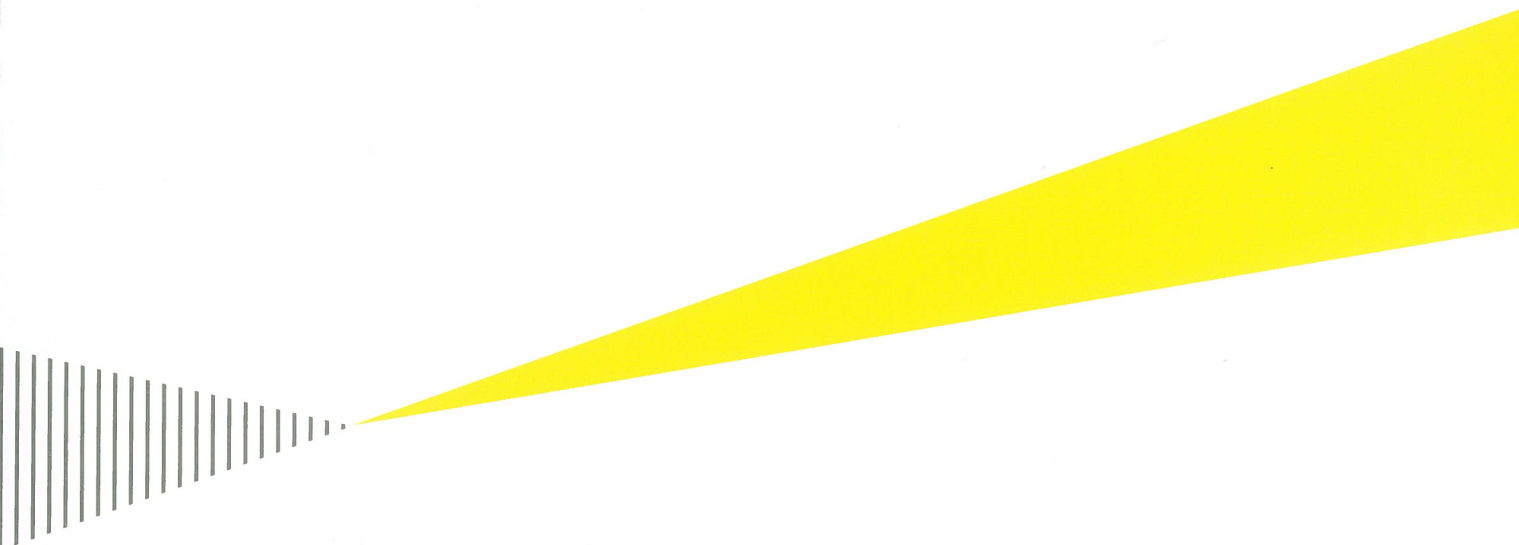


PASHA Insurance OJSC

Financial Statements

Year ended 31 December 2013

Together with Independent Auditors' Report



**Building a better
working world**

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Independent auditors' report to the Shareholder and Board of Directors of PASHA Insurance OJSC:

We have audited the accompanying financial statements of PASHA Insurance OJSC, which comprise the statement of financial position as at 31 December 2013 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PASHA Insurance OJSC as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Ernst & Young Holdings (CIS) B.V.

14 April 2014

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2013**

	Notes	2013	2012
Assets			
Cash and cash equivalents	7	2,728	4,902
Investment securities	8	12,915	6,463
Amounts due from credit institutions	9	41,909	35,435
Insurance receivables	10	3,090	2,300
Deferred expenses	15	457	585
Reinsurance assets	13	13,139	8,881
Property, equipment and intangible assets	11	1,334	858
Deferred income tax assets	16	260	-
Other assets	12	1,468	953
Total assets		77,300	60,377
Liabilities			
Insurance contract liabilities	13	25,166	18,459
Insurance payables	14	1,914	693
Deferred revenue	15	517	436
Current income tax liabilities	16	752	-
Deferred income tax liabilities	16	-	210
Other liabilities	12	1,166	634
Total liabilities		29,515	20,432
Equity			
Share capital	18	40,000	35,500
Retained earnings		7,757	4,441
Net unrealized gains on investment securities available-for-sale		28	4
Total equity		47,785	39,945
Total liabilities and equity		77,300	60,377

Signed and authorized for release on behalf of the Management Board of the Company:

 Ulviyya Jabbarova Chairman of the Management Board, Chief Executive Officer		 Vugar Hacıyev Member of the Management Board, Chief Financial Officer
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14 April 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2013**

	Notes	2013	2012 As reclassified
Gross written premiums		53,375	46,425
Premiums ceded to reinsurers		(16,040)	(11,922)
Net written premiums		37,335	34,503
Change in provision for unearned premiums, net of reinsurance		(1,713)	(5,151)
Premiums earned, net of reinsurance		35,622	29,352
Claims incurred, net of reinsurance		(27,913)	(22,662)
Fees and commission income, net	21	218	223
Subrogation income		94	45
Insurance activity results	20	8,021	6,958
Personnel expenses	22	(3,257)	(2,764)
General and administrative expenses	23	(1,448)	(1,500)
Marketing and advertisement expenses	24	(626)	(1,166)
Depreciation and amortization expenses	11	(217)	(163)
Operating expenses		(5,548)	(5,593)
Investment income	25	4,998	4,243
Impairment losses	9, 10	(143)	(603)
Foreign exchanges gain / (loss), net		(14)	15
Other (expense) / income		(1)	68
Profit before income tax		7,313	5,088
Income tax expense	16	(1,322)	(1,067)
Profit for the year		5,991	4,021
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gains on investment securities available-for-sale		30	4
Tax effect of gains on investment securities available-for-sale	16	(6)	-
Net other comprehensive income to be classified to profit or loss in subsequent periods		24	4
Total comprehensive income for the year		6,015	4,025

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013**

	Notes	Share capital	Retained earnings	Net unrealized gains on investment securities available-for-sale	Total Equity
31 December 2011		30,000	4,619	-	34,619
Capitalization of retained earnings	18	3,866	(3,866)	-	-
Transfer of reserve for share capital increase	17, 18	434	-	-	434
Cash contribution for share capital increase	18	1,200	-	-	1,200
Dividends	18	-	(333)	-	(333)
Total comprehensive income for the year		-	4,021	4	4,025
31 December 2012		35,500	4,441	4	39,945
Cash contribution for share capital increase	18	4,500	-	-	4,500
Dividends	18	-	(2,675)	-	(2,675)
Total comprehensive income for the year		-	5,991	24	6,015
31 December 2013		40,000	7,757	28	47,785

**STATEMENT OF CASH FLOWS
for the year ended 31 December 2013**

	Notes	2013	2012
Cash flows from operating activities			
Insurance premiums received		44,235	38,513
Reinsurance premiums paid		(6,190)	(5,601)
Claims paid		(28,320)	(22,823)
Claims received, reinsurers' share of claims paid		219	461
Fees and commissions paid		(142)	(114)
Fees and commissions received		381	334
Marketing and advertisement expenses paid		(599)	(1,229)
Personnel expenses paid		(2,914)	(2,508)
General and administrative expenses paid		(1,305)	(1,620)
Subrogation income received		94	45
Net realized losses from dealing in foreign currencies		(9)	(2)
Net cash flows from operating activities before income tax		5,450	5,456
Income tax paid		(230)	(440)
Net cash from operating activities		5,220	5,016
Cash flows from investing activities			
Interest income received		4,465	4,165
Purchase of investment securities		(7,686)	(6,575)
Amounts placed at credit institutions		(31,100)	(25,200)
Amounts repaid by credit institutions		24,370	26,800
Proceeds from sale and redemption of investment securities		1,335	-
Purchase of property, equipment and intangible assets		(631)	(476)
Proceeds from sale of property, equipment and intangible assets	11	28	84
Net cash used in investing activities		(9,219)	(1,202)
Cash flows from financing activities			
Proceeds from share capital contribution	18	4,500	1,200
Dividends paid	18	(2,675)	(333)
Short-term financing repaid to shareholder	26	-	(500)
Net cash from financing activities		1,825	367
Cash and cash equivalents classified as part of amounts due from credit institutions		-	(517)
Net (decrease) / increase in cash and cash equivalents		(2,174)	3,664
Cash and cash equivalents, beginning	7	4,902	1,238
Cash and cash equivalents, ending	7	2,728	4,902

Non-cash transactions performed by the Company comprise the following:

	Notes	2013	2012
Gross written premiums and premiums ceded to reinsurers on fronting contracts	20	8,420	5,791
Capitalization of retained earnings	18	-	3,866
Withholding tax on interest income		493	430