THE NATIONAL
BANK
OF THE REPUBLIC
OF BELARUS

Commodity Risk in the Banks of the Republic of Belarus

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Calculation of minimum capital requirements

$$CR = \frac{RC(CC)}{CR + A \times (OR + MR)} \times 100\ (\%)$$

MR = IRR + EPR + FXR + ComR

IRR – Interest Rate Risk
EPR – Equity Position Risk

FXR – Foreign Exchange Risk
ComRisk – Commodity Risk

Trading Book

Market Risks Profile

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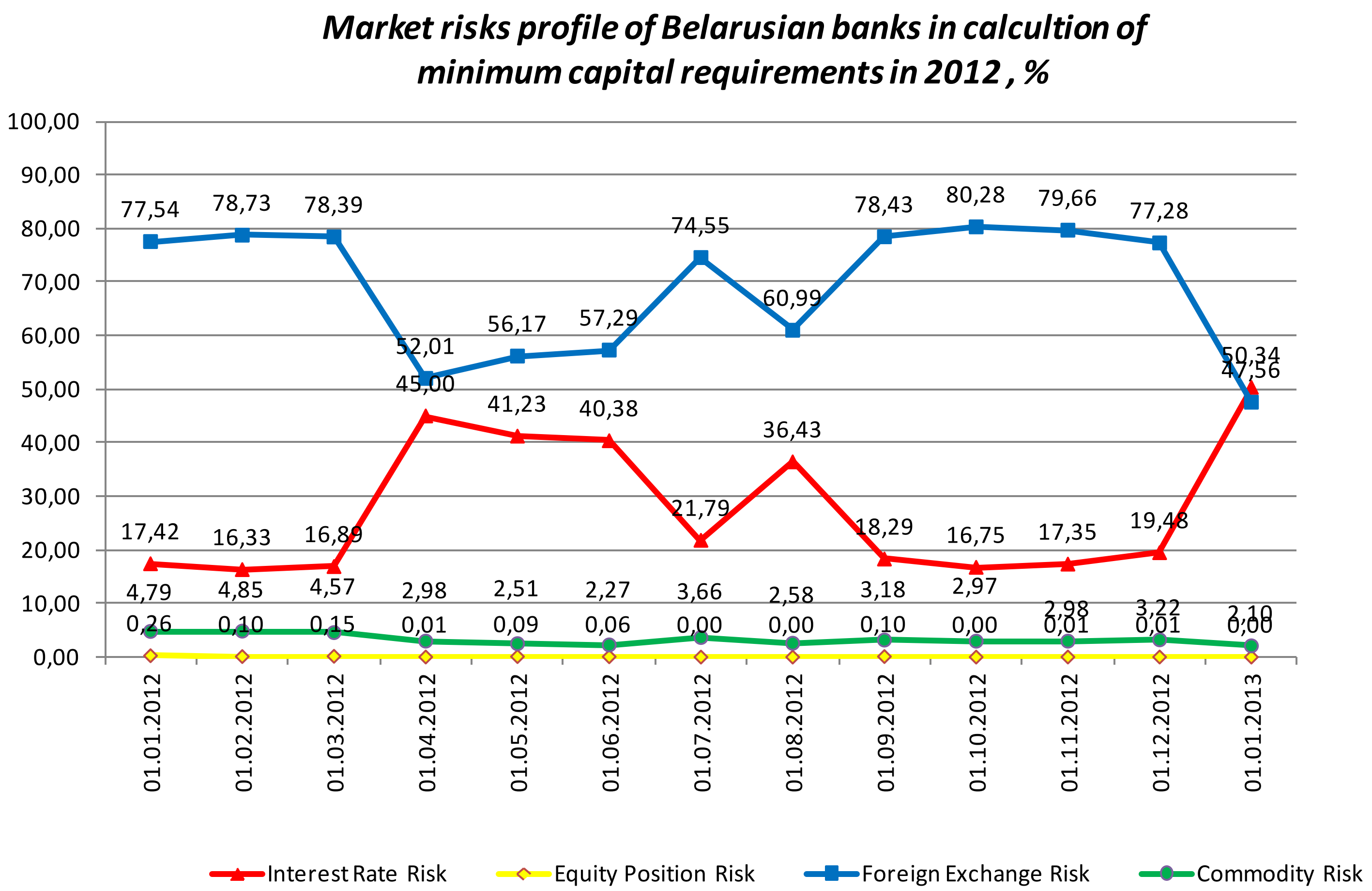

Terms and Definitions

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Commodity risk – the risk of holding or taking positions in commodities, including precious metals, but excluding gold (which is treated as a foreign currency).
A commodity is defined as a physical product which is or can be traded on a secondary market, e.g. agricultural products, minerals (including oil) and precious metals.

