

**CLOSED JOINT STOCK INSURER
„BELNEFTESTRAKH”**

**Summary Financial Statements Prepared
from the Audited Financial Statements
for the year ended 31 December 2012**

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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 2012, the statement of comprehensive income, statement of 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 2012, 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 August 2013. Emphasis of Matter drew attention to the fact that in 2012 and 2011 the economy of the Republic of Belarus was classified as a hyperinflationary economy 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 2012, 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 the reading the audited financial statements of Closed joint stock insurer "Belneftstrakh".

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the 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 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 2012 are consistent, in all material respects, with those financial statements on the basis described in Note 1.

Edgars Volskis

Director
KPMG, Limited Liability Company

23 August 2013

Statement of comprehensive income for the year ended 31 December 2012

All amounts are in millions of BYR

	Notes	2012	2011 (restated)
Earned premiums			
Written premiums			
Gross written premiums	5	296 811	283 610
Reinsurers' share in written premiums	5	(19 401)	(51 503)
<i>Net written premiums</i>	5	<u>277 410</u>	<u>232 107</u>
Change in unearned premium and unexpired risk technical reserves			
Gross change	7	8 447	(37 954)
Reinsurers' share	7	(4 325)	6 656
<i>Change in net unearned premium and unexpired risk technical reserves</i>	7	<u>4 122</u>	<u>(31 298)</u>
Net earned premiums	6	<u>281 532</u>	<u>200 809</u>
Incurred claims, net			
Paid claims, net			
Gross claims paid	8	(108 591)	(108 391)
<i>Paid claims</i>		(114 139)	(114 135)
<i>Loss adjustment expenses</i>		(2 580)	(2 672)
<i>Recovered losses</i>		8 128	8 416
Reinsurers' share of claims	8	3 541	4 321
<i>Reinsurers' share in paid claims</i>		3 609	4 393
<i>Reinsurers' share in recovered losses</i>		(68)	(72)
<i>Net paid claims</i>	8	<u>(105 050)</u>	<u>(104 070)</u>
Change in outstanding claim technical reserve			
Gross change	9	(18 039)	(44 256)
Reinsurers' share	9	5 638	1 378
<i>Change in net outstanding claim technical reserve</i>	9	<u>(12 401)</u>	<u>(42 878)</u>
Net incurred claims	10	<u>(117 451)</u>	<u>(146 948)</u>
Operating expenses/ income			
Client acquisition costs	11	(22 000)	(19 057)
Change in deferred client acquisition costs	12	565	1 665
Reinsurance commission income	18	1 672	1 367
Administrative expenses	13	(64 349)	(55 805)
Net operating expenses		<u>(84 112)</u>	<u>(71 830)</u>
Other technical income / (expenses), net	14	461	(2 311)


(continued)

Statement of comprehensive income for the year ended 31 December 2012

(continued)

All amounts are in millions of BYR

	Notes	2012	2011 (restated)
Investments income, net	15	9 091	7 032
Interest expenses		-	(256)
Impairment loss		(1 907)	(442)
Other (expenses) / income, net	16	(2 575)	92 178
Profit before tax		85 039	78 232
Income tax expense	17	(9 206)	(1 926)
Profit before loss on net monetary position		75 833	76 306
Loss on net monetary position due to inflation effect		(31 273)	(64 141)
Net profit for the year		44 560	12 165
Other comprehensive income		-	-
Total comprehensive income for the year		44 560	12 165


Yuri Nesmashny
General Director


23 August 2013


Elena Lapitskaya
Deputy General Director

Statement of financial position as at 31 December 2012

All amounts are in millions of BYR

	Notes	31 December 2012	31 December 2011(restated)
Assets			
Property and equipment	19	67 837	57 129
Investment property	20	558	615
Intangible assets	21	271	185
Financial investments			
Deposits with banks	23	77 070	105 473
Available-for-sale financial assets	22	2 946	4 438
Total financial investments		80 016	109 911
Loans and receivables			
Loans issued		71	88
Receivables from direct insurance activities	24	53 688	38 218
Receivables from reinsurance activities		487	207
Other receivables	25	6 390	5 237
Total loans and receivables		60 636	43 750
Accrued income and deferred expenses			
Deferred client acquisition costs	12	5 748	5 183
Other accrued income and deferred expenses		231	151
Total accrued income and deferred expenses		5 979	5 334
Reinsurance contract assets			
Reinsurers' share in unearned premiums technical reserve	7	6 347	10 672
Reinsurers' share in outstanding claim technical reserve	9	7 307	2 033
Total assets from reinsurance contracts		13 654	12 705
Current income tax asset		-	2
Deferred tax assets	17	317	5 359
Cash and cash equivalents	26	61 700	22 710
Total assets		290 968	257 700



