other non-banking credit and finance institutions in Belarus.

The basic provisions relating to the operation of banks and other non-banking credit and finance institutions operating in the territory of Belarus are specified in certain regulatory and legal acts of the National Bank, including:

- procedures for state registration and licensing of banks and non-banking credit and finance institutions;
- instructions on the secure functioning requirements for banks and non-banking credit and finance institutions;
- instructions on the corporate governance requirements for banks and non-banking credit and finance institutions;
- instructions on the organisation of risk management systems at banks and non-banking credit and finance institutions;
- instructions on the organisation of internal control systems at banks and non-banking credit and finance institutions;
- instructions on the disclosure of information by banks and non-banking credit and finance institutions, including information regarding shareholders and ultimate beneficial owners of a bank to ensure data transparency for market participants and other interested individuals;
- instructions on the supervision of banking activity on a consolidated basis;
- procedures for prudential supervision that may be applied by the National Bank to banks and non-banking credit and finance institutions in breach of prudential or other mandatory regulations;
- instructions on procedures for the creation and use of a special reserve for possible losses on the assets of a bank and non-banking credit and finance institutions subject to credit risk; and

- procedures for the audit of banks non-banking credit and finance institutions, banking groups and banking holdings.

The current banking supervision system in Belarus entails supervision of banks on an individual and consolidated basis and overall macroprudential supervision of the banking system in general.

Supervision of banks and non-banking credit and finance institutions on an individual and consolidated basis includes:

- registering and licensing banks and non-banking credit and finance institutions;
- off-site documentary supervision based on submitted balance sheets and financial statements, prudential reporting, audit reports and other relevant information;
- on-site supervision based on inspections and audits to assess the financial condition, the internal control and risk management policies of banks and their compliance with prudential and other mandatory regulations; and
- reorganising insolvent banks and non-banking credit and finance institutions and supervising procedures for revocation of banking licences.

Overall macroprudential supervision of the banking system in general includes:

- evaluation of systemic risks and analysis of the sector-wide trends and financial indicators;
- improving early detection mechanisms for risks in the financial system; and
- developing appropriate response measures.

Under the Banking Code, the National Bank is required to exercise prudential regulation of banking activities in Belarus. The system of prudential regulation adopted by the National Bank is based on recommendations from the Basel Committee on Banking Supervision and includes:

- minimum capital requirements for newly established and existing banks;
- capital adequacy required to support the main risks associated with banking activities (credit, market and operational risks);
- liquidity management;
- concentration risk and currency risks limits; and
- provisioning requirements to cover possible losses on assets and off-balance operation subject to credit risk.

The National Bank is working on improving the banking supervision and capital adequacy standards in Belarus based on standards of the Basel Committee of Banking Supervision (Basel II and Basel III).

The IMF and World Bank mission to the Republic of Belarus in its Financial Sector Assessment Program ("**FSAP**") in 2016 acknowledged considerable progress in the development of the banking supervision system. Similarly, in its 2017 staff report the IMF recognized the steps Belarus has taken to address financial sector risks and encouraged Belarus's continued implementation of the FSAP recommendations. There is a wide range of statutory and regulatory rules in place as well as an established process of banking supervision which includes inspections and remote supervision, constant implementation of the Basel norms of capital adequacy, an established process of formation of reports as part of the Internal Capital Adequacy Assessment Procedures, and an improved methodology of banks classification according to level of risk.

In 2016, the National Bank in close cooperation with the IMF specialists carried out an independent Asset Quality Review ("**AQR**") of nine Belarusian banks, whose asset share comprises more than 92 per cent. of the banking sector's aggregate assets. International audit companies such as KPMG, Deloitte, Ernst & Young and PKF were engaged to conduct the AQR procedure. The main goal of the AQR was to receive an independent assessment of the credit risk assumed by the banks and whether its compensation could be covered by existing capital. The results of the AQR showed that the banking sector's capital level is sufficient to successfully counter possible effects of negative events.

In May 2017, the second stage of AQR of Belarusian banks was completed. The procedure involved the review of 15 banks that did not participate in the first stage of this procedure in 2016. The total share of assets of these 15 banks in total assets of the banking sector at the time of review was about 7 per cent. Analysis of the results of the assessment shows that the adjustments to the capital adequacy ratio based on the results of the diagnostic study are generally insignificant and, given the small proportion of the assets of the evaluated banks, do not have a significant impact on the stability of the entire banking sector.

In 2009, the legislation on credit histories came into effect in Belarus, pursuant to which a bureau/database of credit histories of natural and legal persons of Belarus was created. All credit institutions must provide information about their borrowers to the bureau/database. The law ensures higher transparency of the banking system. It makes a provision for a more efficient system of transferring accurate information about future and existing borrowers, and a more accurate assessment of the credit risk. In 2011, the National Bank implemented minimum requirements towards a complex system of credit risk assessment for the purpose of creating special reserves to cover possible losses. Banks were given an opportunity to develop their own comprehensive systems of assessing the credit risk of borrowers as well as the market risk of securities prone to devaluation. Meanwhile, cancellation of the approval procedure and granting banks broader independence in creating special reserves is accompanied by establishing minimum requirements to signs of financial imbalance and other negative factors which must be used by banks in creation of their own systems of assessment of borrowers' financial soundness.

Starting in 2012, in accordance with the plan to implement Basel III standards, a methodology of estimating the capital, leverage, and liquidity indicators was developed and all Belarusian banks were supervised in their estimates of these indicators. As of 1 January 2016, the capital indicators with regard to the Basel III conservation buffer and leverage were introduced as mandatory rules of safe functioning. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) indicators as well as the liquidity risk monitoring tools have been introduced as mandatory requirements for banks since 1 January 2018.

Since 1 January 2018, a countercyclical buffer and a buffer of systemic significance have also been established, serving as supplements to the Tier I capital. The methodology for determining systemically important banks, non-bank credit and financial organizations was approved. In order to improve corporate governance, minimum requirements for the organization of a system of rewards and compensations in banks have been established. The plans of the National Bank for 2018 envisage the further implementation of the Basel Committee's standards in terms of new standardised approaches to calculating the magnitude of credit and operational risk, a new approach to calculating market risk.

The National Bank establishes requirements to classification of assets and contingent liabilities as well as formation and use of special reserves to cover possible losses under the assets and operations not reflected in the balance by banks, DBRB, and non-banking credit and finance institutions. In accordance with the current requirements, assets and contingent liabilities are classified in five (starting from 1 April 2018 - in six) risk groups depending on the level of credit risk. For risk group I, banks must form reserves totalling 0.5-2 per cent. of the total debt amount at least once a month, no later than the last working day of the fiscal month. For assets and contingent liabilities under risk groups II-V, banks must form reserves ranging from 5 per cent. to 100 per cent. as of the moment the asset arises, and later - progressively upon receipt of information about the change in risk level. 2009 witnessed the toughening of requirements in the form of imposing time limits for exclusion of risk group V uncollectible accounts from the balance with the use of special reserves. In 2011, approaches towards the creation of special reserves for impairment of securities had been synchronized with approaches used while establishing special reserves for assets subject to credit risk, with continued account of market factors influencing the classification of securities. In 2015, tougher requirements were introduced for the formation of special reserves for loans issued to legal entities and natural persons in Belarusian ruble at unreasonably high interest rates to reduce the loan burden of borrowers and subsequently to reduce the banks' credit risk. Moreover, starting from 2016 stricter approaches were introduced to classification and formation of special reserves for certain asset types, particularly, encumbered assets. The financial crisis led to an increase in NPLs. As of 31 December 2016, 2015 and 2014 the share of NPLs totalled 4.0 per cent., 1.9 per cent. and 0.9 per cent., respectively (as of 31 December 2011 – 0.6 per cent.). NPLs amounted to Br309.7 million, Br767.5 million and Br1,625.2 million as of 31 December 2014, 2015 and 2016, respectively. As of 31 December 2017, the share of NPLs in the Belarusian banking sector decreased to 2.0 per cent. and NPLs amounted to Br856.9 million, mainly due to the implementation by the Government of the comprehensive reform of the system of financing agricultural producers through the allocation of bad debts of defaulting agricultural organisations from banks to the Agency in order to clear the balances of banking sector as well as to release liquidity to creditworthy agricultural organisations. See "*Public Debt - Asset Management Agency*". The National Bank applied fairly conservative approach to assessing security under loans, which is regarded as a factor taken into account in the classification of assets and potentially enhancing their quality. As a result of this approach, determination of the amount of special reserves is a direct result of the classification of assets and the amount subject to the formation of special reserves is not reduced to the value of the collateral. The adequacy of this approach to the classification of assets and the establishment of specific provisions for credit risk is confirmed by a mission of the IMF and the World Bank held in the framework of 2016 Financial Sector Assessment Program analysis of conformity of the Belarusian banking supervision to the core principles for effective banking supervision. The IMF experts also confirmed that the current approach to the issue of collateral in the formation of reserves is the most appropriate in the present economic conditions.

Classification and measurement of the credit risk of assets are made according to: (i) evaluation of the borrower's ability to perform its obligations; (ii) quality and adequacy of collateral; (iii) number of renewals and duration of past-due loans; and (iv) available information about any borrower's risk.

On the basis of the above criteria, the assets (or loan) are regarded as standard (risk group I), under the supervision (risk group II), problem (risk groups III-V) and non-performing (risk groups IV-V). At the same time a loan being more than 90 days overdue is not the only decisive factor for attributing it to the category of non-performing. Besides the arrears, this category can also include unsecured, insufficiently secured loans, extended one and more than one times, which can be at the same time non-performing for less than 90 days. Moreover, the non-performing category includes liabilities of borrowers for which there is no information allowing assessment of their financial status; non-resident borrowers (excluding banks), who have no or low ratings; loans with encumbered assets, etc.

In case of Government guaranteed assets (or loans), the loan is considered to be secured and is classified as follows: (i) overdue 8 to 90 days – risk group III with which requires a special reserve in the amount from 30 to 50 per cent. of loan amount; (ii) overdue 91 to 180 days – risk group IV which requires a special reserve in the amount from 50 to 100 per cent. of loan amount; (iii) overdue more than 180 days – risk group V which requires a special reserve in the amount of 100 per cent. of loan amount. In case of non-guaranteed loans the arrear is classified as follows: (i) overdue 8 to 90 days – risk group IV which requires a special reserve in the amount from 50 to 100 per cent. of loan amount; and (ii) overdue more than 90 days – risk group V which requires a special reserve in the amount of 100 per cent. of loan amount.

From 1 April 2018, the National Bank will apply updated approaches to the classification of assets and contingent liabilities, as well as the formation and application of special reserves. The updated approaches provide for a number of significant changes to the definition of the source of risk and its assessment, classification of debt and the formation of special reserves.

The main changes are: the definition of the category "restructured debt" and approaches to the classification of such debt; determination of the order of classification and formation of special reserves for accounts receivable; the change in the number of risk groups for the classification of assets and contingent liabilities and the establishment of minimum reserve standards for each group; the definition of a separate category of collateral "high-quality provision" and the procedure for classifying assets that have such collateral. In addition, NPLs - non performing loans - include assets classified into V - VI risk groups, as well as restructured debt classified in IV - VI risk groups.

In the case of government-guaranteed assets (or loans), loans will be deemed to be secured by high-quality collateral and classified as follows: (i) urgent or delinquent up to 7 days - the I risk group, which requires the formation of a special reserve in the amount of 0.5 and 2%; (ii) overdue from 8 to 30 days in the absence of signs of financial instability and negative information - the third risk group, which requires the formation of a special reserve in the amount of 20 to 30% of the loan amount; (iii) overdue from 8 to 30 days in the presence of signs of financial instability, as well as those overdue from 31 to 90 days - the IV risk group, which requires the formation of a special reserve in the amount of 30 to 50% of the loan amount; (iv) overdue from 91 to 180 days – the V risk group, which requires the formation of a special reserve in the amount of 50 to 100% of the loan amount; (v) overdue for more than 180 days – the VI risk group, which requires the formation of a special reserve in the amount of 100% of the loan amount.

In case of unsecured loans, the following classification applies: (i) urgent or delayed up to 7 days in the absence of signs of financial instability and negative information – the II risk group, which requires the formation of a special reserve in the amount of 5 and 20%; (ii) urgent or delayed up to 7 days, if there is negative information, overdue from 8 to 30, in the absence of signs of financial instability and negative information, as well as overdue from 8 to 30, in the presence of negative information – the III risk group, which requires the formation a special reserve in the amount of 20 to 30% of the loan amount; (iii) urgent or delayed up to 7 days, subject to signs of financial imbalance - the VI risk group, which requires the formation of a special reserve in the amount of 30 to 50% of the loan amount; (iv) overdue for 8 to 30 days, if there are signs of financial instability, and also those overdue from 31 to 90 days – the V risk group, which requires the formation of a special reserve in the amount of 50 to 100% of the loan amount; (v) overdue for more than 91 days – the VI risk group, which requires the formation of a special reserve of 100% of the loan amount.

The National Bank has the power to change prudential requirements in relation to specific banks depending on each bank's financial condition and compliance with the capital adequacy rules and other mandatory requirements of the National Bank. In 2015-2016 the National Bank revoked licences from five banks (which are currently undergoing liquidation). One of them was declared bankrupt. This decision was based on the information provided by the bank's temporary administration, the bank's failure to comply with several licence requirements and the formation of a financial situation impeding the bank from fulfilling its obligations to depositors and other creditors. Failure to meet the regulatory capital requirements, lack of clear prospects of increasing the capital, violation of other banking legislation requirements that might endanger the interests of the bank's depositors and other creditors together with the losses sustained by the bank and the results of its inspection contributed to the decision to revoke licences from the other three banks. One more bank's licence was revoked because of its shareholders' decision to liquidate the bank.

In May 2012, the National Bank increased the minimum capital requirements for all banks, irrespective of them being licenced to grant loans. Starting from 1 January 2014, all banks were required to have the minimum capital totalling the equivalent of EUR15 million. Starting from 1 January 2015, all banks were required to have the minimum capital totalling the equivalent of EUR25 million. Starting from 1 January 2016 the minimum regulatory capital requirement for all banks was set at Br450 billion. (starting from 1 July 2016 - Br45 million due to re-denomination).Taking into account that the established minimum regulatory capital requirement is adjusted for the consumer prices index every quarter, effective from 1 January 2018 its value amounts to Br52.75 million re-denominated.

The state-provided guarantee of deposits and increased demand for capital helped to largely prevent the outflow of deposits from the Belarusian banking sector. In December 2011, the Government conducted a recapitalisation of state-owned banks totalling approximately Br15 trillion. (Br1.5 billion as adjusted for denomination) to increase their regulatory capital. With allowance for currency depreciation, the required capital adequacy ratio was reduced to 14.9 per cent. However, in January 2012, the requirement was increased to 24.7 per cent. as a result of recapitalisation.

Subsequent increases of state-owned banks' charter funds were conducted in December 2013 (by Br130 million), July 2015 (by Br1.1 billion), September 2016 (by Br107.6 million).

