

Translation from the original in Russian

**“Belarusian Bank
for Development and Reconstruction “Belinvestbank”
Joint-Stock Company**

Interim Condensed Consolidated Financial Statements

For the 9 Months Ended 30 September 2012

BELINVESTBANK JSC

TABLE OF CONTENTS

	Page
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012:	
Interim Condensed Consolidated statement of financial position	2
Interim Condensed Consolidated statement of comprehensive income	3
Interim Condensed Consolidated statement of changes in equity	5
Interim Condensed Consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	8
1. Organisation	8
2. Basis of presentation	9
3. Summary of accounting policies	11
4. Cash, balances with the National Bank and precious metals	28
5. Due from banks	28
6. Loans to customers	29
7. Securities available for sale	33
8. Securities held to maturity	36
9. Investment in associate	37
10. Property, equipment and intangible assets	38
11. Non current assets held for sale	38
12. Derivatives	38
13. Other assets	39
14. Due to banks	40
15. Due to customers	41
16. Debt securities issued	42
17. Other liabilities	44
18. Net interest income	45
19. Allowance for impairment losses, other provisions	46
20. Net gain on foreign exchange operations	48
21. Fee and commission income and expense	48
22. Other income	48
23. Operating expenses	50
24. Income tax	50
25. Equity	52
26. Commitments and contingencies	53
27. Transactions with related parties	56
28. Segment analysis	60
29. Fair value of financial instruments	64
30. Capital management	67
31. Risk management policies	69
32. Maturity analysis of assets and liabilities	<u>914</u>

Translation from the original in Russian

BELINVESTBANK JSC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2012
(in millions of Belarusian roubles in terms of purchasing power of the Belarusian rouble as at 30 September 2012)

		<u>30 September 2012</u>	<u>30 September 2011</u>
ASSETS :			
Cash, balances with the National Bank and precious metals	4, 27	1,899,721	1,645,724
Due from banks	5, 27	408,678	1,202,570
Derivative financial assets	12	746,288	889,120
Loans to customers	6, 27	10,754,754	10,503,400
Securities available for sale	7, 27	687,221	464,483
Securities held to maturity	8	249,456	172,069
Assets constructed for sale		26,574	-
Investment in associate	9	130,870	120,570
Property and equipment	10	1,179,106	1,111,940
Intangible assets	10	48,480	49,910
Non-current assets held for sale	11	8,406	2,924
Current income tax assets	24, 27	32,405	15,278
Deferred income tax assets	24	7,650	8,868
Government grants receivable	31	265,962	344,486
Other assets	13, 27	595,540	151,722
TOTAL ASSETS		<u>17,041,111</u>	<u>16,683,064</u>
LIABILITIES AND EQUITY:			
LIABILITIES :			
Due to banks	14, 27	1,868,424	2,476,845
Due to customers	15, 27	11,675,330	10,487,723
Loans from banks collateralized by securities	7	93,317	104,639
Debt securities issued	16	1,217,711	1,479,432
Current income tax liabilities	24, 27	29,054	53,086
Deferred income tax liabilities	24	9,618	10,761
Other liabilities	17	137,264	155,846
Total liabilities		<u>15,030,718</u>	<u>14,768,332</u>
EQUITY:			
Share capital	25	1,825,645	1,697,475
Share premium		82,634	82,634
Financial assets available for sale revaluation reserve		(19,223)	(25,264)
Revaluation reserve for premises		298,061	301,483
Accumulated deficit		(178,104)	(141,614)
Total equity attributable to shareholders of the Bank		<u>2,009,013</u>	<u>1,914,714</u>
Non-controlling interest		1,380	18
Total equity		<u>2,010,393</u>	<u>1,914,732</u>
TOTAL LIABILITIES AND EQUITY		<u>17,041,111</u>	<u>16,683,064</u>