Basel II

Commodity risk – the probability of making loss by the bank and failure to receive planned revenues due to the change in the cost of commodities.
A commodity is any property intended for sale except for foreign exchange, precious metals in the form of ingots, as well as precious metals in the form of ingots and coins (hereinafter – the “ingots”, the “revaluated coins”) and other financial instruments revaluated, as far as the accounting prices are being changed, in line with the current accounting policy.

Instructions on Secure Functioning Requirements
for Banks and Non-Bank Credit and Financial Institutions
http://www.nbrb.by/engl/legislation/BankSuperVision/

Commodity Risk Exposures

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- ❑Precious stones

- ❑Precious metals

- ❑The property transferred to the bank to repay the debt

Commodity Risk Exposures – Precious stones

Diamonds

Weight: from 0,05 to 2,55 carats
Cut: Russian cut (57 facets) and Fantasy type cut

First cut diamonds of the National Bank were sold on December, 2005
First buyback – on 31 March 2008

Sale of certified diamonds by the National Bank of the Republic of Belarus (belarusian ruble)

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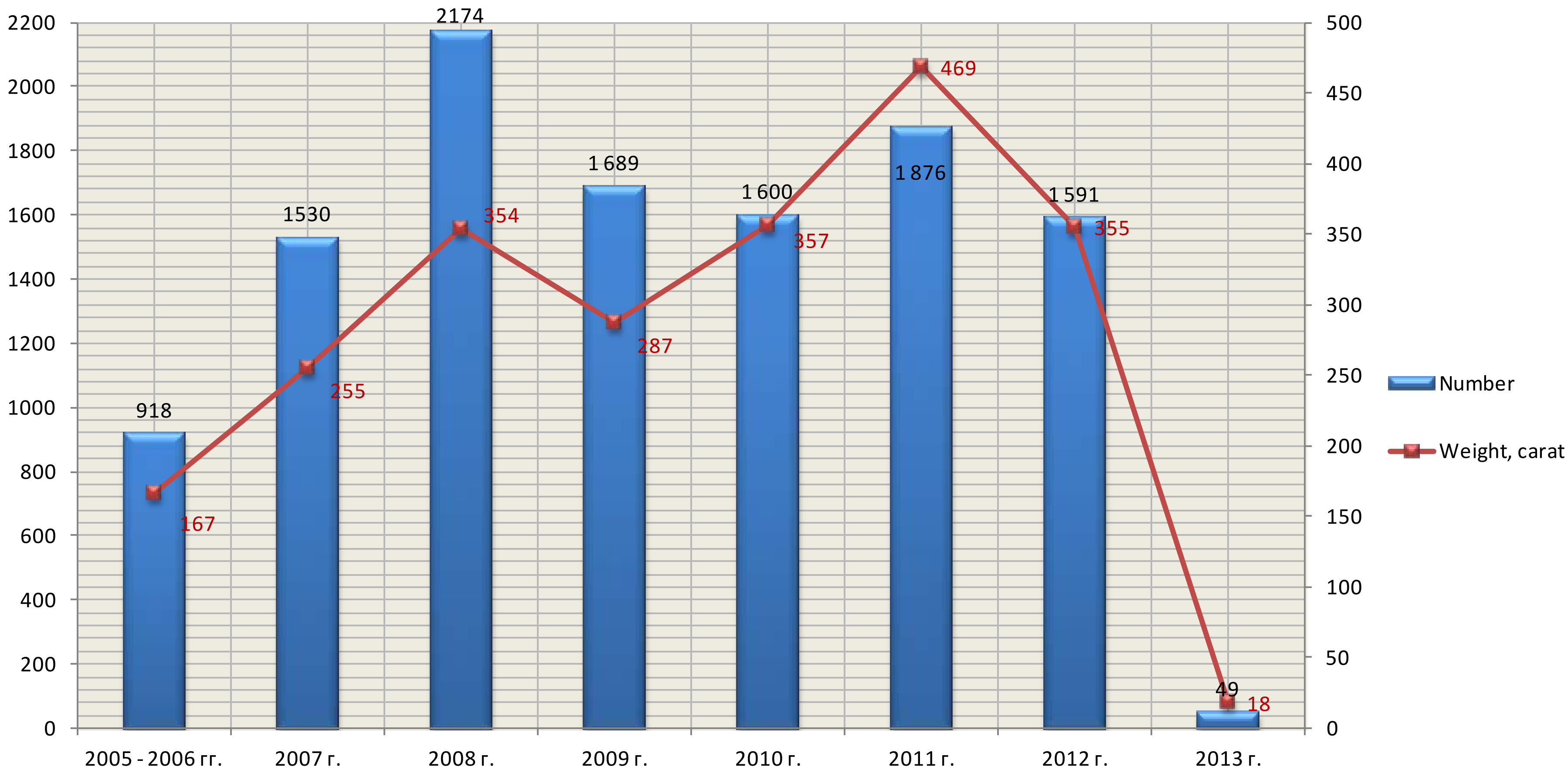