As of late 2017, the assets of state-owned banks JSC "JSSB Belarusbank", JSC "Belagroprombank", OJSC "Belinvestbank", OJSC "Bank Moscow-Minsk", OJSC "Paritetbank" accounted for 65.2 per cent. of total banking assets of Belarus. The chart below presents the information on top-five commercial banks in Belarus as of 31 December 2017 (excluding the Development Bank of Republic of Belarus):

	As at 31 December 2017			
	Total Assets	**% of Banking Sector Assets**	**Total Equity**	**% of Banking Sector Equity**
		(U.S.$ billion)		
JSC " JSSB Belarusbank"	14.3	42%	1.9	40%
JSC "Belagroprombank"	5.1	15%	0.9	18%
BPS-Sberabank	2.2	7%	0.3	6%
Bank BelVEB OJSC	2.2	6%	0.3	5%
Belgazprombank	2.2	6%	0.3	5%

Source: National Bank

Liability

The following table sets forth a breakdown of the banking system's liabilities by currency for the periods indicated:

	As at 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Total liability of the banking system, *Br million.*	32,124.0	39,516.3	48,153.1	63,046.3	64,467.0	66,679.6
of which:						
in Belarusian ruble	17,107.0	19,742.9	22,829.7	23,827.7	24,641.5	29,270.0
in foreign currency	15,017.0	19,773.4	25,323.4	39,218.7	39,825.6	37,409.6

Source: National Bank

The change between 2014 and 2016 in the share of liabilities in foreign currency in the total volume of liabilities of banks is mainly due to the change in the Belarusian ruble exchange rate relative to foreign currencies and the corresponding revaluation of liabilities in foreign currency.

Anti-Money Laundering Legislation and Measures

Belarus takes an active part in the fight against money laundering and terrorist financing.

On 19 July 2000, the Law of the Republic of Belarus No. 426-3 "On measures against the legalisation of income obtained by illegal means" was adopted. In accordance with this Law, the Department of Financial Monitoring of the Republic of Belarus was created to carry out activities aimed at prevention of legalisation of illegally acquired financings and combating financing of terrorism (AML / CFT). The Department of Financial Monitoring of the Republic of Belarus has been a member of the Group of Financial Intelligence Units "Egmont" since 2007.

On 6 October 2004, the Republic of Belarus became a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). EAG has been an associate member of the Financial Action Task Force (FATF) since June 2010.

In order to bring national legislation into line with international standards, on 30 June 2014, the Law of the Republic of Belarus №165-3 "On measures to prevent the legalisation of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction" was adopted. The law provides for regulation of observing to the full extent the law on preventing the legalisation of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction.

In 2000, Belarus adopted an anti-money laundering law and, in 2004, established a government body similar to FATF to combat corruption. Each government body has a designated unit monitoring corruption and the Government periodically adopts programmes on anticorruption measures.

Anti-Corruption Legislation and Measures

Belarus places significant importance on combating corruption. The basic document, which is organised on the basis of anti-corruption activities in our country, is the Law of the Republic of Belarus "On Combating Corruption" dated 20 July 2006. It outlines the range of subjects of corruption offenses; at the legislative level is defines system of measures to combat corruption and prevent of corruption, as well as a list of offences and corruption-related crimes. The law identifies a number of constraints and special requirements for public officials, as well as establishing powers of special units responsible for combating corruption, such as units of the prosecutor's office, office of internal affairs and national security agencies.

On 15 July 2015, the President of the Republic of Belarus signed a new law "On Combating Corruption", which entered into force on 24 January 2016. This act provides for the extension of the system of measures to combat corruption, in particular, limitation of joint government servicing of close relatives, prohibition of appointment to executive positions of persons which were discharged by discrediting circumstances, introducing an institute of social control for the purpose of combating corruption, simplifying of administrative procedures, and providing of education on anticorruption issues.

The Republic of Belarus has ratified and fulfilled the requirements of the main international instruments on the fight against corruption, such as the Council of Europe Criminal Law Convention on Corruption, signed in Strasbourg on 27 January 1999; the United Nations Convention against Transnational Organised Crime, signed by the Republic of Belarus on 14 December 2000; the United Nations Convention against Corruption of 31 October 2003; and the Convention on Civil Liability for Corruption of 4 November 1999 (ratified in 2005).

Domestic Capital Markets

Government Securities

The Ministry of Finance as the issuer of government securities is actively pursuing efforts to develop the domestic financial market. In order to attract temporary free monetary funds of legal entities and individuals, residents and non-residents of the Republic of Belarus to finance the republican budget deficit and refinance the public debt the Ministry of Finance allocates government bonds denominated in Belarusian rubles and government bonds denominated in foreign currency on the domestic financial market. The government bonds may be short-term with maturity period of up to one year ("**GKO**") and long-term with maturity period of more than one year ("**GDO**"). Bondholders may be legal entities and individuals, both residents and non-residents of Belarus. Government bonds may have a fixed or floating interest rate or may be issued at a discount to the principal. Government bonds may be placed by auction organised by the Ministry of Finance on the Belarusian Exchange, or through a direct sale agreement entered into between the Ministry of Finance and the purchaser of the government bonds, or may be sold by the Ministry of Finance through local banks to investors.

As of 31 December 2017, the outstanding principal amount of government bonds was U.S.$4,651.3 million. As of 31 December 2017, the weighted average interest rate on foreign currency borrowings, raised in the domestic market, amounted to 6.4 per cent. per annum. The weighted average interest rate on bonds denominated in Belarusian rubles, amounted to 3.3 per cent. per annum. For more detailed information, see "*Public Debt - Internal Public Debt*".

Corporate Securities

The securities market of the Republic of Belarus is characterized by a sufficiently high level of functional and technological development of the basic elements of the infrastructure.

The national electronic trading platform, the Belarusian Exchange, where the trading of securities of various types is concentrated – shares and bonds. The technology of the Belarusian Exchange allows it to make stock transactions in electronic form, regardless of the geographical location of investors.

The Belarusian Exchange is starting to increase the speed, reliability and transparency of its operations and is working with other international organisations to introduce best practices into its operations.

A two-level depositary system consisting of the Republican Central Securities Depository and more than 30 second-level depositories perform automated accounting, settlement and storage of securities.

Securities (stocks and bonds) are issued by economic entities and circulated on the market in electronic form. In the process of providing exchange trading and settlement and depository procedures, the possibilities of electronic document circulation and electronic digital signature are actively used.

The standards and technologies of functioning of the Belarusian depository system provide an opportunity for integration into the global financial market. The Republican Central Securities Depository has established correspondent relations with seven foreign depositories, including three in the Russian Federation.

In accordance with the Partnership Agreement concluded with the Association of National Numbering Agencies (ANNA), the Republican Central Securities Depository acts as the National Numbering Agency (NNA) of the Republic of Belarus. This allows the Republican Central Securities Depository to assign international identification codes to the issues of securities of Belarusian issuers. Further integration of the Belarusian stock market into the global depository and settlement and clearing system will make the securities market even more open and understandable for foreign investors, will open up standard entry / exit opportunities for investors to the market.

Securities transactions are performed on the Belarusian stock market through professional participants of the securities market (brokers, dealers, trustees) whose activities are licenced and regulated by the state. The infrastructure of professional financial intermediaries is currently represented by 62 organisations, 26 of which are banks.

The operational and investment structure of the securities market of the Republic of Belarus is characterized by the volume dominance of commercial banks, for which operations with various types of bonds are the most popular.

The Republic of Belarus seeks to simplify as much as possible procedures for the purchase of shares of Belarusian enterprises and adoption of necessary decisions by the state. Any foreign investor wishing to invest money in the shares of any Belarusian enterprise has the right to declare this and formulate its proposals. This is due to the absence in the Republic of Belarus of lists on the privatisation of individual enterprises. The state guarantees that investment proposals regarding the shares of Belarusian enterprises, regardless of the sector of the economy in which they are concerned, will be carefully and constructively considered. An additional incentive for the acquisition of shares is preferential taxation. Exempted from taxation, the share premium for the placement of shares, as well as the personal income tax, exempts all income received from the sale of shares not earlier than three years from the date of acquisition.

The development of the bond market and the infrastructure necessary for this is one of the priorities in the Republic of Belarus in the formation of the modern financial market. Over the past few years, a wide range of debt instruments - state bonds, bank bonds, corporate bonds, municipal and housing bonds - has been introduced into the practice of the market.

For all categories of investors, the bonds benefit from preferential taxation, which is intended to stimulate the issuance of new bonds and secondary transactions with bonds of various types. The tax rates on income received when repaying, selling, making REPO transactions with bonds are nullified for several years.

The Belarusian Exchange is represented by shares issued by open and closed joint-stock companies. As of 1 January 2018, there are 4,552 joint-stock companies in the Republic of Belarus, 2,392 of which are open joint-stock companies.

The total market value of all shares listed on the Belarusian Exchange as of 1 January 2018 is Br31 billion. For the year ended 31 December 2017, the total volume of shares of open joint-stock companies increased by 6.2 per cent. compared to the same period in 2016.

In 2017, the Belarusian Exchange demonstrated a fairly high growth rate. For the year ended 31 December 2017 the volume of transactions for the purchase and sale of shares in the secondary market amounted to Br193.1 million.

The market of corporate bonds is represented by debt instruments issued by banks, as well as enterprises of the real sector of the economy. The total number of bond issuers as of 1 January 2018 is 181,23 of which are banks and 158 are non-banking sector enterprises.

The total value of issue of corporate bonds of various types as of 1 January 2018 is Br13.2 billion, which is 1.0 per cent. higher compared to 1 January 2017. As of 1 January 2018, the share of banks' bonds accounted for 54.5 per cent. of the total volume of all bond issues, with the share of enterprises comprising the remaining 45.5 per cent.

In accordance with the Belarusian legislation, the nominal value of bonds issued in the territory of the Republic of Belarus can be expressed both in Belarusian rubles and in foreign currency. As of 1 January 2018, among all corporate bonds traded on the territory of the Republic of Belarus, the share of bonds denominated in Belarusian rubles was 50.2 per cent., denominated in U.S. dollars – 33.4 per cent., in Euro – 14.5 per cent. and in Russian rubles – 1.8 per cent.

The volume of purchase and sale transactions on the secondary market of corporate bonds in the Republic of Belarus amounted to Br7.2 billion in the year ended 31 December 2017.

The table below provides information on transactions of purchase and sale of shares of open joint-stock companies and corporate bonds made in the secondary market for the periods indicated from 2012 to 2017.

	Year ended 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Corporate bonds - purchase and sale transactions, the organized secondary market						
Number of transactions	2,182	1,388	1,446	1,600	1,773	1,645
Value of transactions, *Br million*.	950.4	1,733.1	2,471.8	3,325.7	2,309.1	1,663.9
Corporate bonds - purchase and sale transactions, uncoordinated secondary market						
Number of transactions	2,613	2,649	3,662	5,182	6,514	4,466
Value of transactions, *Br million*.	2,286	1,968	4,476	8,762	7,142	5,560.7
Shares of OJSC - purchase and sale transactions, organized secondary market						

Number of transactions	14,717	6,959	5,815	3,257	2,805	3,622
Value of transactions, *Br million*.	75.3	51	47.9	20.2	50.3	84.2
Shares of OJSC - purchase and sale transactions, uncoordinated secondary market						
Number of transactions	9,666	7,877	4,817	2,872	1,269	1,268
Magnitude of transactions, *Br million*	37.34	66.74	116.82	36.72	8,047	108.9

Source: National Bank

Regulation of the securities market

The functions of state regulation of the securities market are performed by the Ministry of Finance in the Republic of Belarus. One of the areas of integration of the Republic of Belarus into the world financial system is the development of cooperation in the field of standards for the regulation of the securities market with authorized state bodies of different countries. The key strategic direction is the development of cooperation with the IOSCO. The Ministry of Finance is working to bring standards and procedures for the regulation of the securities market to the relevant recommendations and requirements of the IOSCO. This work will be continued and is planned to end with the accession of the Republic of Belarus to this international organisation.

By 2025 the formation of the general financial market of the EEU is planned. In the framework of this work, it is proposed to remove barriers to trade in services and free movement of capital between member states. Mutual recognition of licences and other licensing documents for participants of the financial market is proposed.

Another direction of the formation of the common financial market of the Unified Energy System is the provision of unhindered placement and circulation of securities throughout the EEU on the basis of the "pan-EEU passport of the issuer".

In the last two years, a number of strategic innovations and projects that will radically improve the working conditions of all categories of investors in the financial market and create new growth points in the economy of the Republic of Belarus have occurred and will continue to develop in the near future.

In 2016, the Law of the Republic of Belarus of 5 January 2015 "On the Securities Market" (the "**Securities Market Law**") came into force aimed at implementing a comprehensive approach to regulating legal relations in the securities market. The Law on the Securities Market was prepared jointly with international experts in the framework of the international technical assistance project of the IMF and the World Bank "Belarus: Promoting the development of the securities market after the assessment of the financial sector" (the "**ICC Project**") in order to bring its norms closer to the EU directives and the principles of the IOSCO. The development of the Securities Market Law took into account the provisions of international standards in the field of financial market regulation. Essential attention in the Securities Market Law is paid to the protection of investors' rights, ensuring equal conditions for access to market information for various categories of investors, increasing transparency in the work of securities issuers and operations with shares and bonds.

The adoption of the Edict of the President of the Republic of Belarus of 3 March 2016 No. 84 "On Issues of Issue and Circulation of Shares Using Foreign Depositary Receipts" (the "**Edict on depositary receipts**") was an important step in creating conditions for the entry of Belarusian enterprises through the mechanisms of issuing shares to international markets using depositary receipts.

At the same time, this Edict on depositary receipts provides for a number of significant benefits for issuers and owners of foreign depositary receipts:

- for non-residents to obtain shares for placement with the use of foreign depositary receipts, the consent of the antimonopoly authority is not required;
- on the obligations of the issuer of foreign depositary receipts, a levy of foreclosure on shares placed using foreign depositary receipts is not allowed on the territory of the Republic of Belarus;
- it provides for exemption from taxation of income (profit) received: in the form of dividends on shares placed using foreign depositary receipts; in the performance before the redemption of foreign depositary receipts of operations with shares, including income from the sale of shares; and when redeeming foreign depositary receipts as a result of their exchange for shares.

In 2017, Presidential Edict No. 154 of 11 May 2017 "On financing commercial organisations for the assignment of rights (claims)" was adopted (the "**Edict on securitization**").

This Edict is aimed at creating the legal framework for securitisation and provides for the creation of conditions for issuing new securities market instruments that are used to transform problem and illiquid assets (loans, mortgages and other rights of repayment of funds) issued by banks to liquid assets – bonds of the special financial organisation. The Edict on securitisation comes into force on 1 July 2018.

In 2017, the Law of the Republic of Belarus of 17 July 2017 "On Investment Funds" was adopted (the "**Law on Investment Funds**"). This law is intended to create the necessary conditions for the formation of collective investment institutions in the financial markets of the Republic of Belarus. It will be possible to create investment funds of various types without any restrictions in the territory of the Republic of Belarus. The Law on Investment Funds comes into force on 23 July 2018.

The Law on Investment Funds, as well as the Edict on depository receipts and the Edict on securitisation, were developed in close cooperation and with the advice of international experts and organisations, including within the framework of the ICC project.

