

## INFORMATION

### on income, expenses, and capital investments of the National Bank

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In the whole of 2008, the National Bank's income was 737.9 billion Belarusian rubles, expenses 692.6 billion Belarusian rubles, and profit 45.3 billion Belarusian rubles.

Compared with 2007, income increased by 302.4 billion Belarusian rubles (by 69.4%), expenses by 338.7 billion Belarusian rubles (by 95.7%).

By the end of 2008, interest income amounted to 534.9 billion Belarusian rubles (72.5% of the total amount of income), up by 237.1 billion Belarusian rubles (by 79.6 %) from a year ago. Interest income was received mainly from:

- placement of foreign exchange time deposits with banks—242.2 billion Belarusian rubles;
- extending credits to banks—162.3 billion Belarusian rubles;
- securities operations—68.2 billion Belarusian rubles; and
- placement of foreign exchange demand deposits with banks—43.2 billion Belarusian rubles.

Income from other banking operations over the course of 2008 constituted 123.9 billion Belarusian rubles (16.8% of the total amount of income), increasing by 26.8 billion Belarusian rubles (by 27.6%) compared with 2007. Income was received mainly from:

- transportation, collection, and delivery of documents—45.7 billion Belarusian rubles;
- operations in foreign exchange, precious metals, and precious stones—31.5 billion Belarusian rubles;
- cash services rendered to banks—18.8 billion Belarusian rubles; and
- settlement services—14.5 billion Belarusian rubles.

Income from other operations in the period under review amounted to 40.6 billion Belarusian rubles (5.5% of the total amount of income), increasing by 2.7 billion Belarusian rubles (by 7.1%) over the previous year. The income came mainly from the sale of vouchers to the sanatorium for children "Ruzhansky", paid services rendered by the Settlement Center of the National Bank, and holding of seminars, operation of canteens, property retirement, lease payments, and dividends, as well as from a non-cash investment in the authorized capital of OJSC "Sanatorium Ozyorny" (in the form of a difference between book value and assessed value) and the transfer, free of charge, of shares of OJSC "Aleksandriyskoye" in line with Edict of the President of the Republic of Belarus No. 695 dated December 30, 2007.

In the whole of 2008, income from the decline in provisions for potential losses amounted to 36.2 billion Belarusian rubles (4.9% of the total income), up by 35.4 billion Belarusian rubles compared with 2007.

In 2008, commission income constituted 2.3 billion Belarusian rubles (0.3% of the total income), a 0.4 billion Belarusian rubles increase (by 21.1%) on 2007.

Expenses relating to the performance of banking operations accounted for the major share of the expenditure—494.2 billion Belarusian rubles (71.4% of the total expenses), up by 307.1 billion Belarusian rubles (a 2.6 times increase) compared with 2007. They include:

- interest income—323.9 billion Belarusian rubles (46.8% of the total expenses), up by 214.5 billion Belarusian rubles (a 3 times increase) compared with 2007. Interest paid on the balance of the accounts relating to the recognition of budgetary and other Government funds accounted for the major share of interest income—187.1 billion Belarusian rubles (57.8%). Expenses on the National Bank's securities operations carried out as part of liquidity regulation also accounted for a major share of interest income, amounting to 71.6 billion Belarusian rubles (22.1%);

- transfers to provisions for potential losses in line with the regulatory legal acts of the National Bank—135.3 billion Belarusian rubles, which account for 19.5% of the total expenses—up by 108.6 billion Belarusian rubles (a 5.1 times increase) on 2007;

- other banking expenses—33.3 billion Belarusian rubles (4.8% of the total expenses), down by 16.8 billion Belarusian rubles (by 33.5%) over the previous year, of which expenses relating to the production and delivery of banknotes and coins 25.1 billion Belarusian rubles (75.4%), expenses relating to the precious metals and precious stones operations 2.9 billion Belarusian rubles (8.7%); and

- commission expenses (relating to operations involving foreign exchange, bank cards, accounts maintenance operations, and other operations)—1.7 billion Belarusian rubles (0.3% of the total amount of expenses), up by 0.8 billion Belarusian rubles (by 88.9%) compared with 2007.