Chairman of the Board
A.A. Lysiuk
7 December 2012
Minsk

Chief Accountant
A.N. Syrokvash
7 December 2012
Minsk

Translation from the original in Russian

BELINVESTBANK JSC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR NINE MONTHS ENDED 30 SEPTEMBER 2012
(in millions of Belarusian roubles in terms of purchasing power of the Belarusian rouble as at 30 September 2012)

	Notes	9 months ended 30 September 2012	9 months ended 30 September 2011
Interest income	18, 27	2,114,077	1,781,345
Interest expense	18, 27	(1,714,989)	(1,187,704)
NET INTEREST INCOME		399,088	593,641
Income on early derecognition of loans to customers issued at below market rates		-	14,310
Expense on early derecognition of loans from banks issued at below market rates		-	(7,349)
Initial recognition adjustment on interest bearing assets liabilities, net		(6,781)	(104,987)
(Provision)/recovery of provision for impairment losses on loans to banks		-	(19)
Provision for impairment losses on loans to customers	19, 27	(85,302)	(177,387)
sale	19, 27	(5,973)	(2,081)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		301,032	316,128
Net loss on operations with securities available for sale	27	231	(17)
Net gain on foreign exchange operations	20	50,883	241,124
Fee and commission income	21, 27	385,225	373,834
Fee and commission expense	21, 27	(68,647)	(107,928)
Share in net profit of associate	9	26,860	104,567
Other income	22	109,432	83,835
(Provision)/recovery of provision for impairment losses on other assets	19, 27	2,622	2,336
Provision for impairment losses on off-balance liabilities	19, 27	10,618	(8,222)
NET NON-INTEREST INCOME		517,224	689,529
OPERATING INCOME		818,256	1,005,657
OPERATING EXPENSES	23, 27	(721,029)	(617,117)
PROFIT BEFORE INCOME TAXES		97,227	388,540

Translation from the original in Russian

BELINVESTBANK JSC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (CONTINUED)
(in millions of Belarusian roubles in terms of purchasing power of the Belarusian rouble as at 30 September 2012)

	<u>9 months ended 30 September 2012</u>	<u>9 months ended 30 September 2011</u>
Income taxes recovery/ (expenses)	24	
	(31,492)	(28,212)
NET PROFIT BEFORE LOSS ON NET MONETARY POSITION	65,735	360,328
LOSS ON NET MONETARY POSITION	(51,564)	(594,034)
NET (LOSS)/PROFIT	<u>14,171</u>	<u>(233,706)</u>
NET (LOSS)/PROFIT, ATTRIBUTABLE TO :		
Shareholders of the Bank	12,809	(229,655)
Non-controlling interest	1,362	(4,051)
	<u>14,171</u>	<u>(233,706)</u>
OTHER COMPREHENSIVE INCOME COMPONENTS		
Gains from remeasurement of premises	-	302,449
Income tax relating to remeasurement of premises	-	(76,754)
(Losses)/gains from revaluation of securities available for sale	6,607	(27,553)
Realised gains on investment securities available for sale	(231)	17
Income tax relating to securities available for sale	(335)	(779)
OTHER COMPREHENSIVE INCOME COMPONENTS LESS TAX	<u>6,041</u>	<u>197,380</u>
COMPREHENSIVE INCOME	<u>20,212</u>	<u>(36,326)</u>
TOTAL COMPREHENSIVE INCOME, ATTRIBUTABLE TO:		
Shareholders of the Bank	18,850	(32,275)
Non-controlling interest	1,362	(4,051)
	<u>20,212</u>	<u>(36,326)</u>

Translation from the original in Russian

BELINVESTBANK JSC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012
(in millions of Belarusian roubles in terms of purchasing power of the Belarusian rouble as at 30 September 2012)