Insurance Market

As at 1 October 2017, 17 insurance companies were operating on the insurance market of the Republic of Belarus, including eight state-owned companies and companies in which over 50 per cent. of their authorized capital are owned by the state and seven insurance companies with foreign capital.

As at 1 October 2017, the assets of the insurance companies amounted to U.S.$1,600.1 million (as at 1 November 2017 - U.S.$1,600.0 million); as compared to U.S.$1,415.9 million in 2016, U.S.$1,587.0 million in 2015, U.S$2,067.3 million in 2014, U.S.$2,068.4 million in 2013 and U.S.$1,719.4 million in 2012. As at 1 October 2017, the ratio of insurance reserves to the total assets of the insurance companies amounted to 39.5 per cent. (as at 1 November 2017 - 40.3 per cent.) as compared to 18.7 per cent. in 2012; 25.6 per cent. in 2013; 33.3 per cent. in 2014; 34.6 per cent. in 2015 and 38.0 per cent. in 2016.

As at 1 October 2017, the ratio of government securities to the total insurance reserves amounted to 30.8 per cent.; as compared to 19.9 per cent. in 2012; 14.6 per cent. in 2013; 29.0 per cent. in 2014; 42.8 per cent. in 2015 and 48.3 per cent. in 2016.

In 2014-2015, no insurance reserves were invested in securities issued by Belarusian banks (except for shares) or securities issued by the local executive and regulatory authorities; while in 2012 such reserves amounted to 11.0 per cent. of the total insurance reserves, in 2013 – 8.6 per cent, in 2016 – 0.2 per cent. and as at 1 October 2017 – 4.2 per cent. As at 1 October 2017, the ratio of bank deposits to the total insurance reserves amounted to 37.4 per cent. as compared to 62.1 per cent. in 2012; 52.8 per cent. in 2013; 45.9 per cent. in 2014; 43.2 per cent. in 2015 and 31.2 per cent. in 2016.

As at 1 October 2017, the remaining 12.8 per cent. of the insurance reserves were invested in other investment facilities and placed on bank accounts (current, currency and special accounts) as compared to 7.1 per cent., 24 per cent., 25.1 per cent., 14.0 per cent. and 9.7 per cent. in 2012, 2013, 2014, 2015 and 2016, respectively.

As at 1 November 2017, the insurance premiums under direct insurance and co-insurance contracts amounted to U.S.$451.4 million as compared to U.S.$520.3 million in 2012; U.S.$748.7 million in 2013; U.S.$711.4 million in 2014, U.S.$518.6 million in 2015 and U.S.$496.8 million in 2016 respectively.

PUBLIC FINANCE

Budget of the Public Sector of Belarus's Economy

The budget of the public sector of the Republic of Belarus (the "**Public Sector Budget**") consists of Belarus's consolidated budget (the republican budget and local budgets), the budgets of state extrabudgetary funds and extrabudgetary assets of the budget organisations. There are 4 state extrabudgetary funds in total: the SPF and the "**Other Funds**" being the State Extrabudgetary Fund of Universal Services at the Ministry of Communications and Informatisation, the State Extrabudgetary Fund of the Department for Punishment Execution at the Ministry of Internal Affairs and the State Extrabudgetary Fund of Civil Aviation. The largest fund among the four is the SPF budget. Prior to 2010, the SPF had been included in the republican budget.

In Belarus, a budgetary classification has been applied since 2006, which has been developed based on the guidelines of the International Monetary Fund on the public finance statistics GFSM-2001 and their updated version GFSM -2014. The budgetary classification is a unified classification and is used for the preparation, approval and performance of the republican budget and local budgets, state special-purpose budgetary and extrabudgetary funds, as well as the extrabudgetary funds of budget-financed institutions and organisations.

In 2016, Belarus's Public Sector Budget performed with a surplus of Br1,397.4 million or 1.5 per cent. of GDP. In 2016, the revenues of the public sector budget amounted to Br38,886.5 million or 41.2 per cent. of GDP, while the expenditures amounted to Br37,489.1 million or 39.7 per cent. of GDP.

According to preliminary estimates for 2017, Belarus's Public Sector Budget performed with a surplus of Br3,144.3 million or 3.0 per cent. of GDP. The revenues of the public sector budget amounted to Br42,921.5 million or 40.8 per cent. of GDP, while the expenditures amounted to Br39,777.2 million or 37.8 per cent. of GDP.

The following table sets out the Public Sector Budget of Belarus (in Br million) for each of the periods indicated:

	2012	2013	2014	2015	2016	Preliminary 2017
	in Br million (post re-denomination)					
Revenues						
Tax revenues	13,801.3	16,492.2	18,901.7	22,276.7	23,852.2	26,340.5
including:						
income tax	1,931.8	2,699.2	3,209.2	3,700.9	3,937.9	4,338.5
profit tax	1,953.5	2,152.5	1,999.4	2,181.9	2,325.0	2,915.0
property taxes	518.8	759.1	961.8	1,233.6	1,592.3	1,615.6
VAT	4,545.7	5,622.3	6,982.9	7,267.1	8,235.0	9,247.6
excise taxes	1,119.1	1,751.9	2,123.1	1,944.2	2,185.6	2,342.5
tax revenues from foreign trade	2,547.5	2,332.7	1,841.5	3,918.6	3,431.8	3,546.6
other taxes[(1)]	1,184.9	1,174.5	1,783.8	2,030.4	2,144.6	2,334.7
Revenues of the SPF[(2)]	5,699.5	7,791.0	9,307.5	10,450.6	10,329.9	11,225.2
Non-tax revenues[(3)]	1,960.1	2,401.9	3,001.4	3,828.0	4,648.3	5,288.3
Revenues of Other Funds	-	-	-	25.0	56.1	67.5
Total revenues	**21,460.9**	**26,685.1**	**31,210.6**	**36,580.3**	**38,886.5**	**42,921.5**
Expenditures (economic classification)						
Current expenses	12,082.0	14,618.4	16,876.1	20,184.9	22,272.6	23,233.1
including:						
wages and salaries	3,471.5	4,393.1	5,222.4	6,129.0	6,520.1	7,090.7
charges on wages and salaries	958.8	1,195.0	1,434.5	1,692.4	1,803.2	1,946.2
debt service payments	753.2	661.4	834.2	1,504.9	1,869.2	2,085.7
subsidies and current transfers[(4)]	4,046.9	4,773.9	5,334.9	6,043.2	6,392.8	5,939.2
other expenses	2,851.6	3,595.0	4,050.1	4,815.4	5,687.3	6,171.3
Capital expenditures	3,417.2	4,427.7	4,306.3	3,622.2	3,470.3	4,353.5

	2012	2013	2014	2015	2016	Preliminary 2017
	in Br million (post re-denomination)					
Expenditures of the SPF[5].....	5,588.3	7,814.2	9,392.6	10,791.4	11,516.3	12,236.8
Credit and loans granted less repayment............................	17.7	(78.6)	(199.8)	703.2	159.8	(98.5)
Financial reserve	-	(192.4)	-	-	-	-
Expenditures of Other Funds	-	-	-	9.8	70.1	52.3
Total expenditures..............	**21,105.2**	**26,589.3**	**30,375.2**	**35,311.5**	**37,489.1**	**39,777.2**
Surplus balance (deficit).....	**355.7**	**95.8**	**835.4**	**1,268.8**	**1,397.4**	**3,144.3**
% of GDP............................	**0.7**	**0.2**	**1.1**	**1.5**	**1.5**	**3.0**
Financing..............................	(355.7)	(95.8)	(835.4)	(1,268.8)	(1,397.4)	(3,144.3)
including:						
domestic financing	18.0	502.8	(257.1)	590.6	(1,248.8)	(6,876.1)
external financing..................	(373.7)	(598.6)	(578.3)	(1,859.4)	(148.6)	3,731.8
For information: revenues from the sale of state property (including shares)...	*20.0*	*68.2*	*35.3*	*12.9*	*17.9*	*4.7*

Source: Ministry of Finance

Notes:

(1) Other taxes include various taxes imposed by the central government and local government authorities. See the *Revenues of the Public Sector Budget*.

(2) After consolidation in the amount of subventions transferred from republican budget to SPF.

(3) After consolidation in the amount of subventions transferred from SPF to local budget.

(4) Subsidies and current transfers include such payments to the population, as scholarships, pensions to judges and military officers administered through the central government budget, together with subsidies for the reimbursement of mortgage interest for home buyers.

(5) After consolidation in the amount of subventions transferred from SPF to local budget and budgetary credit granted from Republic of Belarus' budget to SPF in 2017.

The following table sets out certain information to the central Government's budget for each of the periods indicated:

	2012	2013	2014	2015	2016	Preliminary 2017
	in Br million (post re-denomination), excluding interest					
Revenues						
Tax revenues	8,029.7	8,957.0	10,231.7	12,743.0	13,091.8	14,431.8
including:						
Profit tax...............................	548.2	523.3	656.7	817.3	727.3	1.020.7
VAT	3,229.8	3,935.6	4,818.2	5,014.3	5,682.1	6,380.9
Excise taxes..........................	1,119.1	1,751.9	2,123.1	1,944.2	2,185.6	2,342.5
Tax revenues from foreign trade......................................	2,547.5	2,332.8	1,841.5	3,918.6	3,431.8	3,546.6
Other taxes[1]	585.1	413.4	792.2	1,048.6	1,065.0	1,141.1
Non-tax revenues	1,488.5	1,623.3	1,947.1	3,141.4	3,209.8	2,909.7
Gratuitous payments.............	0.1	0.1	641.3	836.9	1,461.8	2,434.7
Total revenues.....................	**9,518.2**	**10,580.4**	**12,820.2**	**16,721.3**	**17,763.4**	**19,776.2**
Expenditures (economic classification)						
Current expenses	8,103.2	9,434.7	10,754.8	12,848.1	14,767.8	15,050.2
of which:						
wages and salaries	1,273.2	1,693.1	2,008.3	2,305.3	2,413.1	2,673.0
charges on wages and salaries..................................	236.7	295.2	348.3	395.9	407.6	451.6
debt service payments	600.9	543.9	725.2	1,348.5	1,729.0	1,876.4
subsidies and current transfers[2].............................	4,845.8	5,509.3	6,090.9	6,755.6	7,887.6	7,514.5
other expenses	1,146.6	1,393.2	1,582.1	2,042.7	2,330.5	2,534.7
Capital expenditures.............	1,490.4	1,677.0	1,769.7	1,576.7	1,763.4	2,022.3

	2012	2013	2014	2015	2016	Preliminary 2017
		in Br million (post re-denomination), excluding interest				
Credits and loans granted less repayments	(5.2)	(113.1)	(246.5)	789.4	219.2	(72.6)
Financial reserve	–	(192.4)	–	–	–	–
Total expenditures	**9,588.4**	**10,806.2**	**12,278.0**	**15,214.1**	**16,750.4**	**16,999.9**
Surplus balance (deficit)(2)	**(70.2)**	**(225.8)**	**542.2**	**1,507.2**	**1,013.0**	**2,776.3**
% of GDP	**(0.1)**	**(0.4)**	**0.7**	**1.7**	**1.1**	**2.6**
Financing	70.2	225.8	(542.2)	(1,507.2)	(1,013.0)	(2,776.3)
including:						
domestic financing	443.9	824.3	36.1	352.3	(864.4)	(6,508.0)
external financing	(373.7)	(598.6)	(578.3)	(1,859.4)	(148.6)	3,731.7

Source: Ministry of Finance

Notes:

(1) Other taxes include various taxes imposed by the central government authorities.

(2) Including the subsidies reimbursable from the republican budget to the SPF budget to cover non-insurance expenses.

Public Sector Budget Revenue

In 2016, the Public Sector Budget revenues amounted to Br38,886.5 million, an increase of 6.3 per cent. as compared to 2015. Taxation represents the principal source of budgetary revenue for Belarus accounting for 61.3 per cent. of the total Public Sector Budget revenues in 2016, as compared to 60.9 per cent. in 2015. The other significant contribution to budgetary revenue is revenues of the SPF, comprised mainly of contributions paid by employers and employees. The SPF revenues amounted to 26.6 per cent of the Public Sector Budget revenues in 2016, as compared to 28.6 per cent. in 2015.

According to preliminary estimates for 2017, the Public Sector Budget revenues amounted to Br42,921.5 million, an increase of 10.4 per cent. as compared to 2016. Taxation represents the principal source of budgetary revenue for Belarus accounting for 61.4 per cent. of the total Public Sector Budget revenues in 2017, as compared to 61.3 per cent. in 2016.

VAT accounted for 21.5 per cent., 21.2 per cent. and 19.9 per cent. of the total Public Sector Budget's tax revenues in 2017, 2016 and 2015, respectively. VAT is levied on a range of goods and services. VAT rate is currently established at 20 per cent.

Revenue from foreign trade duties, profit tax, income tax, and excise duties accounted for 8.3 per cent., 6.8 per cent., 10.1 per cent. and 5.5 per cent., respectively, of the total Public Sector Budget's revenues in 2017.

Profit tax is levied at a flat rate of 18 per cent. on gross revenues of enterprises and 25 per cent. for credit and insurance organisations, income tax is levied at a flat rate of 13 per cent. on non-business individuals' income and 16 per cent. for business income of individual entrepreneurs, advocates, notaries. Individual entrepreneurs are individuals engaged in commercial and entrepreneurial activities without establishing a separate legal entity and registered in such capacity. They are subject to income tax on income from the relevant entrepreneurial activity. All other individuals pay income tax on their employment income and other earnings, where there is a taxable item. The unified tax rates levied on individual entrepreneurs and other individuals are set within the limits of basic rates per month, depending on the types of activity, the groups of goods sold, the form of trade and the categories of payers. Excise taxes are levied on the following list of excisable goods: alcoholic beverages, beer, tobacco products, car gasolines, diesel fuel and marine fuel, liquefied hydrocarbon gas and compressed natural fuel gas used as car fuel, as well as oil for diesel and/or injector engines. Unified excise tax rates are applicable to excisable goods whether imported or manufactured.

Foreign trade duties consist of customs duties, value added tax and excise taxes levied on imported goods. On the EEU customs territory, a Common Customs Tariff of the EEU is applied. Within the

EEU customs territory, a mechanism has been employed where import customs duties are credited and allocated among the budgets of the EEU member countries based on specific ratios (the ratio for the Republic of Belarus is 4.56 per cent.). Import customs duties apply to various commodity items, such as tea, coffee, food products, photo and video equipment, textile products, fuel, metals, etc.

Export customs duties apply to oil and oil products, potash fertilizers, timber, rape seeds and rawhide exported out of the EEU customs territory. Russia and Belarus apply the same rates of export customs duties to oil and oil products exported.

Value added tax and excise duties are levied on goods intended for foreign trade based on the country of destination. This principle provides for the application of the zero per cent value added tax and/or exemption from excise taxes on the exports of goods and the levying of VAT and excise taxes on the imports of the goods.

The Republic of Belarus applies the main value added tax rate at 20 per cent.; while the rate of 10 per cent. is applicable to food products and goods for children, according to a list approved by the President of the Republic of Belarus. There are also other VAT rates for specific services and goods, e.g. 25 per cent. rate is applied for telecommunication services.