Expenses relating to the upkeep of the National Bank in the amount of 169.9 billion Belarusian rubles (24.5% of the total expenses) increased by 16.7 billion Belarusian rubles (by 10.9%) compared with a year earlier.

These include:

- personnel expenses—98 billion Belarusian rubles, or 57.7% (an increase of 13 billion Belarusian rubles, or by 15.3%, against 2007), of which remuneration 71.4 billion Belarusian rubles. Expenses were incurred in line with legislation of the Republic of Belarus and regulatory legal acts of the National Bank pertaining to remuneration. Expenses under item "Personnel expenses" for 2008 were limited to 105.2 billion Belarusian rubles, funds utilization amounted to 93.2%, savings 7.2 billion Belarusian rubles;

- depreciation expenses—26.3 billion Belarusian rubles, or 15.5% (an increase of 0.8 billion Belarusian rubles, or by 3.1%, over 2007). Expenses were incurred in accordance with the depreciation rates. Expenses under item "Depreciation expenses" for 2008 were limited to 28.1 billion Belarusian rubles, funds utilization amounted to 93.6%, savings 1.8 billion Belarusian rubles;

- expenses relating to the use of land, buildings, and other fixed assets and materials—24.8 billion Belarusian rubles (14.6%), increasing by 2.3 billion Belarusian rubles (by 10.2%) compared with 2007. These include expenses relating to electric energy, heating, water, security and alarm systems, repairs and maintenance, upkeep of vehicles, etc. Expenses under item "Expenses relating to the use of land, buildings, and other fixed assets and materials" for 2008 were limited to 29 billion Belarusian rubles, funds utilization amounted to 85.5%, savings 4.2 billion Belarusian rubles;

- expenses relating to long-term financial investments and property retirement 0.6 billion Belarusian rubles (0.3%). Expenses under this item for 2008 were limited to 0.7 billion Belarusian rubles, funds utilization amounted to 85.7%, savings 0.1 billion Belarusian rubles;

- payment system functioning expenses—1.9 billion Belarusian rubles (1.1%), up by 0.2 billion Belarusian rubles (by 11.8%) compared with 2007. Expenses under item “Payment system functioning expenses” for 2008 were limited to 2.3 billion Belarusian rubles, funds utilization amounted to 82.6%, savings 0.4 billion Belarusian rubles; and

- other operational expenses—18.3 billion Belarusian rubles (10.8%).

Expenses relating to the transfer of the National Bank’s share in the financing of the projects “The Rowing Facility with Infrastructure in the City of Brest”, “Covering the Roller Ski Track with Snow”, and “The Rowing Facility for 30 boats in the Town of Kalinkovichi” account for the major share in this group of expenses—4.4 billion Belarusian rubles and 1.4 billion Belarusian rubles respectively (National Bank’s shared financing of the above-mentioned projects was carried out in line with legislation). This group of expenses also includes license payments, transfer of 50% of funds received from renting out buildings, constructions, and non-residential premises to the budget (in accordance with Edict of the President of the Republic of Belarus No. 498 “On Some Issues of Renting Out State Property” dated August 4, 2006 (National Register of Legal Acts of the Republic of Belarus, 2006, № 127, 1/7813), expenses relating to communication services, printing and representation, scientific research, as well as publication of the *Bankausky Vesnik* Journal, display of exhibits at the museum, operation of canteens, writing-down of equipment, general service materials, and medicaments, the holding of sports and health, as well as cultural events, and other expenses. Expenses under item “Other operational expenses” for 2008 were limited to 20.7 billion Belarusian rubles, funds utilization amounted to 88.4%, savings – 2.4 billion Belarusian rubles;

The operating budget of the National Bank for 2008 set a limit on expenditures related to the maintenance of the National Bank in the amount of 186 billion Belarusian rubles, actual funds utilization being 169.9 billion Belarusian rubles, or 91.3%.

