



**CLOSED JOINT STOCK INSURER
„BELNEFTESTRAKH”**

**Summary Financial Statements Prepared
from the Audited Financial Statements
for the Year Ended 31 December 2011**

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Content

	Page
Independent Auditors' Report	3
Statement of Comprehensive Income	4
Statement of Financial Position	6
Statement of Cash Flows	8
Statement of Changes in Equity	10
Note to the Summary Financial Statements	11



KPMG, Limited liability company
5 Dimitrova street
220004 Minsk Belarus

Telephone +375 (17) 306 08 03
Fax +375 (17) 306 08 12
Internet www.kpmg.com

Independent Auditors' Report on Summary Financial Statements

To the shareholder of Closed Joint Stock Insurer "Belneftstrakh"

The accompanying summary financial statements, which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended are derived from the audited financial statements of Closed Joint Stock Insurer "Belneftstrakh" ("the Company") for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards.

We expressed an audit opinion including Emphasis of Matter paragraph on those financial statements in our report dated 23 October 2012. Emphasis of Matter paragraph drew attention to the fact that in 2011 the economy of the Republic of Belarus was classified as a hyperinflationary under International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies". The functional currency of the Company is the Belarusian Ruble and accordingly the financial statements for the year ended 31 December 2011, including corresponding information, had been adjusted in accordance with IAS 29.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Closed Joint Stock Insurer "Belneftstrakh".

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary financial statements on the basis described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Closed Joint Stock Insurer "Belneftstrakh" for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, on the basis described in Note 1.

Irina Vereschagina
Partner
KPMG, Limited Liability Company
23 October 2012

KPMG, Limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered in Belarus No 191434140
Registered office:
5 Dimitrova street,
220004 Minsk Belarus

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of comprehensive income for the year ended 31 December 2011

All amounts are in millions of BYR

	2011	2010
Earned premiums		
Written premiums		
Gross written premiums	232 849	172 410
Reinsurers' share in written premiums	(42 285)	(9 358)
Net written premiums	190 564	163 052
Change in unearned premium and unexpired risk technical reserves		
Gross change	(31 161)	(29 425)
Reinsurers' share	5 465	110
Change in net unearned premium and unexpired risk technical reserves	(25 696)	(29 315)
Net earned premiums	164 868	133 737
Incurred claims, net		
Paid claims, net		
Gross claims paid	(88 991)	(68 264)
<i>Paid claims</i>	(93 707)	(70 493)
<i>Loss adjustment expenses</i>	(2 194)	(2 565)
<i>Recovered losses</i>	6 910	4 794
Reinsurers' share of claims	3 548	2 517
<i>Reinsurers' share in paid claims</i>	3 607	2 517
<i>Reinsurers' share in recovered losses</i>	(59)	-
Net paid claims	(85 443)	(65 747)
Change in outstanding claim technical reserve		
Gross change	(36 335)	(13 046)
Reinsurers' share	1 131	(194)
Change in net outstanding claim technical reserve	(35 204)	(13 240)
Net incurred claims	(120 647)	(78 987)
Operating expenses/ income		
Client acquisition costs	(15 646)	(12 498)
Change in deferred client acquisition costs	1 367	(699)
Reinsurance commission income	1 122	616
Administrative expenses	(45 817)	(41 496)
Net operating expenses	(58 974)	(54 077)
Other technical income, net	(1 897)	(2 663)

(continued)


CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of comprehensive income for the year ended 31 December 2011


(continued)

All amounts are in millions of BYR

	2011	2010
Investments income, net	5 773	4 479
Interest expenses	(210)	(198)
Impairment loss	(363)	(536)
Other income/(expenses), net	75 680	(6 269)
Profit/(loss) before tax	64 230	(4 514)
Income tax (benefit)/expense	(1 581)	1 332
Profit / (loss) before loss on net monetary position	62 649	(3 182)
Loss on net monetary position due to inflation effect	(52 661)	(2 805)
Net profit/(loss) for the year	9 988	(5 987)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	9 988	(5 987)