The table below shows the structure of revenues of the consolidated budget broken down by main revenue sources in the years specified:

	2012	**2013**	**2014**	**2015**	**2016**	**Preliminary 2017**
			(in percentage of the total revenues)			
Total revenues	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
including:						
income tax	12.2	14.3	14.6	13.9	13.8	13.7
profit tax	12.4	11.4	9.1	8.2	8.2	9.2
property taxes	3.3	4.0	4.4	4.6	5.6	5.1
VAT	28.8	29.7	31.8	27.3	28.9	29.2
excise taxes	7.1	9.3	9.7	7.3	7.7	7.4
tax revenues from foreign trade	16.1	12.3	8.4	14.7	12.0	11.2
interest for the use of budgetary monetary funds	2.3	2.1	1.7	2.4	2.0	1.3
dividends on shares (participation interests) owned by the state	4.7	3.6	4.8	5.7	3.3	5.6
other	13.1	13.3	15.5	15.9	18.5	17.3

Source: Ministry of Finance

Public Sector Budget Expenditure

In 2016, Public Sector Budget expenditure increased by 6.2 per cent. in nominal terms in comparison to 2015 and amounted to Br37,489.1 million. As a percentage of GDP, expenditure decreased by 0.9 per cent. in 2016 compared to 2015.

According to preliminary estimates for 2017, Public Sector Budget expenditure increased by 6.1 per cent. in nominal terms in comparison to 2016 and amounted to Br39,777.2 million. The key focus areas of the Government's investment programme include construction of the NPP (see "*- Fuel and Energy - NPP*"), development of affordable healthcare system and social housing for the population.

The table below shows a breakdown of the Public Sector Budget expenditure by functional classification for each of the periods indicated:

	2012	2013	2014	2015	2016	Preliminary 2017
			in Br million (post re-denomination)			
Expenditures (functional classification)						
Education[(1)]	2,597.4	3,223.8	3,681.6	4,186.4	4,593.7	4,914.5
Environmental protection[(2)]	86.2	73.0	79.4	78.8	77.3	84.6
Judicial power, law enforcement and safety[(3)]	815.6	1,148.7	1,408.8	1,598.9	1,687.9	1,893.0
National defence[(4)]	504.8	626.5	736.8	925.3	1,044.5	1,015.0
National economy	2,989.4	3,116.3	3,356.8	3,881.7	4,253.3	4,280.8
Physical education, sport, culture and mass media[(5)]	516.0	604.3	684.8	773.6	864.2	937.1
Public health[(6)]	2,037.1	2,525.6	2,967.8	3,497.7	3,953.9	4,304.9
General public expenses[(7)]	3,460.9	4,556.0	4,750.8	6,296.9	6,901.3	7,265.3
Social policy (including SPF)	6,889.4	9,125.7	10,978.0	12,448.9	12,525.7	13,448.3
Utilities and residential construction[(8)]	1,208.4	1,589.4	1,730.5	1,613.5	1,517.2	1,581.4
Other Funds	-	-	-	9.8	70.1	52.3
Total expenditures	**21,105.2**	**26,589.3**	**30,375.2**	**35,311.5**	**37,489.1**	**39,777.2**

Source: Ministry of Finance

Notes:

(1) Includes the expenses relating to the operation of schools, colleges, universities and other educational organisations, the expenses of state authorities exercising control and supervision over the education system (including wages of staff, transport expenses and other current expenses), the financing of state programmes and various educational science projects, the publishing of textbooks and educational materials.

(2) Includes the expenses relating to the maintenance and recovery of specially protected natural sites, environmental monitoring, maintenance of the state register of natural resources and the expenses of environmental protection authorities.

(3) Includes expenses on judiciary power, law enforcement authorities, prosecution authorities, border control services, the penitentiary system, state security services, notary offices, customs authorities, the expenses relating to dealing with the consequences of emergency situations and natural disasters, programmes and projects in the sphere of law enforcement and the provision of safety and other expenses.

(4) Includes expenses on the defence and military security of the State, maintenance of the armed forces of Belarus, other military expenses, except for the expenses relating to military educational and medical requirements, as well as pensions.

(5) Includes expenses on cultural events, support for mass media, national film production, publications and periodicals, as well as the expenses on state regulation of the above spheres and state programmes.

(6) Includes expenses on the maintenance of public healthcare organisations (wages, healthcare institutions, transport, communications and other current expenses), costs of medical services, centralised purchases of medicines and medical equipment, state sanitary and epidemiological supervision and research in the sphere of public health.

(7) Includes expenses on the servicing of public debt, contributions to international organisations, formation of state reserve funds, expenditures on scientific research, salaries of government officials and other similar expenses, as well as expenses on the state investment programme.

(8) Includes subsidies for the reimbursement of the difference between the utility tariffs charged to the population and the actual cost of the utilities, the financing of overhauls and current repairs of residential housing, the repairs of roads and maintenance of places of public use.

Each functional line item of the Public Sector Budget expenditure includes current expenses, capital expenditure and subsidies. The most significant subsidies are discussed separately below.

The largest expenditure item in the public sector budget is social policy, funded primarily through the funds of the SPF, whose expenses in 2017 amounted to Br13,448.3 million. The expenses on social protection include, for example, child care allowances, provision of free baby food for children under two years old and the financing of programmes relating to the medical support of children living in the areas polluted owing to the Chernobyl accident and disabled children. The pensions payable from the republican budget rather than the SPF include the pensions to certain categories of employees such as judges, military officers and others. Expenses relating to youth policy include various scholarships for young people distinguished in science, education, culture or sports. Starting from 2015, the expenses on social policy include the allowances for additional support for multi-child families to form the so called “family capital”.

The share of the expenses on social policy in the total expenditures of the public sector budget has remained relatively constant and amounted to 36.1 per cent., 35.3 per cent., 33.4 per cent. and 33.8 per cent. in 2014, 2015, 2016 and 2017, respectively.

Considerable financing is allocated to general public expenses, expenses on education and public health, which accounted for 18.3 per cent., 12.4 per cent. and 10.8 per cent., respectively, of the total expenditures in the 2017 public sector budget.

Wages and salaries of the employees (including charges) engaged in the public sector accounted for 21.9 per cent., 22.1 per cent., 22.2 per cent. and 22.7 per cent. of the total expenditures of the public sector budget in 2014, 2015, 2016 and 2017, respectively.

The following table shows a breakdown of expenditures on subsidies by industries for each of the periods indicated:

	2012	**2013**	**2014**	**2015**	**2016**	**Preliminary 2017**
	in Br million (post re-denomination)					
Subsidies						
Agriculture	1,050.46	1,361.35	1,376.27	1,466.71	1,701.63	1,134.4
Fuel and energy	215.73	51.17	60.20	64.74	69.31	85.9
Industrial sector, construction and architecture.........................	237.17	212.83	427.55	638.22	606.61	763.4
Physical education, sports, culture and mass media	60.91	68.05	73.64	74.12	77.44	80.6
Transportation	213.47	271.28	277.90	274.37	329.77	305.9
Utilities...............................	819.37	1,065.43	1,173.03	1,077.13	866.28	879.2
Other(1)	70.19	119.35	116.10	136.54	161.74	142.4
Total	**2,667.30**	**3,149.46**	**3,504.69**	**3,731.83**	**3,812.78**	**3,391.8**

Source: Ministry of Finance

Note:

(1) Other subsidies include the compensations for the interest provided to the banks in respect of discounted loans extended to legal entities, the subsidies for the facilitation of employment and the subsidies for the development of small and medium-sized businesses.

Agricultural subsidies include interest rate subsidies for loans advanced by Belarusian banks to agricultural enterprises, the reimbursement of the difference between regulated prices for certain essential food products and the cost of sales incurred by agricultural producers, the subsidies for the purchase of mineral fertilisers, the financing of research in the agricultural science and other subsidies supporting the agricultural sector.

Utilities subsidies include the reimbursement of the difference between the regulated prices (tariffs) set by the Government for heating, water and other housing services and the cost of sales incurred by utility suppliers, the funds allocated for the maintenance of streets, heating mains and other housing services infrastructure and the funds for the repairs and maintenance of residential housing. The Government plans to phase out subsidies to utilities by 2025.

Transportation subsidies include the reimbursement of the difference between the regulated prices (tariffs) set by the Government for transportation services to the population and the cost of sales incurred by transport enterprises.

Physical education, sports, culture and mass media subsidies include the subsidies supporting sport clubs, cultural organisations, film production, mass media, publishing houses and video rental enterprises.

Budget Process

The preparation of a draft republican budget is to begin at least ten months before the following financial year. The Ministry of Finance develops preliminary draft budgets and issues directions based on which the ministries and other state authorities are to submit to the Ministry of Finance materials necessary for the preparation of the draft republican budget for the following financial year.

After this, the draft republican budget, in the form of a draft law, together with the calculations, analytical and other materials, is presented to the Government for consideration and, by 1 September, the draft law on the republican budget and the estimated indicators for the consolidated budget are forwarded to the President for consideration. The law on the republican budget for the following financial year is to be adopted by the Parliament of the Republic of Belarus by 1 December of the year preceding the following financial year.

Local budgets are to be considered and approved by the relevant local Councils of Deputies.

A report regarding the performance of the republican budget for the reporting financial year is to be prepared by 1 March of the year following the reporting financial year and is to be introduced as a draft law to be considered by the Government.

The Government forwards the draft law on the approval of the report regarding the performance of the republican budget for the reporting financial year to the State Supervisory Committee of the Republic of Belarus for the Committee to prepare, in the manner prescribed by law, an opinion on the performance of the republican budget for the reporting financial year, and also forwards said draft law to the President of the Republic of Belarus.

The President of the Republic of Belarus is to introduce to the Chamber of Representatives a draft law on the approval of the report regarding the performance of the republican budget for the reporting financial year within five months of the end of the reporting financial year.

Reports on the performance of the local government budgets are to be considered and approved by the corresponding local Councils of Deputies.

Annually, starting from 2016, medium-term financial programs are developed and approved at the national and local levels, and a systematic transition to the performance-oriented method of budget planning is carried out.

2018 Public Sector Budget

According to the projections of the Ministry of Finance, the public sector budget for 2018 has been prepared with a surplus of Br766.2 million or 0.68 per cent. of GDP, with the revenues accounting for 40.84 per cent. of GDP and the expenses – for 40.16 per cent. of GDP. The surplus of the budget is expected to be used for repaying a portion of the public debt.

The 2018 Public Sector Budget was prepared in accordance with a conservative scenario of economic development, assuming the following average annual parameters: (i) consumer price index (inflation) - 7.4%; (ii) GDP growth rate - 1.2%; (iii) refinancing rate - 11% per annum; (iv) oil price - 43 U.S. dollars per barrel; and (v) U.S. dollar exchange rate - 2.0379 Belarusian ruble and 62.3 Russian Ruble against the U.S. dollar.

The Law of the Republic of Belarus "On the Republican Budget for the Year 2018" No. 86-3 was adopted on 31 December 2017. The Law of the Republic of Belarus "On the Budget of State Extrabudget Fund of Social Protection of Population of the Republic of Belarus for the Year 2018" No. 85-3 was adopted on 31 December 2017.

Meanwhile, for the purposes of forecasting the socio-economic development of the country and GDP for 2018, the price of oil was used at the level of U.S.$53 per barrel (Urals brand).

The underlying assumptions for 2018 Public Sector Budget planning are the following:

		2018
Import prices		
natural gas	$/1000m^3	129
oil (world price, Urals)	$/barrel	43
Export prices		
oil products*	$/tonne	439
potash fertilisers	$/tonne	205

*average weighted price on basket of oil products exported from Belarus

Tax Reforms

Over the recent years, a number of gradual changes to the tax system have been implemented in order to improve the investment climate in Belarus, to reduce the tax burden and to stimulate the growth of the private sector.

From 2011, the local contributions for the development of territories, which had been levied on the net profit, and the service tax were abolished; the rates of environmental tax were reduced; and the requirement of advance payment of VAT and excise taxes was annulled.

From 2012, the profit tax rate was reduced from 24 per cent. to 18 per cent.; a reduced profit tax rate was introduced for enterprises that manufacture innovative and high-tech products; a mechanism for carrying loss onto future periods and a mechanism of depreciation premiums, which provides for an accelerated depreciation of equipment and immovable property for profit tax purposes as compared against accounting depreciation charges, were introduced. In addition, the tax rate applicable to small and medium-sized enterprises using the simplified taxation system was reduced from 8 per cent. to 7 per cent. for entities not paying VAT and from 6 per cent. to 5 per cent. for entities paying VAT.

From 2013, the tax rate applicable to small and medium-sized enterprises using the simplified taxation system was reduced to 5 per cent. for entities not paying VAT and to 3 per cent. for entities paying VAT.

From 2014, organisations became entitled to deduct, for profit tax purposes, the expenses on research and development work applying a multiplying factor of up to 1.5. The depreciation premium was transformed into an investment deduction, which made it possible, in addition to depreciation charges, to reduce the taxable profit by an additional 20 per cent. of the value of equipment and by 10 per cent. of the value of immovable property. In order to simplify tax accounting, calendar quarter was set as the reporting period for profit tax purposes, with tax being paid based on the actual financial and business indicators for the given quarter. Special order of calculation of amount of profit tax to be paid for fourth quarter was established.

From 2015, the profit tax (tax on income and capital gains) rate was increased for banks and insurance companies from 18 per cent. to 25 per cent.; the personal income tax rate was increased from 12 per cent. to 13 per cent.; the zero per cent VAT rate was set for the services involving technical maintenance and repairs of cargo vehicles belonging to non-residents of Belarus; the local Councils of Deputies became entitled to increase (or reduce) the tax rates on real estate and land tax by not more than 2.5 times for certain categories of taxpayers (instead of 2.0 times).

From 2016, the approaches for supervising the transfer pricing in Belarus have been improved. The term “beneficial owner” was defined in the Tax Code and the list of documents to certify the beneficial ownership was introduced. From 1 July 2016, a mechanism for the flow of electronic VAT invoices was implemented.

From 2017, tax rates on gambling have been raised, depending on income (no more than 2.3 times). Improved tax control due to the introduction of the category of “economically justified costs” (based on a certain criteria provided for by the tax law, expenses can be qualified as economically justified or unreasonable).

On 25 January 2018 the Edict of the President of the Republic of Belarus No. 29 "On Taxation" was adopted. It provides, in particular, for (i) a 7.4 per cent. increase in tax rates established in Belarusian rubles, as well as an increase in existing tax deductions and income tax reliefs by 10.1 per cent.; (ii) gross operating income criteria for enterprises to meet the requirements for a simplified taxation structure to be increased by 20 per cent.; and (iii) the extension of tax benefits for corporate income tax and tax on income of foreign legal entities, which do not operate through a permanent establishment in Belarus, in relation to income received from transactions with corporate bonds issued before 31 December 2018.

Further Reforms in 2018-2020

The Government plans to implement the following reforms in 2018-2020:

- expansion of tax bases by reducing tax benefits; and
- moratorium on the increase of tax rates and introduction of new taxes and duties for the period 2016-2020, subject to certain exceptions, such as increases provided for by the international agreements and arrangements.