Expenditures beyond the National Bank’s activity in the whole of 2008 amounted to 28.5 billion Belarusian rubles, or 4.1% of the total amount, of which:

- expenditures on the maintenance of Educational Establishment “Polesky State University” 22.8 billion Belarusian rubles, or 3.3% of the total amount, up by 10.3 billion Belarusian rubles, or by 82.4%, on 2007. The growth of expenses was due to increasing expenditures on educational purposes and maintenance of the facilities related to the commissioning of the universal sports complex “Volna” owned by the university exercising its rights of operational management. Increased expenditures are also due to the charging to costs of one tenth of expenditure related to the establishment of the university made at the expense of expenses of future periods (in compliance with legislation); and

- sponsorship expenditures 5.7 billion Belarusian rubles, or 0.8% of the total expenditure, up by 4.6 billion Belarusian rubles (a 5.2 time increase compared with 2007). Funds were used to provide financial assistance in conformity with legislation.

Pursuant to the Law of the Republic of Belarus “On the Budget of the Republic of Belarus for 2008”, the National Bank met its obligations in full transferring 80% of the earned profit, or 36.2 billion Belarusian rubles, to the republican budget. The retained profit subject to allocation amounted to 9.1 billion Belarusian rubles.

For the purpose of building up the National Bank’s resource base required to meet the parameters stipulated in the Guidelines, replenishing the gold and foreign exchange reserves of the Republic of Belarus, and augmenting the National Bank’s material and technical base, a proportion of the retained profit for 2008 in the amount of 8.1 billion Belarusian rubles is to be transferred to the reserve fund.

In 2001, the National Bank created a loan fund in order to grant loans to its employees for the construction (renovation) or purchase of housing units in conformity with the

regulatory legal acts of the National Bank. The present fund size is 4.3 billion Belarusian rubles. The number of employees in need of better housing was, as at January 1, 2009, 767 people (registered in 1993 - 2008). The Minsk City Executive Committee allotted a land plot to the National Bank for the construction of three apartment blocks (the act confirming the location of the land plot dated September 30, 2008 was approved by the Chairman of the Minsk City Executive Committee, Pavlov M. Ya., on October 13, 2008). The remainder of the fund in question is not sufficient for granting loans to all employees in need of better housing. For the purpose of accumulating monetary funds required for the housing construction, a portion of the net profit for 2008 in the amount of 1 billion Belarusian rubles is to be used for replenishing the loan fund in compliance with legislation of the Republic of Belarus.

Pursuant to Decree of the President of the Republic of Belarus No. 470pn "On the National Bank's Current Expenditures and Capital Investments in 2008" dated December 31, 2007 the National Bank was authorized to make capital investments worth 63.3 billion Belarusian rubles.

In 2008, the National Bank's expenditures on capital investments totaled 38 billion Belarusian rubles (the percentage of funds utilization—60%), savings 25.3 billion Belarusian rubles.

In 2008, the National Bank used, in compliance with the estimate for expenditures on capital investments, monetary funds in the following spheres:

1. Capital construction and renovation—14.8 billion Belarusian rubles, the plan being 23.7 billion Belarusian rubles (the percentage of funds utilization—62.4%), including:

- industrial purpose projects:

= to overhaul the power supply system of the National Bank's buildings (20, Nezavisimosty Ave. and 14, Lenina St., Minsk)—0.04 billion Belarusian rubles;

= to renovate the National Bank's building and the extension thereto (the second stage of the construction—the outbuilding) in Minsk—0.4 billion Belarusian rubles;

= to renovate the administrative building of the National Bank's Settlement Center in Minsk—0.98 billion Belarusian rubles;

= to overhaul the power supply system of the building of the Gomel Region Main Department (the first stage—the overhaul of the internal power supply and electric lighting networks) (9, Sovetskaya St., Gomel)—0.2 billion Belarusian rubles;