Commodity Risk Exposures – Precious Metals

Precious metals – gold, silver, platinum, and palladium in the form of bank bars, ingots, and/or coins.

Bank bars are gold, silver, platinum, and palladium bars which meet current technical requirements or the Government standards to gold, silver, platinum, and palladium in bars in the Republic of Belarus, or the requirements of the London Bullion Market Association (LBMA), or the London Platinum and Palladium Market (LPPM).

Ingots are gold (in RB 1…1000 gr.), silver (in RB 10…1000gr.), platinum (in RB 1…500 gr.) and palladium bars which meet the standards of the state of their producer.

First sell and buyback – in 2001

Coins - First coins of the Republic of Belarus were issued on December 27, 1996

(Commemorative coins dedicated to the 50th Anniversary of the UNO)

Metal – gold, silver , copper-nickel

Denomination, rubles: 1…1000

Sold 1969,0 thousand coins of nearly 250 names

Commodity Risk Exposures – Belarusian Coins – International Awards

2005 - 2013

31 award in USA, Italy, Russia

Accounting Prices on Precious Metals in Standard Bars, set By the National Bank of the Republic of Belarus (belarusian ruble)

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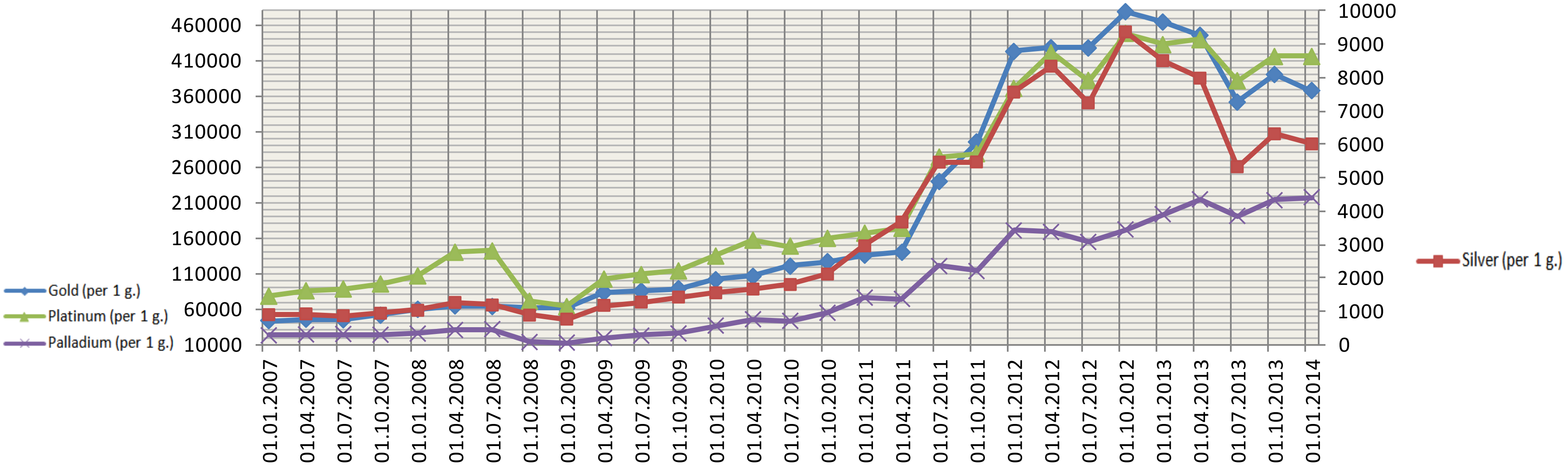
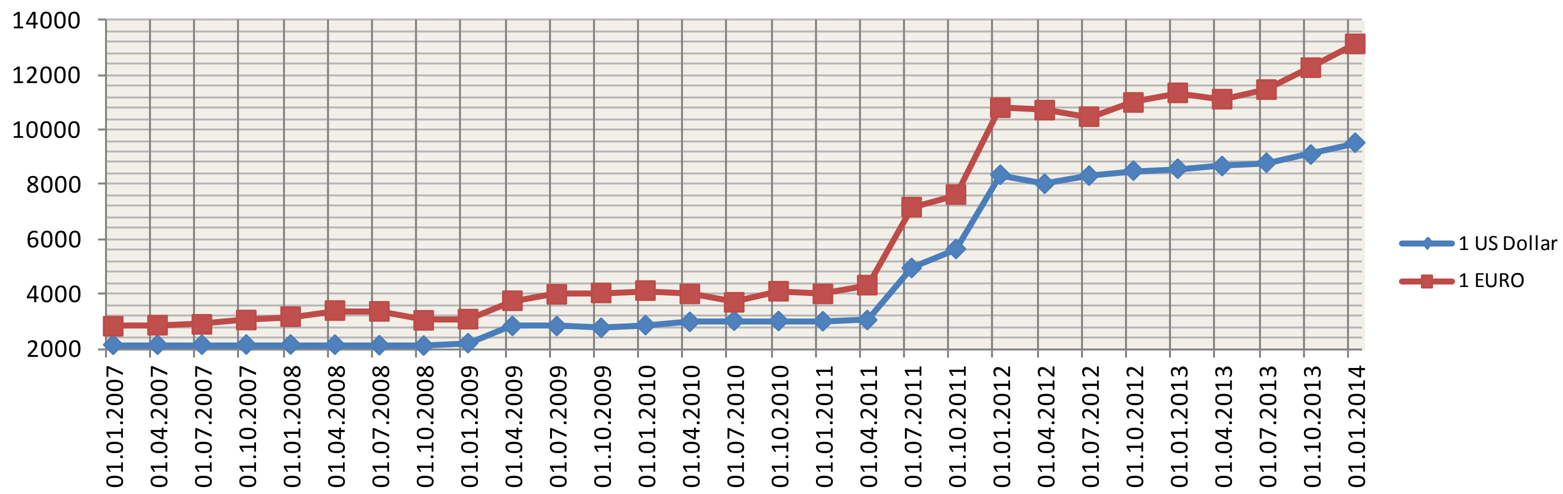


Official Exchange Rate of the Belarusian Ruble Against Foreign Currencies Set by the National Bank of the Republic of Belarus



Commodity Risk Exposures - the property transferred to the bank to repay the debt

- **Fixed assets**

- **Other property transferred to the bank to repay the debt**

- **Other property in respect of which the bank decided to sell**

Commodity Risk Calculation

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The size of commodity risk is calculated in respect of each commodity as follows:

- the long and short positions in respect of each commodity are calculated by adding all long and short positions;
- the net position in respect of each commodity is calculated as the difference between the long and short positions in respect of the corresponding commodity; and
- the gross position in respect of each commodity is calculated as the sum of the long and short positions in respect of the corresponding commodity.

The size of commodity risk in respect of each commodity is taken to be equal to **the sum of the following values**:

- 15% of the amount of the net position in respect of each commodity; and

- 3% of the amount of the gross position in respect of each commodity.

The size of commodity risk is taken to be equal to the sum of commodity risk sizes in respect of each commodity.

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Don’t ignore commodity risk!

Thank you!

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