Yuri Nesmashny
General Director

23 October 2012

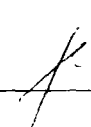

Elena Lapitskaya
Deputy General Director

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

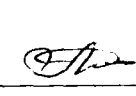
Statement of financial position as at 31 December 2011

All amounts are in millions of BYR

	31 December 2011	31 December 2010	1 January 2010
Assets			
Property and equipment	46 904	33 225	23 658
Investment property	505	753	592
Intangible assets	152	161	227
Financial investments			
Available-for-sale financial assets	3 644	3 644	3 644
Deposits with banks	86 595	51 495	33 796
Total financial investments	90 239	55 139	37 440
Loans and receivables			
Loans issued	72	152	172
Receivables from direct insurance activities	31 378	28 156	16 668
Receivables from reinsurance activities	170	177	175
Other receivables	4 300	5 051	7 139
Total loans and receivables	35 920	33 536	24 154
Accrued income and deferred expenses			
Deferred client acquisition costs	4 255	2 888	3 587
Other accrued income and deferred expenses	124	134	99
Total accrued income and deferred expenses	4 379	3 022	3 686
Reinsurance contract assets			
Reinsurers' share in unearned premiums technical reserve	8 762	3 297	3 187
Reinsurers' share in outstanding claim technical reserve	1 669	1 123	1 449
Total assets from reinsurance contracts	10 431	4 420	4 636
Current income tax asset	2	334	-
Deferred tax assets	4 400	4 548	-
Cash and cash equivalents	18 645	16 587	20 512
Total assets	211 577	151 725	114 905


Yuri Nesmashny
General Director

23 October 2012

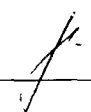

Elena Lapitskaya
Deputy General Director

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

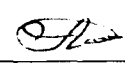
Statement of financial position as at 31 December 2011

All amounts are in millions of BYR

Equity and liabilities	31 December 2011	31 December 2010	1 January 2010
Equity			
Share capital	52 804	35 813	24 202
Retained earnings	(19 994)	(11 242)	7 059
Total equity	32 810	24 571	31 261
Liabilities			
Technical reserves			
Technical reserves for unearned premiums and unexpired risks	104 944	77 106	47 939
Outstanding claim technical reserve	51 832	32 342	21 231
Total technical reserves	156 776	109 448	69 170
Borrowings	-	7 194	2 092
Creditors			
Direct insurance creditors			
Accrued commissions	1 637	998	971
Insurance prepayments	1 519	1 574	1 607
Total direct insurance creditors	3 156	2 572	2 578
Reinsurance creditors	11 920	3 940	3 665
Current income taxes liabilities	2 213	-	135
Other creditors	3 777	3 115	4 822
Total creditors	17 910	7 055	8 622
Provision for unused vacations	925	885	723
Deferred tax liability	-	-	459
Total liabilities	178 767	127 154	83 644
Total equity and liabilities	211 577	151 725	114 905



Yuri Nesmashny
General Director



Elena Lapitskaya
Deputy General Director

23 October 2012

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of cash flows for the year ended 31 December 2011