= to renovate garages of the Brest Region Main Department (110/2, Ya. Kupala St., Brest)—0.14 billion Belarusian rubles;

= to landscape the area surrounding the building of the branch of the Brest Region Main Department (44, Pervomaiskaya St., Pinsk)—0.38 billion Belarusian rubles;

= to renovate the garage of the Grodno Region Main Department (the design and survey work) (17, Karbysheva St., Grodno)—0.06 billion Belarusian rubles;

= to renovate and to extend the group of buildings of the car park of the Minsk and Minsk Region Main Department (13, Mashinostroiteley St., Minsk)—0.6 billion Belarusian rubles;

= to overhaul the furnace in the building of the branch of the Minsk and Minsk Region Main Department (Borisov)—0.04 billion Belarusian rubles;

= to renovate the general service building of the National Bank's Training Center—0.17 billion Belarusian rubles;

= to upgrade the automatic equipment designed to control the water supply intake at the National Bank's Training Center—0.06 billion Belarusian rubles;

= to build a canteen of the National Bank's Training Center—0.96 billion Belarusian rubles;

= to overhaul the transformer substation of the branch of the Minsk and Minsk Region Main Department (Borisov)–0.026 billion Belarusian rubles;

= to renovate and to extend the National Bank’s Training Center–0.004 billion Belarusian rubles;

= to overhaul the ventilation system on the seventh floor of the National Bank’s Settlement Center in Minsk–0.01 billion Belarusian rubles;

= to landscape the site of the Minsk and Minsk Region Main Department (6, Tolstoy St., Minsk)–0.02 billion Belarusian rubles; and

= to renovate the premises in the building designed for specific financial purpose (the design and survey work) (35, Mogiliovskaya St., Minsk)–0.03 billion Belarusian rubles;

- social purpose projects:

= to build a universal sports hall in Minsk–0.1 billion Belarusian rubles;

= to expand OJSC “Sanatorium Ozjorny” by renovating the camp for children “Vesnianka” (Grodno region)–6.94 billion Belarusian rubles;

= to build a water and rock salt cure establishment and a production mineral water well in OJSC “Sanatorium Ozjorny” (Grodno region)–0.13 billion Belarusian rubles;

= to build a swimming pool in OJSC “Sanatorium Ozjorny” (the design and survey work) (Grodno region)–0.1 billion Belarusian rubles;

= to build a mineral water well in the National Bank’s sanatorium for children “Ruzhansky”–0.12 billion Belarusian rubles;

= to build a gas pipeline and to convert the boiler in the National Bank’s sanatorium for children “Ruzhansky” to natural gas–0.3 billion Belarusian rubles;

= to build a swimming pool in the National Bank’s sanatorium for children “Ruzhansky”–2.33 billion Belarusian rubles;

= to expand the canteen of the National Bank’s sanatorium for children “Ruzhansky”–0.4 billion Belarusian rubles;

= to landscape the site of the National Bank’s sanatorium for children “Ruzhansky”–0.2 billion Belarusian rubles;

= to carry out a feasibility study on the windmill and solar panel intended for heating water in the National Bank’s sanatorium for children “Ruzhansky”–0.02 billion Belarusian rubles; and

= to build a block of apartments–0.04 billion Belarusian rubles.