The tax burden is a percentage of the total tax revenues of the budget in the nominal GDP at current prices for the given year. In 2013, the tax burden amounted to 25.9 per cent. of GDP while, in 2014, it went down to 24.3 per cent. of GDP. In 2015, the tax burden amounted to 25.6 per cent. of GDP, in 2016 - 25.3 per cent. of GDP. According to preliminary calculations in 2017, the tax burden will be 25.1 per cent. of GDP.

The table below shows the tax burden for the periods indicated:

Year ended 31 December					
2012	2013	2014	2015	2016	2017
26.0%	25.9%	24.3%	25.6%	25.3%	25.1%(1)

(1) Preliminary estimate.

According to the “Doing Business 2018” report of the World Bank, the Republic of Belarus was in 96th position in terms of Taxation out of 190 countries being studied, having improved its rating by 87 points against 2011.

Based on the rating prepared by The Heritage Foundation, a US research centre, to determine the level of economic freedom in 2017 in the countries under review, Belarus achieved 89.8 out of 100 points in the category of Fiscal Freedom.

Social Protection Fund

In Belarus, the funds of the state social insurance are managed by the SPF (the SPF was founded on 1 July 1993 on the basis of the Pension Fund and the Social Insurance Fund of the Republic of Belarus and acts as their successor).

The SPF finances the expenses on labour and professional pensions and allowances payable in the instances prescribed by law, measures for facilitating the employment of the population and other expenses envisaged by the legislation on state social insurance. The sources of financing are the mandatory insurance contributions payable by employers and employed citizens, contributions for professional pension insurance and other payments for state social insurance. These funds form the budget of the state extrabudgetary fund of social protection of population of the Republic of Belarus (the “budget of the fund”), which is managed by SPF.

From 2010, the budget of the fund was excluded from the budget and is to be approved through a law on an annual basis. The funds of state social insurance are the national property. The fund of the budget is performed via a single treasury account of the Ministry of Finance of the Republic of

Belarus. A report on the performance of the budget of the fund is to be submitted to the Ministry of Finance of the Republic of Belarus on a quarterly basis.

The following table shows certain financial information relating to the SPF for each of the periods indicated:

	2012	2013	2014	2015	2016	Nine months ended 30 September 2017
	in Br million (post re-denomination)					
Revenues	5,699.5	7,791.0	9,440.3	10,478.5	11,749.2	9,173.2
including:						
contributions for state social insurance	5,543.6	7,643.5	9,124.8	9,715.2	10,090.8	8,028.5
non-tax revenues[(1)]	156.0	147.5	182.7	235.9	239.1	170.5
subventions out of the budget[(2)]	–	–	132.8	527.4	1,419.5	974.5
Expenditures	5,622.5	7,843.3	9,417.6	10,819.3	11,542.1	9,028.4
including:						
pensions	4,476.6	6,126.4	7,445.1	8,415.8	8,924.8	7,035.4
allowances	1,047.4	1,603.2	1,838.7	2,255.8	2,456.3	1,921.2
other[(3)]	98.6	113.7	133.8	147.7	161.0	71.8
Balance (deficit / surplus)	**77.0**	**(52.3)**	**22.7**	**(340.8)**	**207.1**	**144.8**

Source: Ministry of Finance

Notes:

(1) Including the interest payable by the banks for the use of monetary funds, fines for breaching legislation and other receipts.

(2) From 2014, non-insurance expenses are to be reimbursed to the budget of the fund out of the budget.

(3) Including expenses on health resort treatment and rehabilitation of the population, measures to facilitate employment of the population, the financing of specialised educational sports institutions of trade unions, the financing of the Fund's activities and other expenses.

The 2016 budget of SPF was performed with a surplus of Br207.1 million or 0.2 per cent. of GDP. The total revenues of the budget of SPF amounted to Br11,749.2 million or 12.5 per cent. of GDP, while the expenditures amounted to Br11,542.1 million or 12.2 per cent. of GDP.

For nine months ended 30 September 2017 the budget of SPF was executed with a surplus of Br145.0 million. The total amount of revenues to the SPF budget was Br8,966.7 million, while the expenses amounted to Br9,028.4 million.

The budget of the SPF was balanced by attracting a budgetary loan in the amount of Br499.9 million received from the republican budget to cover temporary cash disruptions without charging interest for use under current legislation, as well as additional payments from the republican budget in the amount of Br242.5 million according to the resolution of the Council of Ministers of the Republic of Belarus of 1 August 2017 No. 577.

PUBLIC DEBT

The following table sets out information on Belarus's public debt broken down into external debt and domestic debt as at the dates indicated.

	As at 31 December					
	2012	2013	2014	2015	2016	2017
	(U.S.$ million, except percentages)					
External public debt						
Multilateral loans	**5,134.8**	**4,485.4**	**2,964.5**	**2,584.1**	**3,115.4**	**3,724.9**
IMF	3,030.5	1,368.7	79.3	–	–	–
IBRD	424.3	556.7	589.8	641.8	724.6	821.8
EBRD	–	–	0.2	0.2	1.8	67.2
EFSD	1,680	2,560.0	2,295.2	1,942.1	2,389.0	2,835.9
Bilateral loans	**5,073.0**	**6,155.4**	**7,815.7**	**9,062.2**	**9,729.7**	**10,801.9**
Russia	3,090.7	3,816.2	5,176.8	6,187.9	6,608.5	7,602.4
Germany	0.4	0.2	–	–	–	–
USA	40.9	37.3	33.6	30.3	26.3	22.7
China	1,619.2	2,079.4	2,490.1	2,844.3	3,094.9	3,176.8
Venezuela	321.8	222.3	115.2	–	–	–
Bonds	**1,800.0**	**1,800.0**	**1,800.0**	**800.0**	**800.0**	**2,200.0**
External public debt, total	**12,007.8**	**12,440.8**	**12,580.2**	**12,446.3**	**13,645.1**	**16,726.8**
As a percentage of GDP	**18.9**	**17.1**	**16.6**	**22.7**	**28.5**	**30.7**
Domestic public debt						
State securities	3,016.2	3,753.6	4,082.7	5,247.6	5,225.5	4,651.3
Domestic public debt, total	**3,016.2**	**3,753.6**	**4,082.7**	**5,247.6**	**5,225.5**	**4,651.3**
As a percentage of GDP	**4.8**	**5.3**	**5.7**	**9.8**	**10.9**	**8.6**
Total public debt	**15,024.0**	**16,194.4**	**16,662.9**	**17,693.9**	**18,870.6**	**21,378.1**
As a percentage of GDP	**23.7**	**22.4**	**22.3**	**32.5**	**39.4**	**39.3**

Source: Ministry of Finance; National Statistical Committee of the Republic of Belarus

As at 31 December 2017, Belarus had total public debt of U.S.$21,378.1 million, comprising U.S.$16,726.8 million of external public debt and U.S.$4,651.3 million of domestic public debt.

The following table sets out information on Belarus's public debt broken down into denomination currencies as at the dates indicated.

	As at 31 December					
	2012	2013	2014	2015	2016	2017
	(U.S.$ million, except percentages)					
External public debt	12,007.8	12,440.8	12,580.2	12,446.3	13,645.1	16,726.8
Domestic public debt denominated in foreign currencies	1,393.9	2,211.1	2,663.9	4,359.1	4,411.6	3,838.0
Domestic public debt denominated in Belarusian ruble	1,622.3	1,542.5	1,418.8	888.5	813.9	813.3
Total public debt	**15,024.0**	**16,194.4**	**16,662.9**	**17,693.9**	**18,870.6**	**21,378.1**
Public debt denominated in foreign currencies, as a percentage of total	89.2	90.5	91.5	95.0	95.7	96.2
Public debt denominated in Belarusian ruble, as a percentage of total	10.8	9.5	8.5	5.0	4.3	3.8
As a percentage of GDP	**23.7**	**22.4**	**22.3**	**32.5**	**39.4**	**39.3**

Source: Ministry of Finance

As at 31 December 2017, Belarus's domestic public debt was denominated in U.S. dollars (42.0 per cent.), Euro (40.4 per cent.), Belarusian rubles (17.5 per cent.) and Russian rubles (0.1 per cent.). As at 31 December 2017, 92.3 per cent. of Belarus's external public debt was denominated in U.S. dollars, while 6.2 per cent. in Russian rubles, 1.0 per cent. in Euro and 0.5 per cent. in Chinese renminbi. The sharp increase in public debt to GDP in 2015 and 2016 was mainly due to a decline in GDP of 2.6 per cent. in 2016 and 3.9 per cent. in 2015, as well as 6.7 per cent. growth of public debt (the U.S. dollar equivalent) in 2016 and 6.2 per cent. in 2015.

As at 31 December 2017 the structure of domestic public debt was as follows: fixed interest rate – 56.0 per cent., floating interest rate – 44.0 per cent. As at 31 December 2017 the structure of external public debt is as follows: fixed interest rate – 46.4 per cent., floating interest rate – 53.6 per cent. All external public debt is denominated in foreign currency. As at 31 December 2017 the share of foreign currency of domestic public debt was 82.5 per cent.

The following table provides information on the residual maturity profile of Belarus's public debt:

	As at 31 December 2017				
	Up to 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
			(U.S.$ million)		
External public debt	**2,073.4**	**1,546.7**	**4,834.8**	**8,271.9**	**16,726.8**
Domestic public debt	**405.1**	**1,002.0**	**2,018.7**	**1,225.5**	**4,651.3**
Domestic public debt denominated in foreign currency	391.9	878.1	1,657.5	910.5	3,838.0
Domestic public debt denominated in Br	13.2	123.9	361.2	315.0	813.3
Total	**2,478.5**	**2,548.7**	**6,853.5**	**9,497.4**	**21,378.1**

Debt Management

The public debt of Belarus is managed in accordance with the Budget Code of Belarus, the Strategy for Debt Management of Belarus in 2015–2020 (the "**Debt Management Strategy**"), as well as other regulations.

Under the Budget Code, Belarus unconditionally undertakes to service and repay its external public debt which is payable from the sources of the central government budget and other property owned by the Government. The payments to service and repay public debt have priority as compared to other payments under the central government budget.

In March 2015, the Government approved the Debt Management Strategy which provides for targets, rules and measures that should allow Belarus to decrease the payment pressure under its public debt and to avoid a significant concentration of payments in the next five years and going forwards (subject to the required accumulation of foreign currency reserves and fiscal position). The Debt Management Strategy targets a lower cost of borrowing, a higher average maturity and the establishment of a benchmark yield curve. The Debt Management Strategy contemplates (i) that the resources mobilised in the form of non-project related government loans in foreign currency should be used only for the purposes of public debt repayment and gold and foreign currency reserve replenishment; (ii) that debt service obligations are payable from revenue of central government budget; and (iii) that funding sources should be diversified and portfolio risks decreased. The Debt Management Strategy sets out a limit of public debt to GDP at 45 per cent.

The principles on which the Debt Management Strategy is based have been supported by international rating agencies and international financial organisations including the IMF and World Bank. For example, the EFSD has included the Debt Management Strategy as a principal controlling mechanism in providing financial support to Belarus.

Furthermore, the Government sets limits on external and domestic public debt in the relevant central government budget law for a respective financial year. The Law of the Republic of Belarus "On the Republican Budget for the Year 2018" of 31 December 2017 No. 86-3 established a limit of external public debt in the amount of U.S.$19.6 billion and domestic public debt in the amount of Br10.0 billion (approximately U.S.$5.1 billion; exchanged rate as of 31 December 2017).

External Public Debt

Belarus began incurring external public debt in 1992 and, as at 31 December 2017, the total amount of external public debt was U.S.$16,726.8 million. As at 31 December 2017, all existing external public debt is long-term. The existing external public indebtedness of Belarus has an average rate of interest of 4.7 per cent. and an average maturity of 5.3 years. The share of fixed interest rate credit in external public debt was 46.4 per cent. and the share of floating rate credit was 53.6 per cent. as at 31 December 2017.

The following table provides information on breakdown of the Belarus's external public debt between investment projects debt and other indebtedness:

	As at 31 December					
	2012	2013	2014	2015	2016	2017
			(%)			
Investment projects	15.8	24.1	31.7	41.0	43.9	40.7
Other indebtedness	84.2	75.9	68.3	59.0	56.1	59.3

As at 31 December 2017, bilateral loans amounted to U.S.$10.801.9 million (or 64.6 per cent. of total external public debt), loans from international financial organisations amounted to U.S.$3,724.9 million (or 22.3 per cent. of total external public debt) and bonds amounted to U.S.$2,200.0 million (or 13.1 per cent. of total external public debt). The largest portion of external public debt is attributable to Russia, which amounted to U.S.$7,602.4 million, or 45.5 per cent. of total external public debt. The remaining portion of external public debt is attributable to China (U.S.$3,176.8 million, or 19.0 per cent. of total external public debt), the EFSD (U.S.$2,835.9 million, or 17.0 per cent. of total external public debt), bonds (U.S.$2,200.0 million, or 13.1 per cent. of total external public debt) and the IBRD (U.S.$821.8 million, or 4.9 per cent. of total external public debt). Local authorities also have legal capacity to attract international borrowings.

Attraction of project-related loans is made to implement foreign-currency-generating investment projects in strategically important spheres. Main creditors for such purposes are China, Russia and IBRD, described below.

Russia

As discussed above, loans granted by the Russian Government and Russian banks accounted for a significant portion of external debt of Belarus. This trend remained over the last few years. In particular, in 2015, the Russian Government granted two loans to Belarus in the amount of U.S.$870 million with a maturity of 10 years. In September 2017 the Russian Government granted a loan to the Republic of Belarus for refinancing its external public debt in the amount of U.S.$700 million. Moreover, the construction of the Belarusian NPP is financed by loans received from the Russian Government (U.S.$10 billion) and Vnesheconombank (U.S.$500 million). As at 31 December 2017, Belarus utilised U.S.$2.7 billion under the U.S.$10 billion credit line available from the Russian Government and U.S.$292.0 million under the U.S.$500 million credit from Vnesheconombank.

EFSD

Belarus actively cooperates with the EFSD. In June 2011, in order to support its balance of payments and maintain its foreign currency reserves, Belarus entered into a U.S.$3 billion 10-year credit agreement with the EFSD (previously known as the ACF) which provided with a three-year grace period. The agreement provided for the performance of a programme of economic measures by the Government and the National Bank. In 2011-2013, the Government and the National Bank performed the programme which resulted in granting five tranches totalling U.S.$2.6 billion. In 2014, Belarus commenced the repayment of this debt.

In March 2016, Belarus entered into a new loan agreement with the EFSD to provide funding in the amount of U.S.$2 billion by way of seven tranches during 2016-2018. The primary purpose of the funding is to support the reforms of the Government and the National Bank to create conditions that are expected to lead to sustainable growth of the economy through improved economic policy and implementation of structural reforms (such as establishing an independent antimonopoly authority, liberalising prices for goods and services, developing a new conceptual framework of state-owned asset management, strengthening social safety nets in the context of potential unemployment growth, reducing the role of the state in economic activity, privatising state-owned assets, restructuring state-owned sector). In 2016, Belarus received two tranches of U.S.$800.0 million. Each tranche is subject to Belarus meeting certain economic ratios and implementation of economic and social reforms specified in the EFSD's funding matrix. In April, June and October 2017, Belarus received the third, fourth and fifth tranches in the total amount of U.S.$800.0 million.