All amounts are in millions of BYR

	2011	2010
Cash flow from insurance activities		
Profit/(loss) after income taxes	9 988	(5 987)
Adjustments for:		
Loss on net monetary position due to inflation effect	52 661	2 805
Increase in allowance for impairment of other receivables	363	536
Increase in allowance for impairment of insurance debtors	1 897	2 663
Unrealised forex gains	(42 469)	(1 367)
Depreciation of property and equipment and investment property	1 991	1 647
Intangible assets amortisation	30	86
Interest income	(5 583)	(4 331)
Increase in provision for unused vacations	760	347
Loss on disposal of intangible assets	-	8
Interest expense	210	198
Income tax	1 581	(1 332)
Cash flows from operating activities before changes in operating assets and liabilities	21 429	(4 727)
(Increase)/ decrease in operating assets:		
Increase in receivables from direct insurance activities	(27 094)	(22 329)
Increase in receivables from reinsurance activities	(129)	(27)
Decrease (increase) in other receivables	(3 214)	1 645
Increase in reinsurers' share in unearned premiums reserve	(5 465)	(110)
(Increase) decrease reinsurers' share in outstanding claim technical reserves	(1 131)	194
(Increase) decrease in accrued income and deferred expenses	(1 357)	664
Increase/ (decrease) in operating liabilities:		
Increase in technical reserves for unearned premiums and unexpired risks	31 161	29 425
Increase in outstanding claim technical reserve	36 336	13 046
Increase in reinsurance creditors	14 190	920
Increase in direct insurance creditors	2 918	347
Increase/ (decrease) in other creditors	3 464	(1 923)
Net cash inflow from insurance activities before income tax paid	71 108	17 125
Interest paid	(218)	(190)
Income tax paid	(206)	(4 786)
Total cash flow from insurance activities	70 684	12 149
Cash flow from investing activities		
Interest income received	5 583	4 331
Repayment of loans issued	15	21
Net placement of deposits with banks	(60 467)	(30 653)
Purchase of property and equipment and investment property	(15 423)	(11 399)
Purchase of intangible assets	(22)	(20)
Proceeds from disposal of property and equipment and intangible assets	2	16
Total cash flow from investing activities	(70 312)	(37 704)

(continued)

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of cash flows for the year ended 31 December 2011

	2011	(continued) 2010
Cash flow from financing activities		
Dividends paid	(1 749)	(703)
Repayment of borrowings	(5 220)	(2 239)
Proceeds from borrowings	-	10 251
Total cash flow from financing activities	(6 969)	7 309
Cash and cash equivalent net decrease	(6 597)	(18 246)
Cash and cash equivalent at the beginning of the year	16 587	20 512
Effect of inflation on cash and cash equivalents increase/ (decrease)	537	13 871
Effect of exchange rate fluctuations on cash held	8 118	450
Cash and cash equivalent at the end of the year	18 645	16 587

Yuri Nesmashny
General Director

23 October 2012

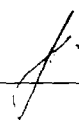
Elena Lapitskaya
Deputy General Director

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011


Statement of changes in equity for the year ended 31 December 2011

All amounts are in millions of BYR

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2010	24 202	7 059	31 261
Loss for the year	-	(5 987)	(5 987)
Total comprehensive loss for the year	-	(5 987)	(5 987)
Transactions with owner, recorded directly in equity			
Increase in share capital due to profit reallocation	11 611	(11 611)	-
Dividends for 2009	-	(620)	(620)
Other payments to shareholders	-	(83)	(83)
Balance at 31 December 2010	35 813	(11 242)	24 571
Profit for the year	-	9 988	9 988
Total comprehensive income for the year	-	9 988	9 988
Transactions with owner, recorded directly in equity			
Increase in share capital due to profit reallocation	16 991	(16 991)	-
Dividends for 2010	-	(807)	(807)
Other payments to shareholders	-	(942)	(942)
Balance at 31 December 2011	52 804	(19 994)	32 810


Yuri Nesmashny
General Director

23 October 2012


Elena Lapitskaya
Deputy General Director

Note to the Summary Financial Statements

(1) Applied criteria for the preparation of summary financial statements

These summary financial statements comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, which are derived from the audited financial statements of Closed Joint Stock Insurer “Belneftestrakh” (“the Company”) for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards.

Full set of audited financial statements and audit opinion are available from Closed Joint Stock Insurer “Belneftestrakh”, located in Minsk, Stchorsa 3rd str., 9, Republic of Belarus.

The management of the Company believes that the basis for preparation of these summary financial statements comply with its purposes.