Yuri Neshmashny
General Director



Elena Lapitskaya
Deputy General Director

23 August 2013

Statement of financial position as at 31 December 2012

All amounts are in millions of BYR

Equity and liabilities	Notes	31 December 2012	31 December 2011(restated)
Equity			
Share capital	27	89 366	64 315
Retained earnings		(6 625)	(24 353)
Total equity		<u>82 741</u>	<u>39 962</u>
Liabilities			
Technical reserves			
Technical reserves for unearned premiums and unexpired risks	7	118 258	127 822
Outstanding claim technical reserve	9	69 871	63 131
Total technical reserves		<u>188 129</u>	<u>190 953</u>
Creditors			
Direct insurance creditors			
Accrued commissions		3 002	1 994
Insurance prepayments		2 357	1 850
Total direct insurance creditors		<u>5 359</u>	<u>3 844</u>
Reinsurance creditors		7 077	14 519
Current income taxes liabilities		1 312	2 695
Other creditors	28	5 290	4 600
Total creditors		<u>13 679</u>	<u>21 814</u>
Provision for unused vacations		1 060	1 127
Total liabilities		<u>208 227</u>	<u>217 738</u>
Total equity and liabilities		<u>290 968</u>	<u>257 700</u>



Yuri Neshmashny
General Director



Elena Lapitskaya
Deputy General Director

23 August 2013

Statement of cash flows for the year ended 31 December 2012


All amounts are in millions of BYR

	Notes	2012	2011 (restated)
Cash flow from insurance activities			
Profit after income taxes		44 560	12 165
Adjustments for:			
Loss on net monetary position due to inflation effect		31 273	64 141
Increase in allowance for impairment of other receivables	25	411	441
Increase in allowance for impairment of insurance debtors	24	7 988	2 311
Unrealised forex gains		(216)	(51 727)
Depreciation of property and equipment and investment property		3 138	2 425
Intangible assets amortisation	21	88	37
Interest income	15	(8 709)	(6 800)
Increase in provision for unused vacations		148	926
Written-off reinsurance creditors		(8 449)	-
Increase in allowance for impairment of IAFS		1 496	-
Interest expense		-	256
Income tax	17	9 206	1 926
Cash flows from operating activities before changes in operating assets and liabilities		80 934	26 101
<i>(Increase) / decrease in operating assets:</i>			
Increase in receivables from direct insurance activities		(32 215)	(33 000)
Increase in receivables from reinsurance activities		(347)	(157)
Increase in other receivables		(2 702)	(3 915)
Decrease / (increase) in reinsurers' share in unearned premiums reserve		4 325	(6 656)
Increase reinsurers' share in outstanding claim technical reserves		(5 638)	(1 378)
Increase in accrued income and deferred expenses		(645)	(1 653)
<i>Increase / (decrease) in operating liabilities:</i>			
(Decrease) / increase in technical reserves for unearned premiums and unexpired risks		(8 447)	37 954
Increase in outstanding claim technical reserve		18 039	44 257
Increase in reinsurance creditors		3 087	17 283
Increase in direct insurance creditors		2 415	3 554
Increase in other creditors		1 658	4 220
Net cash inflow from insurance activities before income tax paid		60 464	86 610
Interest paid		-	(266)
Income tax paid		(6 109)	(251)
Total cash flow from insurance activities		54 355	86 093
Cash flow from investing activities			
Interest income received		8 709	6 800
Repayment of loans issued		15	18
Net placement of deposits with banks		10 463	(73 649)
Purchase of property and equipment and investment property		(13 817)	(18 785)
Purchase of intangible assets	21	(182)	(26)
Proceeds from disposal of property and equipment and intangible assets		36	2
Total cash flow from investing activities		5 224	(85 640)

(continued)

Statement of cash flows for the year ended 31 December 2012

	Notes	2012	(continued) 2011 (restated)
Cash flow from financing activities			
Dividends paid		(1 721)	(2 130)
Repayment of borrowings		-	(6 358)
Treasury shares		(60)	-
Total cash flow from financing activities		<u>(1 781)</u>	<u>(8 488)</u>
Cash and cash equivalent net increase/ (decrease)		<u>57 798</u>	<u>(8 035)</u>
Cash and cash equivalent at the beginning of the year		<u>22 710</u>	<u>20 203</u>
Effect of inflation on cash and cash equivalents		(18 830)	654
Effect of exchange rate fluctuations on cash held		22	9 888
Cash and cash equivalent at the end of the year	26	<u>61 700</u>	<u>22 710</u>



Yuri Nesmashny
General Director

23 August 2013

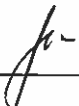


Elena Lapitskaya
Deputy General Director

Statement of changes in equity for the year ended 31 December 2012

All amounts are in millions of BYR

	Notes	Share capital	Retained earnings	Total equity
Balance at 31 December 2010 (restated)	27	43 620	(13 693)	29 927
Profit for the year		-	12 165	12 165
Total comprehensive income for the year		-	12 165	12 165
Transactions with owner, recorded directly in equity				
Increase in share capital due to profit reallocation		20 695	(20 695)	-
Dividends for 2010		-	(983)	(983)
Other payments to shareholders		-	(1 147)	(1 147)
Balance at 31 December 2011(restated)	27	64 315	(24 353)	39 962
Profit for the year		-	44 560	44 560
Total comprehensive income for the year		-	44 560	44 560
Transactions with owner, recorded directly in equity				
Increase in share capital due to profit reallocation		25 111	(25 111)	-
Dividends for 2011		-	(1 302)	(1 302)
Other payments to shareholders		-	(419)	(419)
Treasury shares		(60)	-	(60)
Balance at 31 December 2012	27	89 366	(6 625)	82 741


Yuri Nesmashny
General Director

23 August 2013


Elena Lapitskaya
Deputy General Director

Note to the 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 2012, the statement of comprehensive income, statement of 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” for the year ended 31 December 2012, 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.