As at 31 December 2017, the total amount of external public debt owed to the EFSD was U.S.$2,835.9 million.

IBRD

As at 31 December 2017, Belarus had external public debt of the IBRD that included 17 loans in the aggregate amount of U.S.$1.4 billion, 16 loans in the amount of U.S.$1.2 billion was attracted for implementation of infrastructure projects in Belarus, and one development loan in the amount of U.S.$200 million was made with a purpose of supporting structural reforms in the economy, as well as implementation of measures to manage the consequences of the global financial crisis. The outstanding debt on IBRD loans as at 31 December 2017 amounted U.S.$821.8 million, or 4.9 per cent. of external public debt. In recent years, the loan agreements were made to finance the following projects: in 2015, to modernise a transit route in the amount of U.S.$250 million, to develop forest industry in the amount of U.S.$40.7 million, to enhance the education system in the amount of U.S.$50 million; in 2016, to advance the public finance management system in the amount of U.S.$10.0 million; in 2017, to improving selected aspects of the quality of the health care delivery in the amount of U.S.$125 million.

Moreover, in 2009, Belarus received a development loan in the amount of U.S.$200 million with a purpose of supporting structural reforms in the economy, as well as implementation of measures to manage the consequences of the global financial crisis. In 2016, Belarus commenced the repayment of this loan.

China

To implement investment projects, Belarus closely cooperates with Chinese banks. As at 31 December 2017, Belarus had loan agreements in the aggregate amount of U.S.$4.6 billion, 85.7 per cent. is attributable to Export-Import Bank of China and 14.3 per cent. to China Development Bank. The agreements made to implement the projects in the following industries

- cement industry (U.S.$530.6 million);
- power sector (U.S.$1,366.5 million);
- pulp and paper industry (U.S.$1,000.8 million);
- road construction (U.S.$662.1 million);
- railroads (U.S.$64 million);
- development of the Great Stone (U.S.$170.0 million). See "*Economy of the Republic of Belarus - FDI*";
- car industry (U.S.$158.7 million);
- telecommunications (U.S.$258.6 million);

- textile industry (U.S.$51.8 million); and
- manufacturing industry (U.S.$343.5 million).

The outstanding debt as at 31 December 2017 amounted to U.S.$3,176.8 million.

Bonds

As at the date of this Prospectus, two issues of bonds with an aggregate principal amount of U.S.$1,400 million listed on the Irish Stock Exchange were outstanding.

Debt Payment Record and Estimated Debt Service

Belarus adheres to a balanced approach towards public debt management. The core principles include unconditional and timely service of debt obligations. The payments to service and repay public debt have priority as compared to other payments under the central government budget.

Despite a concentrated debt maturity schedule in recent years, Belarus has been able to maintain its positive credit history and repaid a debut bond issue of U.S.$1 billion in 2015 and repaid in full the IMF loan in the aggregate amount of U.S.$3.2 billion attracted in 2009-2010. In January 2018 Belarus also repaid another Eurobond issue in the amount of U.S.$0.8 billion.

The upcoming public debt repayments in 2018 are expected to be covered primarily by the non-debt related sources mainly by export custom duties on crude oil and oil products. Moreover, the Law of the Republic of Belarus "On the Republican Budget for the Year 2018" of 31 December 2017 No. 86-3 provides the basis for the following borrowings to be made: (i) government bonds placement in the amount of U.S.$1.0 billion in the local (U.S.$0.4 billion) and international (U.S.$0.6 billion) financial markets and (ii) EFSD tranche in the amount of U.S.$0.2 billion. In addition, reserve, formed in 2017 and the sixth tranche in the amount of U.S.$0.2 billion from the EFSD (not received in 2017) will be used to cover debt payments in 2018. The proceeds from the export duties on oil products received in 2018 are expected to be used for repayment of public debt of the Republic of Belarus.

The following table sets out Belarus's total external and domestic public debt service for the periods indicated:

	Year ended 31 December					
	2012	2013	2014	2015	2016	2017
	(U.S.$ million, except percentages)					
Payments for servicing and repaying external public debt, total	**1,455.2**	**2,473.3**	**5,079.7**	**2,607.8**	**1,445.4**	**1,698.6**
of which:						
Principal	882.0	1,995.8	4,563.0	2,016.4	892.5	1,029.4
Interest	573.2	477.5	516.7	591.4	552.9	669.2
Payments for servicing and repaying domestic public debt, total	**1,764.5**	**2,321.9**	**406.7**	**2,045.8**	**2,114.4**	**1,688.1**
of which:						
Principal	1,591.6	2,209.4	227.3	1,793.7	1,799.6	1,388.6
Interest	172.9	112.5	179.4	252.1	314.8	299.5
Payments for servicing and repaying public debt, total	**3,219.7**	**4,795.2**	**5,486.4**	**4,653.6**	**3,559.8**	**3,386.7**
of which:						
Principal	2,473.6	4,205.2	4,790.3	3,810.1	2,692.1	2,418.0
Interest	746.1	590.0	696.1	843.5	867.7	968.7

Source: Ministry of Finance

The following table sets out details of the projected payments in each of the years 2018-2025. The expected debt service payments have been calculated on the basis of Belarus's debt portfolio, as well as prevailing interest and exchange rates as at 31 December 2017:

	2018	2019	2020	2021	2022	2023	2024	2025
				(U.S.$ million)				
Payments for servicing and repaying external public debt, total	**2,886.0**	**2,381.5**	**2,443.2**	**3,133.7**	**2,984.3**	**3,578.0**	**2,370.8**	**2,215.2**
of which:								
Principal[1]	2,130.9	1,631.3	1,671.5	2,282.2	2,224.6	2,934.7	1,835.4	1,755.1
Interest	755.1	750.2	771.7	851.5	759.7	643.3	535.4	460.1
Payments for servicing and repaying domestic public debt, total	**666.1**	**1,220.0**	**1,332.5**	**406.1**	**619.4**	**421.6**	**216.5**	**145.3**
of which:								
Principal	405.1	1,002.0	1,179.8	303.1	535.9	366.1	172.0	106.8
Interest	261.0	218.0	152.7	103.0	83.5	55.5	44.5	38.5
Payments for servicing and repaying public debt, total	**3,552.1**	**3,601.5**	**3,775.7**	**3,539.8**	**3,603.7**	**3,999.6**	**2,587.3**	**2,360.5**
of which:								
Principal	2,536.0	2,633.3	2,851.3	2,585.3	2,760.5	3,300.8	2,007.4	1,861.9
Interest	1,016.1	968.2	924.4	954.5	843.2	698.8	579.9	498.6

Source: Ministry of Finance

Note:

(1) Including planned utilisation of the project finance facilities concluded prior to 31 December 2016 but not yet disbursed.

Domestic Public Debt

Domestic public debt comprises only local state securities. The total domestic public debt increased to U.S.$4,651.3 million as at 31 December 2017 as a result of activities of the Ministry of Finance on the local market. As at 31 December 2017, the share of long-term securities was 99.9 per cent., the share of short-term securities was 0.1 per cent.; the share of securities with fixed interest rate was 56.0 per cent., the share of securities with floating interest rate was 44.0 per cent.

As at 31 December 2017, the weighted average interest rate on foreign currency denominated securities was 6.4 per cent., the average terms of foreign currency denominated securities was 5.7 years and the average term to maturity was 3.7 years. As at 31 December 2017, the weighted average interest rate on Belarusian rubles denominated securities was 3.3 per cent, the average terms of Belarusian rubles denominated securities was 7.5 years and the average term to maturity was 4.8 years.

The following table sets out Belarus's state securities broken down by type as at the dates indicated:

	As at 31 December						
	2011	2012	2013	2014	2015	2016	2017
			(U.S.$ million)				
GKOs	–	127.0	164.4	58.1	0.3	0.2	0.1
of which:							
in foreign currency	–	127.0	164.4	0.3	0.3	0.2	0.1
in Br	–	–	–	57.8	–	–	–
GDOs	2,139.9	2,889.2	3,589.2	4,024.6	5,247.3	5,225.3	4,651.2
of which:							
in foreign currency	1,100.0	1,266.9	2,046.7	2,663.6	4,358.8	4,411.4	3,837.9
in Br	1,039.9	1,622.3	1,542.4	1,361.0	888.5	813.9	813.3
Total	**2,139.9**	**3,016.2**	**3,753.6**	**4,082.7**	**5,247.6**	**5,225.5**	**4,651.3**

Source: Ministry of Finance

Government Guarantees

As at 31 December 2017, Belarus had issued state guarantees with regard to debt in the amount of U.S.$3,931.7 million, representing 7.2 per cent. of GDP.

The following table sets out certain information regarding the government guarantees as at the dates indicated.

	As at 31 December					
	2012	2013	2014	2015	2016	2017
	(*U.S.$ million, except percentages*)					
Underlying debt	**4,347.7**	**5,552.6**	**5,734.1**	**5,021.6**	**3,986.9**	**3,931.7**
Percentage of GDP	**6.9**	**7.7**	**7.8**	**9.4**	**8.3**	**7.2**
of which:						
external guaranteed debt	1,634.4	2,133.7	2,270.5	2,725.2	1,975.6	2,136.9
percentage of GDP	2.6	2.9	3.0	5.0	4.1	3.9
domestic guaranteed debt	2,713.3	3,418.9	3,463.6	2,296.4	2,011.3	1,794.8
percentage of GDP	4.3	4.8	4.8	4.4	4.2	3.3
repaid guaranteed debt (executed guarantees)	38.7	188.7	319.5	440.1	314.8	214.7
percentage of GDP	0.1	0.3	0.4	0.8	0.7	0.4

Source: Ministry of Finance

As at 31 December 2017, 72.6 per cent. of domestic guaranteed public debt was attributable to industrial companies, 19.8 per cent. – to agricultural companies, 1.2 per cent. – to construction companies, 2.4 per cent. – to power companies and 4.0 per cent. to companies operating in other industries.

The amount of guaranteed debt is subject to limits established by law on the budget for a respective financial year. For 2017 the amount of guarantees with regard to external public debt was limited to U.S.$3.4 billion while the amount of guarantees with regard to domestic public debt was limited to 3.8 billion Belarusian rubles (approximately U.S.$1.9 billion). For the year 2018 the amount of guarantees with regard to external public debt is limited to U.S.$3.0 billion and the amount of guarantees with regard to domestic public debt is limited to Br 3.1 billion (approximately U.S.$1.6 billion; exchanged rate as of 31 December 2017). These limits are set in addition to the existing limitations on the overall existing public debt annually set by the budget laws, which do not include guaranteed debt.

The amount of guarantee execution is provided by the law on the budget annually. As at 31 December 2017, the total amount of guarantee execution was U.S.$214.7 million (of which external guarantee execution – U.S.$9.9 million, domestic guarantee execution – U.S.$204.8 million). The Government intends to gradually reduce the amount of guaranteed debt going forward, in particular by decreasing the amount of guarantees provided to secure borrowings of state owned enterprises.

In addition, on 17 June 2016, a loan agreement for the amount of U.S.$1.4 billion was signed between Belarusbank and the China Development Bank under the guarantee of the Government for financing the Slavkaliy investment project for the construction of a new mining and processing complex. The goal of the project is to create in the Republic of Belarus a modern commercial enterprise for the extraction and processing of potash ore based on the existing reserves of Nezhinsky, Smolovskiy and Lubansky potassium salt sections, using the latest technological achievements in the field of extraction and processing of potash fertilisers.

Asset Management Agency

In 2016, the Republic of Belarus created the Agency. The purpose of the establishment of the Agency was to create conditions for the comprehensive reform of the system of financing agricultural producers through the allocation of bad debts of defaulting agricultural organisations from banks to the Agency (the "bad bank") in order to clear the balances of banking sector as well as to release liquidity to creditworthy agricultural organisations.

The main objectives of the Agency are:

- acquisition of assets and pledges formed as a result of loans provided by the banks to agricultural organisations from the banking sector;
- participation in the pre-trial rehabilitation of borrowers;
- provision of deferral (instalment) payment of principal on loans;
- provision of deferral (instalment) repayment of interest on loans charged by the banks prior to the assignment of assets;
- return of the proceeds to the budget of the Republic of Belarus.

In November 2016 the Council of Ministers and the National Bank adopted a list of assets to be acquired by the Agency from the respective borrowers. The list contains more than 270 companies. In 2016-2017, total amount of assets transferred to the Agency equalled Br772.4 million.

Debt of or Guaranteed by Local and Municipal Authorities

Under the Budget Code of Belarus, debt of local and municipal authorities may be issued in the form of securities placed on the local financial market, guarantees, budget loans and other debt obligations that were previously treated as debt of local and municipal authorities under Belarusian laws. Local and municipal authorities cannot attract external public debt.

Local and municipal authorities unconditionally undertake to service and repay their debt obligations. The respective payments under debt are provided in the relevant budget, as well as supported by property owned by the relevant debtor.

The limits to attract debt by local and municipal authorities are adopted by a local Council of Deputies on annual budget and subject to approval by the Ministry of Finance. The debt attracted by local and municipal authorities has no recourse to the central government budget.

The following table sets out certain information regarding debt and guarantees issued by local and municipal authorities as at the dates indicated.

	As at 31 December					
	2012	2013	2014	2015	2016	2017
	(U.S.$ million, except percentages)					
Debt and guaranteed debt	**3,710.2**	**3,636.7**	**3,378.5**	**2,439.2**	**2,575.1**	**2,662.0**
Percentage of GDP	**6.0**	**5.3**	**5.0**	**5.1**	**5.3**	**4.9**
of which:						
debt	897.9	831.6	885.6	665.0	1,127.4	1,529.6
percentage of GDP	1.5	1.2	1.3	1.4	2.3	2.8
guaranteed debt	2,812.3	2,805.1	2,492.9	1,774.2	1,447.7	1,132.4
percentage of GDP	4.5	4.1	3.7	3.7	3.0	2.1

Source: Ministry of Finance

Guarantees are approved by the Government in the case of central Government guarantees and by local government in the case of local government guarantees. Criteria considered in the approval of any guarantee include the financial condition of the borrower and the feasibility of the project. Each application for a guarantee involves an assessment of the project documentation and an audit of the financial condition of the borrower. Guarantees of the central Government and local government included in the public debt are subject to the limitations on the total maximum amount imposed by the Budget Law for the relevant year (with respect to the limit on guarantees of the central Government) and local legislation.

Relations with IFIs

Borrowings from IFIs have played a significant role in fostering economic and structural reforms in Belarus. The resources of these organisations provide long-term support for economic growth and stability of Belarus's financial system. Belarus's relationships with IFIs demonstrate its commitment to reforming certain economic areas, improving the country's investment environment and increasing the share of foreign investment in the economy.

International Bank for Reconstruction and Development (World Bank)

The Republic of Belarus has been a member of the World Bank since 1992. During the whole period of cooperation between 1992 and 2017, the total volume of World Bank investments in the Belarusian economy amounted to about U.S.$1.7 billion.

In June 2017, the World Bank Group's Partnership Strategy for the Republic of Belarus for 2014 - 2017 financial years ended. During the implementation of this strategy, the Bank signed loan agreements for a total amount of about U.S.$660 million.

Eight investment projects involving World Bank lending and two grants totalling U.S.$775 million are under implementation.