Notes	Share capital	Share premium	Revaluation reserve for premises	Financial assets available for sale revaluation reserve	Accumulated deficit/retained earnings	Total equity attributable to shareholders of the parent Bank	Non-controlling interest	Total equity
31 December 2010	1,672,960	82,634	-	1,014	197,887	1,954,495	7,062	1,961,557
Comprehensive income for the period	-	-	225,695	(28,315)	(229,655)	(32,275)	(4,051)	(36,326)
Consolidation of subsidiary	-	-	-	-	-	-	44	44
Capitalization of reserves	25 24,515	-	-	-	(24,515)	-	-	-
Dividends declared and paid	25 -	-	-	-	(39,987)	(39,987)	-	(39,987)
30 September 2011	1,697,475	82,634	225,695	(27,301)	(96,270)	1,882,233	3,055	1,885,288
31 December 2011	1,697,475	82,634	301,483	(25,264)	(141,614)	1,914,714	18	1,914,732
Comprehensive income for the period	-	-	-	6,041	12,809	18,850	1,362	20,212
Capitalization of reserves	25 30,560	-	-	-	(30,560)	-	-	-
Amortisation of revaluation reserve for premises, net of tax	-	-	(3,422)	-	3,422	-	-	-
Share capital increase by share issue	25 97,610	-	-	-	-	97,610	-	97,610
Dividends declared and paid	25 -	-	-	-	(22,161)	(22,161)	-	(22,161)
30 September 2012	1,825,645	82,634	298,061	(19,223)	(178,104)	2,009,013	1,380	2,010,393

Translation from the original in Russian

BELINVESTBANK JSC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012
(in millions of Belarusian roubles in terms of purchasing power of the Belarusian rouble as at 30 September 2012)

Notes	9 months ended 30 September 2012	9 months ended 30 September 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	2,233,466	1,838,563
Interest paid	(1,676,601)	(1,175,150)
Fees and commissions received	383,158	344,285
Fees and commissions paid	(68,647)	(102,811)
Realised gains less losses from securities available for sale	231	(16)
Realised gains less losses from dealing in foreign currencies	186,986	66,579
Other income received	109,391	74,861
Other operating expenses paid	(650,206)	(563,603)
Cash flows from operating activities before changes in operating assets and liabilities	<u>517,778</u>	<u>482,708</u>
Change in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the National Bank of the Republic of Belarus	(42,323)	(84,353)
Precious metals	286	(2,117)
Amounts due from banks	135,064	(369,103)
Loans to customers	(2,319,437)	(12,439,362)
Other assets	(485,708)	(281,770)
Increase/(decrease) in operating liabilities:		
Due to banks	(289,260)	2,586,204
Customer accounts	3,041,332	10,304,475
Other liabilities	<u>8,114</u>	<u>180,534</u>
Cash inflow from operating activities before taxation	(33,327)	80,880
Income tax paid	532,519	458,096
Cash inflow from operating activities	<u>(65,584)</u>	<u>(30,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(190,323)	(89,976)
Proceeds on sale of property, equipment and intangible assets	55,835	51,309
Proceeds on sale of non-current assets held for sale	(5,482)	11,083
Purchase of securities available for sale	(4,731,437)	(2,889,179)
Proceeds on sale of securities available for sale	<u>4,417,254</u>	<u>1,822,254</u>
Net cash outflow from investing activities	<u>(551,943)</u>	<u>(1,094,509)</u>

Translation from the original in Russian

BELINVESTBANK JSC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (CONTINUED)
(in millions of Belarusian roubles in terms of purchasing power of the Belarusian rouble as at 30 September 2012)

	Notes	9 months ended 30 September 2012	9 months ended 30 September 2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital issue		97,610	-
Dividends paid		(21,426)	(22,369)
Proceeds from debt securities issued		261,996	1,798,565
Redemption of debt securities issued		(268,856)	(308,694)
Net cash inflow from finance activities		<u>69,324</u>	<u>1,467,502</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		(15,684)	800,805
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		10,407	306,932
INFLATION EFFECT ON MONETARY ASSETS AND LIABILITIES		(353,952)	(1,431,987)
CASH AND CASH EQUIVALENTS, beginning of the period	4	<u>2,349,117</u>	<u>1,840,742</u>
CASH AND CASH EQUIVALENTS, end of the period	4	<u>1,989,888</u>	<u>1,516,492</u>