2. Measures designed to develop software and hardware infrastructure of the payment system–7.78 billion Belarusian rubles, the plan being 8.89 billion Belarusian rubles (the percentage of funds utilization–87.5%), including those:

- to implement the technical project on the second stage of the ASIS telecommunications network (including one point failures)–2.184 billion Belarusian rubles;

- to upgrade the distributed data center of the software and hardware complex (the development and implementation of the upgrading project and the purchase of software and hardware tools with a view to upgrading disk sub-systems)–4.553 billion Belarusian rubles;

- to do works in compliance with the Action Plan Designed to Implement the Concept of Information Security of the Payment System for 2006-2010 approved by Resolution of the Board of Directors of the National Bank of the Republic of Belarus No. 2 dated January 3, 2006–0.182 billion Belarusian rubles;

- to buy the renewal of the license for “ORION” software and “ORION-integrator” module–0.101 billion Belarusian rubles;

- to upgrade the central node of the ASIS’ financial information transmission system–0.363 billion Belarusian rubles;

- to upgrade and to develop the Central Archive of Interbank Settlements–0.335 billion Belarusian rubles;

- to establish the second stage of the control system of the ASIS' software and hardware complex–0.053 billion Belarusian rubles; and

- to buy facilities for systems ensuring the functioning of the back-up computer center and the main computer center–0.009 billion Belarusian rubles.

3. Hardware, software, and network equipment–8.6 billion Belarusian rubles, the plan being 13.5 billion Belarusian rubles (the percentage of funds utilization–63.7%), including:

- the upgrading of computers and the procurement of spare parts and accessory equipment for server farms–0.7 billion Belarusian rubles;

- the procurement of hardware (notebook computers, PCs, network laser printers, and scanners)–2.5 billion Belarusian rubles; and

- the development and the procurement of software products and software systems, as well as title to software products–5.4 billion Belarusian rubles.

4. Expenditures on equipment required for increasing the level of information safety and security–1.9 billion Belarusian rubles, the plan being 2.9 billion Belarusian rubles (the percentage of funds utilization–65.5%). Monetary funds were used to purchase equipment for systems and means controlling and managing access to premises (to the facility), security and technological television systems and means, fire and closed-circuit alarm systems and means, means ensuring technical safety of banks, integrated technical control devices, and software and hardware complexes for information security.

5. Expenditures on cash machines and money collection equipment–0.4 billion Belarusian rubles, the plan being 5.25 billion Belarusian rubles (the percentage of funds utilization–7.6%). Under this item, funds were used to purchase vacuum packing machines, cash-counting machines for replacing obsolete and fully worn-out ones, banknote verification equipment, container transporting trolleys, and shooting simulators for training collectors, as well as to adapt the existing machines for counting and sorting newly-introduced banknotes.

6. Expenditures on equipment for dealing with precious metals and precious stones–0.04 billion Belarusian rubles, the plan being 0.07 billion Belarusian rubles (the percentage of funds utilization–57.1%). Funds were used to purchase equipment and devices for identifying and validating quality characteristics of precious metals and precious stones.

7. Transportation facilities–2.3 billion Belarusian rubles, of which:

- for collection–0.3 billion Belarusian rubles, the plan being 3.27 billion Belarusian rubles (the percentage of funds utilization–9.2%). Funds were used to purchase five special vehicles for cash collection and transportation; and

- for renewing the fleet of service vehicles and transportation facilities–2 billion Belarusian rubles, the plan being 2.42 billion Belarusian rubles (the percentage of funds utilization–82.6%). Funds were used to purchase seven Volkswagen Passat middle segment passenger cars, four Volkswagen Caravelle buses seating up to 10 passengers, four Volkswagen trucks, two ranch wagons, three Volkswagen Jetta small segment passenger cars, three chassis for trucks (a part of an insulated body for perishable food transportation), and three insulated vans (certified for perishable food transportation), as well as to produce and install two frames and tents on trucks.

8. Equipment for upkeeping transportation facilities and premises–0.98 billion Belarusian rubles, the plan being 1.2 billion Belarusian rubles (the percentage of funds utilization–81.7%). Funds were used to purchase equipment ensuring the functioning of buildings and other fixed assets.

9. Other capital investment (expenditures on purchasing communication means, office equipment, furniture, as well as on arranging exhibitions at the museum, research and development, compilation of the reference information stock)–1.2 billion Belarusian rubles, the plan being 2.1 billion Belarusian rubles (the percentage of funds utilization–57.1%).