The main financing is aimed at implementing infrastructure projects in such areas as sustainable energy, development of transit potential, improving the efficiency of public services (water supply and sanitation, solid waste management), projects aimed at strengthening human capacity in health and education.

In addition, in partnership with the World Bank in 2015, the Road Map for Structural Reforms of the Republic of Belarus was developed. The main part of the activities of the Roadmap was implemented in 2015-2017, and together with the bank, work was begun to update the document for 2018-2020.

In 2017, the World Bank launched the preparation of a new Framework Strategy for the World Bank Group's Partnership for the Republic of Belarus for 2018-2022 fiscal years. The World Bank prepares the Framework Strategy in consultation with the Government. It is expected that the Framework Strategy will be adopted in March 2018. The Strategy entails lending programme, aimed at improvement of the living standards of population, in particular, development of education, water and sanitation and in local heating.

EFSD (formerly ACF)

In order to address its balance of payments difficulties and maintain its international reserve assets Belarus entered into a U.S.$3 billion 10-year credit arrangement with the EFSD (formerly ACF) in June 2011, which provided for a three years' grace period and the implementation of a set of economic policy measures by the Government and the National Bank.

In 2011-2013 Belarus received five loan tranches in the aggregate amount of U.S.$2.56 billion. Belarus received the first (U.S.$0.8 billion) and second (U.S.$0.44 billion) tranches in June and December of 2011, the third tranche (U.S.$0.44 billion) in June of 2012, the fourth (U.S.$0.44 billion) and fifth (U.S.$0.44 billion) tranches in June and April of 2013. Implementation of programme measures enabled Belarus to decrease the deficit on its current account of balance of payments, stabilise the situation on the currency market, prevent a serious bank crisis, avoid disequilibrium of state finances and keep the population's employment level high.

On 25 March 2016, the EFSD took the decision to approve a new three-year programme for the Republic of Belarus, which was supported by a financial loan in the amount of U.S.$2 billion. The loan will be granted in seven tranches in 2016-2018 subject to the fulfilment of conditions of the economic policy measure matrix and the structural transformations of the Government and the National Bank. As of the date of this Prospectus, the EFSD had granted five tranches in the aggregate amount of U.S.$1.6 billion.

The EFSD programme includes measures directed at the macrofinancial stabilisation of economy, the creation of favourable conditions for the improvement of the business climate and the development of the private sector, and the reform of the goods and services market. Their successful implementation will promote the sequential liberalisation of prices, the cancellation of obligatory indicators for state enterprises, and better business initiative.

The performance of quantitative indices during the implementation of the EFSD programme will make it possible to increase gold and foreign currency reserves to at least 2 months of imports; decrease directed lending to 1.7 per cent of GDP; ensure the growth of the level of the payment of tariffs for housing and utility services by the population up to 70 per cent.; and meet the budget in the sector of state administrative bodies in its comprehensive definition on a debt-neutral basis.

IMF

Belarus's membership in the IMF played an important role in the development of international financial relations, including financial and economic cooperation with foreign investors. In 1993 and 1995 at the first stages of transformation of Belarusian economy, credit resources of the IMF facilitated structural reforms in the economy, as well as made it possible to maintain the exchange rate. Due to the global economic crisis, Belarus's relationship with the IMF became especially important.

For the purpose of supporting the balance of payment in the period of 2009-2010 the stand-by arrangement program was in effect in the Republic of Belarus. The loan amounted to U.S.$3.5 billion.

In 2015, Belarus settled the program liabilities towards the IMF. Implementation of the loan program made it possible to sort out the budget and tax policy, correct the exchange rate in combination with transition to a more flexible regime, toughen the credit policy, limit the scale of directed lending, commence the reforming of financial sector and structural transformations. The measures implemented brought down the influence of negative external factors on the Belarusian economy. Implementation of the national economic program was declared one of the best in the CIS region by the IMF Executive Director W. Kiekens.

In 2015-2017, the Government and the National Bank worked with the IMF on an extended fund facility the issue of the new credit program within the framework of extended fund facility in order to support the reforming of the national economy. The maximum amount of access within the framework of this tool can reach 435 per cent. of the state quota in the IMF. The parties defined key elements of such program that are directed at increasing the effectiveness of the state enterprise sector, including strengthening budget and tax policy and the sustainability of state debt, pursuing a monetary, credit and exchange rate policy aimed at ensuring price and financial steadiness as well as strengthening stability of financial sector and intensifying its commitment to market principles.

Currently, the negotiations between the IMF and Belarus concerning the extended fund facility program have been put on hold; however the consultative dialogue continues. Belarus and the IMF do not have disagreements on the direction of the policy measures, aims and tasks; the question is in the speed of implementation of the number of structural measures, i.e. in tactics. Belarus aims at a greater flexibility in policy terms and measures and is continuing its dialogue with the IMF.

In 2017 consultations of Belarus and the IMF took place within the framework of Article IV of the IMF agreement; the credit program with the IMF wasn't discussed. The IMF's attention was focused on the current economic policy and forecast of the Belarusian economy's development for the coming years. On 13 December 2017, the report of the IMF staff was considered at the meeting of the IMF Board of Directors. In general, the IMF Executive Board members welcomed the positive economic changes in Belarus and noted the successful actions of the authorities in terms of the decrease in inflation and the current account deficit, as well as the growth of gold and foreign exchange reserves. However, they noted that a number of risks and vulnerabilities for the economy remained and highlighted that additional efforts are necessary for achieving higher rates of growth.

The IMF Executive Board members mainly agreed with the staff on the evaluation trend, and noted the importance of further active interaction with the IMF. The IMF Executive Board members made a positive evaluation of the work done in strengthening financial stability, as well as the results of monetary policy and its inflation targeting. The main discussion was focused on the three issues: 1) speed of the structural reforms; 2) budget policy and management of the public debt with account of the broad interpretation of the budget deficit and public debt suggested by the staff; and 3) financial stability in the context of the still high dollarisation of the economy and the level the NPLs.

Belarus continues to actively interact with the IMF. In 2018, cooperation with the IMF will continue within the framework of the technical assistance on increasing the financial risk assessment and debt management capacity of monetary policy modelling. Also, the issues concerning attracting IMF expert assistance in terms of the National Bank communication policy and the creation of a bad assets market in Belarus (concerning the second issue, a joint inquiry of the National Bank and the Government was sent to the IMF) are expected to be discussed.

In addition, the IMF raised its 2018 growth forecast for the economy of Belarus to 1.8 per cent. (from initial forecast of below 1.0 per cent.).

IFC

Belarus became the first independent state that formed after the collapse of the Soviet Union which joined the IFC in 1992. As of 2016, the total amount of financing provided by the IFC from 1992 within the framework of investment activity in the Republic of Belarus amounted to U.S.$690 million with respect to 54 investment projects.

The IFC's strategy in the Republic of Belarus is focused on the following: improvement of the investment climate and assistance to development of private sector by means of supporting small and middle enterprises; assistance to development of private segment of banking sector by means of investing and counselling; assistance to development and modernisation of private companies in real sector by means of direct investments and technical examination with a special focus on manufacturing, agricultural business, and energy efficiency.

Investment projects in 2015-2016 were focused on manufacturing of construction materials (Alutech Group of Companies), food retail sale (Rublyovsky outlet chain), banking sector (Belarusky Narodny Bank, MTBank), commercial and residential property ("A-100 development", "Strominvest").

IFC is considering the possibility of expanding investment activities in the Republic of Belarus through:

- support projects based on public-private partnership mechanisms;
- financing projects in the banking sector of the Republic of Belarus;
- financing of projects aimed at supporting the development of the private sector, including through the trade finance line.

In addition to investment activities, IFC provides advisory assistance to the Government, organisations and private companies on issues related to improving the investment climate, the development of food exports.

During the implementation of the World Bank Group Partnership Strategy for 2014-2017 fiscal years, IFC invested U.S.$75 million in the financial sector, retail trade in food, commercial and residential real estate, and in the production of building materials in the Republic of Belarus. In addition, IFC raised funds from other financial institutions in the amount of $U.S.6million and provided trade financing for U.S.$155 million.

In 2017, the IFC continued to provide counselling assistance to the Government, other state bodies, organisations and private companies on issues related to improvement of investment climate, improvement of foodstuff safety control system, as well as rendering consultation services to bank institutions. The expected amount of investments into the sector infrastructure and services on the part of the IFC in 2017 is estimated at U.S.$50 million.

Multilateral Investment Guarantee Agency

Belarus has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992. In July 2011, the Government of Belarus and MIGA concluded the agreements on legal protection of guaranteed foreign investments and use of local currency. The agreements were ratified by Belarus in May 2012. Ratification of agreements completed the fulfilment by the Republic of Belarus of the conditions of its membership in the MIGA and created legal basis that allows MIGA to apply its guaranteed obligations to Belarus.

During the implementation of the World Bank Group's Partnership Strategy for 2014-2017 fiscal years, MIGA issued guarantees worth U.S.$123 million (a project with Priorbank OJSC to provide guarantees in the financial sector).

EBRD

The Republic of Belarus became the member of the EBRD in 1992. The total volume of financial resources provided by the EBRD for the period of 1992-2017 amounted to EUR1.98 billion, from which about EUR 505 million account for the current portfolio in 2017. In September 2016, the new EBRD Strategy for Belarus for 2016-2019 was approved, which does not stipulate any restrictions with regard to political and economic components. Approval of the fully-fledged Strategy will make it possible to broaden the portfolio of the Bank's operations in Belarus with regard to pre-privatisation assistance to state organisations and is expected to contribute to the expansion of the EBRD's activities in Belarus.

Vice-Presidents of the EBRD F. Bennett and B. Nelson (11 - 15 March 2017) and President of the EBRD S. Chakrabarti (12 - 14 September 2017) visited the Republic of Belarus to discuss topical issues of cooperation at the highest level. As of 14 December 2017, the EBRD has entered into agreements amounting to approximately EUR163 million, which exceeds the volume of transactions for 2016 (EUR124 million).

The EBRD is working to increase the competitiveness of the real sector of the economy work on the pre-privatisation support of organisations in the financial and real sectors of the economy. In particular, Belinvestbank and Bank Moscow Minsk and a number of state-owned enterprises, including OJSC "Mostovdrev" and OJSC "Krinitsa".

A Memorandum of Understanding between the Government and the EBRD regarding the privatisation of Belinvestbank is under implementation.

On 14 September 2017, the credit agreement was signed to promote the capitalisation of Belinvestbank through the provision of a subordinated loan by the Republic of Belarus, providing for an external state loan of EUR50 million from the EBRD and a subordinated loan of the Republic of Belarus to Belinvestbank in the Tier II capital. In 2018, it is planned to consider the possibility of the EBRD joining the share capital of Belinvestbank.

As part of the pre-privatisation assistance of "Bank Moscow-Minsk" JSC on 27 June 2017, "Bank Moscow-Minsk" and the EBRD signed agreements on the allocation of financial resources in the amount of up to U.S.$19 million for lending to small and medium-sized businesses and trade finance.

On 13 September 2017, a Memorandum of Understanding was signed between the Government of the Republic of Belarus and the EBRD on improving the management of state-owned enterprises in the Republic of Belarus in order to assist the Government in improving the management of state property, restructuring and modernisation of organisations.

In addition, the EBRD continues to support the development of small and medium-sized businesses in the Republic of Belarus. A number of Belarusian banks works within the framework of credit lines for the financing of micro, small and medium-sized enterprises (EUR7.7 million for 2017), trade facilitation programs (EUR36.2 million for 2017), risk allocation programme (EUR3.2 million) and other EBRD lending programs (EUR15 million). Direct lending to private sector organisations in 2017, the EBRD carried out transactions amounting to EUR37.5 million.

On 13 September 2017, a Memorandum of Understanding was signed between the National Bank, the Ministry of Finance and the EBRD on their cooperation and action plan within the framework of the EBRD program on financing of small and medium-sized enterprises in the Republic of Belarus in the national currency.

In addition, on 13 September 2017, an agreement was signed between the EU and the EBRD on the allocation of EUR6 million for the development of the Small Business Advisory Program in Belarus, which began in 2011 and is intended to assist in the development of micro, small and medium-sized enterprises with the involvement of Belarusian and foreign consultants.

As part of efforts to improve the sustainability and quality of public infrastructure services, the EBRD is financing a number of projects in the water supply and sanitation sector for a total of about EUR40 million.

In addition, the EBRD is actively developing a dialogue on developing the transit potential of Belarus and managing the country's road economy. Work is underway to prepare a pilot project on the terms of a public-private partnership for the reconstruction of the section of the M-10 highway. In the advanced stage of preparation is a project with the EBRD for the reconstruction of the section of the road P-80 Sloboda - Papernya.

Among the most significant investment projects of the EBRD in the private sector in Belarus are the following: Olivaria Brewery (granting of a loan and investment to charter capital of U.S.$8 million); VMG Industry foreign limited liability company (loans for the total amount of up to EUR26.45 million); Heineken Breweries (loans of EUR5 million); "Stadler Belarus – rolling stock" project (volume of financing is EUR26 million); Kronospan MDF (loan of EUR100 million); Medin Group of Companies (of EUR4.16 million); Amtel: hotel complex (investments of U.S.$50 million in the charter capital of Amtel Properties Development Ltd.); Minsk Soft Drink Factory CJSC (loan of EUR5 million); increasing incapacity of the current factory manufacturing chip boards and medium density fibreboard in Smorgon (EUR50 million); factories of Mark Formelle Group of Companies (loan for the total amount of EUR3.4 million), "Belarus:" Zubr Capital Fund - 1 "(U.S.$25 million) and others.

Eurasian Development Bank

Belarus became the full member of the Eurasian Development Bank (EDB) in June 2008. The representative office of the EDB in Minsk commenced its work in November 2010. From the beginning of its activities in the Republic of Belarus the EDB has implemented 26 projects valued at approximately U.S.$980.0 million.

Organization for Economic Cooperation and Development

On 26 January 2018, the position of the Republic of Belarus in the classification of the Organization for Economic Cooperation and Development ("**OECD**") on country credit risks was updated to reflect the transfer of the Republic of Belarus to the sixth credit risk group. The position of the Republic of Belarus in the classification has improved for the first time since 1999. Prior to that reclassification, for 19 years since its initial assessment, Belarus has consistently been represented in the group of countries with the highest level of credit risk (seventh group).

The transfer of the Republic of Belarus to the sixth OECD classification group is expected to allow to reduce the insurance premiums on export credits provided by foreign banks to Belarusian importing enterprises, which in turn is expected to reduce the cost of credit for such companies.

Other institutions

Belarus also currently implements a number of other projects together with international financial institutions and development banks, as well as carrying out its activities to expand cooperation with international financial institutions.

In September 2016, the European Commission took a decision on applying the mandate of European Investment Bank to the Republic of Belarus. On 15 May 2017, the Framework Agreement between the Republic of Belarus and the EIB, regulating the Bank's activities in the Republic of Belarus, was signed. The framework agreement was ratified by the Law of the Republic of Belarus No. 43-3 of 17 July 2017 and entered into force on 9 August 2017. Currently, the EIB is considering the possibility of providing financing in the following areas: strengthening transit potential, improving the efficiency and environmental component of the water supply and sanitation sector, support of small and medium business. The Republic of Belarus cooperates with Nordic Investment Bank on the basis of the framework agreement entered into in 2010. In December 2012 Nordic Investment Bank and the Republic of Belarus concluded an agreement on a loan of up to EUR25 million for financing the reconstruction of water treatment recovery plants in Brest and Grodno.

In 2015, the framework agreement between the Republic of Belarus and Nordic Environment Finance Corporation (NEFCO) was ratified and became effective. Ratification of the framework agreement made it possible to commence counselling work in the field of preparation of agreements concerning certain facilities in the Republic of Belarus and determination of volumes of provided resources. In the course of consultations, NEFCO expressed its interest in financing projects in the housing and utilities infrastructure sector within the limits of EUR80-100 million.

GROSS EXTERNAL DEBT

Gross external debt, at any given time, is defined as the outstanding amount of those actual current and not contingent, liabilities that require payments of principal and/or interest by the debtor at some point in the future and that are owed to non-residents by residents of any economy.

The following table sets forth certain information with respect to the Republic of Belarus gross external debt as at the dates indicated.

	As at 31 December					Nine months ended 30 September
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	(U.S.$ million)					
Gross External Debt of the Republic of Belarus	**33,766.0**	**39,621.1**	**40,023.8**	**38,258.5**	**37,516.5**	**39,557.0**
Short-term	**11,631.6**	**14,057.9**	**12,822.3**	**11,469.6**	**10,618.1**	**9,769.3**
Long-term........................	**22,134.4**	**25,563.2**	**27,201.5**	**26,788.9**	**26,898.4**	**29,787.7**
General Government Sector....................................	**12,568.6**	**13,036.2**	**13,117.1**	**12,972.5**	**14,151.1**	**16,825.7**
Short-term	0.0	440.0	0.0	0.0	0.0	0.0
Long-term........................	12,568.6	12,596.2	13,117.1	12,972.5	14,151.1	16,825.7
Central Bank	**438.9**	**1,299.5**	**2,187.2**	**1,744.6**	**1,475.4**	**1,444.9**
Short-term	212.6	799.2	978.2	531.8	81.4	115.8
Long-term..................	226.3	500.3	1,209.0	1,212.8	1,394.0	1,329.1
Deposit Organisations, except for Central Bank......	**6,206.9**	**8,214.4**	**7,381.4**	**6,442.1**	**5,914.9**	**5,071.4**
Short-term	2,643.1	3,109.9	2,423.9	2,187.2	2,075.6	1,562.5
Long-term........................	3,563.8	5,104.5	4,957.5	4,254.9	3,839.3	3,508.9
Other Sectors[(2)]	**13,374.3**	**15,487.6**	**15,636.0**	**15,363.1**	**14,141.5**	**14,248.2**
Short-term	8,775.9	9,708.8	9,420.2	8,750.6	8,461.1	8,091.0
Long-term........................	4,598.4	5,778.8	6,215.8	6, 612.5	5,680.4	6,157.2
Direct Investment: intercompany financing	**1,177.3**	**1,583.4**	**1,702.1**	**1,736.2**	**1,833.3**	**1,966.8**
Gross External Debt/GDP, %[(1)]	**51.5**	**52.7**	**50.9**	**67.3**	**78.5**	**74.8**

Source: National Bank

Notes:

(1) Gross external debt in per cent. of GDP for the years ended 31 December 2012, 2013, 2014, 2015, 2016 and the nine months ended 30 September 2017.

(2) The other sectors include (i) the other financial corporations, and (ii) nonfinancial corporations, households and nonprofit institutions serving households (NPISHs). Financial corporations consist of all corporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units. The production of financial services is the result of financial intermediation, financial risk management, liquidity transformation, or auxiliary financial services. Nonfinancial corporations, households and nonprofit institutions serving households (NPISHs) are corporations whose principal activity is the production of market goods or nonfinancial services; physical persons in structure of households; and NPISHs.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belarus of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Belarusian Taxation

Under the Special Part of the Tax Code of the Republic of Belarus of 29 December 2009, as amended (the "**Tax Code**"), the principal and interest in respect of the Notes payable by Belarus as issuer of the Notes to Noteholders who are foreign legal entities which do not undertake activities in Belarus through a permanent establishment and are the beneficial owners of such income will be exempt from Belarusian withholding tax and, accordingly, Belarus, as issuer of the Notes, shall make all such payments under the Notes without withholding or deduction for, or on account of, any such income tax. It is possible that the tax authorities of Belarus may require confirmation of beneficial ownership and the provision of additional documents (documents confirming business activities of the income recipient and its unlimited right to dispose of such income) to the tax authorities of the Republic of Belarus. To date this has not been required in the context of a Eurobond offering, and there is currently no precedent for how payment of bonds in global form and/or through a clearing system would be treated. In case such documents on beneficial ownership are requested and are not provided upon request (or not sufficient for confirmation of beneficial ownership of the recipient) there is a risk that the mentioned exemption will not be applied. *Terms and Conditions of the Notes - Condition 7* (*Taxation*) includes a gross-up provision in the event that any tax is to be withheld or deducted in Belarus. Although in the year of 2018 it is allowed to pay taxes for a taxpayer by another party, there is still no assurance that the provision allowing such payments will be extended for subsequent periods and, as a result, the general prohibition will not apply after 2018. In such circumstances if the provision allowing one party to pay tax for another party from its own funds is not extended for subsequent periods, there is no assurance as to how an arbitral award demanding payment resulting from a failure to pay in line with the gross-up condition would be treated when it is to be enforced in Belarus (see further "*Risk Factors – Risks related to the Notes generally - Belarusian courts may not enforce gross-up obligations*".)

As long as the Notes are traded on the regulated markets outside Belarus, the income of foreign legal entities from the sale of the Notes shall not be subject to taxation in Belarus. Notwithstanding the above, income of foreign legal entities carrying out activities in the Republic of Belarus through a permanent establishment, derived from the Notes may, under certain conditions, be subject to corporate income tax in Belarus.

Under the Tax Code income of Belarusian legal entities derived from the Notes initially placed (initially distributed) out of the territory of the Republic of Belarus shall be accounted as profits for corporate income tax purposes and taxed accordingly. Corporate income tax shall be paid for interest paid on the Notes and on the income gained in case of sale or redemption of the Notes.

Income of individuals, both resident and non-resident in Belarus, derived from the Notes in the form of interest and income from sale and redemption shall be exempted from personal income tax in Belarus.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a U.S. Holder (as defined below) and with respect to the discussion below under the heading "—Further Issues", any holder thereof. This summary does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organisations, dealers or traders in securities or currencies or to holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the U.S. federal estate and gift tax, Medicare tax on net investment income or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial "issue price".

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as at the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust that either (a) is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to the consequences of acquiring, owning or disposing of Notes.

Prospective investors should consult their own tax adviser with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of Notes.

Under recently enacted legislation, U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although the precise application of this rule is unclear at this time. This rule generally will be effective for tax years beginning after December 31, 2017 or, for debt instruments issued with original issue discount, for tax years beginning after December 31, 2018. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

Interest

This section assumes that the Notes will be issued with no more than a de minimis amount of original issue discount ("**OID**"). Therefore, interest on a Note including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes. Prospective purchasers of Notes should consult their own tax advisers concerning the applicability of foreign tax credit and source of income rules attributable to the Notes.

Sale, Exchange or Retirement

A U.S. Holder will generally recognise gains or losses on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note will generally be its cost. Except to the extent attributable to accrued but unpaid interest (which will be taxable as such), a gain or a loss recognized on the sale or other disposition of a Note will be a capital gain or loss and will generally be treated as from sources within the United States. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations under the Code.

Further Issuances

The Issuer may, from time to time, without notice to or the consent of the holders of the outstanding Notes, create and issue additional debt securities with identical terms and ranking pari passu with the Notes in all respects. The Issuer may consolidate such additional debt securities with the outstanding Notes to form a single series. The Issuer may offer additional debt securities with OID for U.S. federal income tax purposes as part of a further issue. Purchasers of debt securities after the date of any further issue may not be able to differentiate between debt securities sold as part of the further issue and previously issued Notes. If the Issuer was to issue additional debt securities with OID, purchasers of debt securities after such further issue may be required to accrue OID with respect to their debt securities. This may affect the price of outstanding Notes following a further issuance. The Issuer urges holders to consult with their tax advisers with respect to the implications of any further decision by the Issuer to undertake a further issuance of debt securities with OID.

Backup Withholding and Information Reporting

In general, payments of principal and interest on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary are subject to information reporting and may be subject to backup withholding, unless the U.S. Holder provides an accurate taxpayer identification number or certification of exempt status or otherwise complies with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will generally be allowed as a refund or credit against a U.S. Holder's U.S. federal income tax liability as long as the holder provides the required information to the IRS.

Foreign Financial Asset Reporting

Individuals and, to the extent provided by the U.S. Secretary of Treasury in regulations or other guidance, certain domestic entities that hold an interest in a "specified foreign financial asset" are required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds the relevant threshold. A "specified foreign financial asset" includes any debt or equity of a non- U.S. entity, to the extent not held in an account at a financial institution, though accounts at non-U.S. financial institutions may themselves be "specified foreign financial assets." Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax advisers regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning tax consequences of their particular situations.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited and Raiffeisen Bank International AG (the "**Joint Lead Managers**") have, pursuant to a subscription agreement dated 26 February 2018 (the "**Subscription Agreement**"), severally and not jointly, agreed with the Issuer, subject to the satisfaction of certain conditions to subscribe for the Notes in the amounts as follows:

	Principal amount of Notes
Joint Lead Managers	
Citigroup Global Markets Limited	U.S.$300,000,000
Raiffeisen Bank International AG	U.S.$300,000,000
Total	**U.S.$600,000,000**

The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes. The Issuer will also reimburse the Joint Lead Managers for certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain losses (including liabilities under the Securities Act), incurred in connection with the issue of the Notes.

JSC "Development Bank of the Republic of Belarus" has been appointed as a Co-Manager in respect of the Notes. However, it will not underwrite the Notes, nor will it purchase the Notes in the initial placement (initial distribution).

The Joint Lead Managers and their respective affiliates may have engaged in transactions with the Issuer in the ordinary course of their banking business, including provision of loan financing, and the Joint Lead Managers may have performed various investment banking, financial advisory and other services for the Issuer, for which they receive customary fees, and the Joint Lead Managers and their respective affiliates may provide such services and receive such fees in the future.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken to the Issuer that it proposes to offer the Notes for resale (a) to persons they reasonably believe to be QIBs, within the meaning of Rule 144A under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) in "offshore transactions" (as defined in Rule 902(k) under the Securities Act) in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented and warranted to the Issuer and each other Joint Lead Manager that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Belarus

Each Joint Lead Manager has represented, warranted and undertaken to the Issuer and each other Joint Lead Manager that the Notes will not be offered, transferred or sold as part of their initial placement (initial distribution) to or for the benefit of any persons (including legal entities) being residents of the Republic of Belarus.

No action constituting an "advertisement" of the Notes may be undertaken in the Republic of Belarus. Following the initial placement (initial distribution) of the Notes, the Notes may not be offered in the secondary market to an unlimited number of residents of the Republic of Belarus.

Russian Federation

Each Joint Lead Manager has represented, warranted and undertaken to the Issuer and each other Joint Lead Manager that the Notes will not be offered, transferred or sold as part of their initial distribution to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

Each Joint Lead Manager has acknowledged that no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has undertaken to the Issuer that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any related offering material, in all cases at its own expense.

TRANSFER RESTRICTIONS

Unrestricted Notes

Each purchaser of the Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(a) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:

   (i) it is located outside the United States (within the meaning of Regulation S); and

   (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(b) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:

   (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or

   (ii) to the Issuer; or

   (iii) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB,

   in each case in accordance with any applicable securities laws of any State of the United States;

(c) it understands that the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Notes represented by an interest in the Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in the Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by the Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by the Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by the Unrestricted Global Note Certificate and become an interest in a Note represented by the Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by the Restricted Global Note Certificate.

Restricted Notes

Each purchaser of the Restricted Notes in reliance on Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

(a) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;

(b) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of its respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent Noteholder represented is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions applicable to the Restricted Notes;

(c) the purchaser understands that the Restricted Global Note Certificate and any Restricted Individual Note Certificate will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, OR ITS AFFILIATES."

(d) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(e) the purchaser understands that the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of the Restricted Global Note Certificate or the Restricted Individual Note Certificates, or upon specific request for removal of the legend, the Issuer will deliver only the Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in the Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in the Restricted Global Note Certificate and become an interest in the Unrestricted Global

Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in the Unrestricted Global Note Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

GENERAL INFORMATION

1. **Authorisation**

The issue of the Notes was duly authorised by the Edict of the President of Belarus No. 89-DSP dated 15 March 2017 and by the Resolution of the Council of Ministers of Belarus No. 118-DSP dated 12 February 2018.

2. **Listing of Notes**

An application has been made to the Irish Stock Exchange to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Market. However, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or before the Issue Date, subject only to the issue of the Notes. The expenses in connection with the admission of the Notes to the Official List and to trading on the Market are expected to amount to approximately EUR5,000.

3. **Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Market for the purposes of the Prospectus Directive.

4. **Litigation**

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Issuer's financial position.

5. **Significant Change**

There has been no material adverse change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer in the fiscal year ended 31 December 2016.

6. **Documents Available for Inspection**

Physical copies of the following documents will be available for inspection from the specified office of the Paying Agent for the life of the Prospectus in London for so long as any of the Notes remains outstanding:

(a) the budget for the last two fiscal years;

(b) the Agency Agreement; and

(c) the Deed of Covenant.

Electronic copies of the Law of the Republic of Belarus "On the Republican Budget for the Year 2015" of 30 December 2014 No. 225-3 (as amended) (in the Russian language), the Law of the Republic of Belarus "On the Republican Budget for the Year 2016" of 30 December 2015 No. 341-3 (as amended) (in the Russian language), the Law of the Republic of Belarus "On the Republican Budget for the Year 2017" of 18 October 2016 No. 431-3 (in the Russian language) and the Law of the Republic of Belarus "On the Republican Budget for the Year 2018" of 31 December 2017 No. 86-3 (in the Russian language) may be obtained from the national legal website of Belarus (www.pravo.by). No English translations of such budgets are available.

7. **Language**

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

8. **Belarus Taxation**

Payments of principal or interest in respect of the Notes paid to foreign tax residents being beneficial owners of such payments are exempt from withholding tax.

9. **Websites**

Any reference to websites in this Prospectus is for information purposes only, and such websites shall not form any part of this Prospectus.

10. **Interested Persons**

No person involved in the Offering has any interest in the Offering which is material to the Offering.

11. **Yield**

The yield to maturity of the Notes is 100 per cent. The yield to maturity is calculated as at the pricing date on the basis of the Issue Price, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes. It is not an indication of future yield.

12. **Delivery of Global Note Certificates**

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC.

Unrestricted Notes	ISIN: XS1760804184 Common Code: 176080418
Restricted Notes	ISIN: US07737JAC71 Common Code: 178423835 CUSIP: 07737J AC7

13. **Contact Information**

The telephone number for the Ministry of Finance is +375 (17) 222 4593.

THE ISSUER

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