

**CLOSED JOINT STOCK INSURER
„BELNEFTESTRAKH”**

**Summary Financial Statements Prepared
from the Audited Financial Statements
for the year ended 31 December 2013**

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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 2013, the statement of profit and loss and other 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 2013, 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 11 August 2014. Emphasis of Matter drew attention to the fact that in 2013 and 2012 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 2013, 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 2013 are consistent, in all material respects, with those financial statements on the basis described in Note 1.

Edgars Volskis
Deputy director
KPMG, Limited Liability Company
11 August 2014

Statement of Profit and loss and other comprehensive income for the year ended 31 December 2013

All amounts are in millions of BYR

	Notes	2013	2012 (restated)
Earned premiums			
Written premiums			
Gross written premiums	5	370 400	345 785
Reinsurers' share in written premiums	5	(15 791)	(22 602)
<i>Net written premiums</i>	5	<u>354 609</u>	<u>323 183</u>
Change in unearned premium and unexpired risk technical reserves			
Gross change	7	(26 591)	9 841
Reinsurers' share	7	(3 895)	(5 039)
<i>Change in net unearned premium and unexpired risk technical reserves</i>	7	<u>(30 486)</u>	<u>4 802</u>
Net earned premiums	6	<u>324 123</u>	<u>327 985</u>
Incurred claims, net			
Paid claims, net			
Gross claims paid	8	(146 424)	(126 508)
<i>Paid claims</i>		(151 920)	(132 971)
<i>Loss adjustment expenses</i>		(4 408)	(3 006)
<i>Recovered losses</i>		9 904	9 469
Reinsurers' share of claims	8	3 216	4 125
<i>Reinsurers' share in paid claims</i>	18	4 099	4 204
<i>Reinsurers' share in recovered losses</i>	18	(883)	(79)
<i>Net paid claims</i>	8	<u>(143 208)</u>	<u>(122 383)</u>
Change in outstanding claim technical reserve			
Gross change	9	(45 289)	(21 015)
Reinsurers' share	9	6 293	6 568
<i>Change in net outstanding claim technical reserve</i>	9	<u>(38 996)</u>	<u>(14 447)</u>
Net incurred claims	10	<u>(182 204)</u>	<u>(136 830)</u>
Operating expenses/ income			
Client acquisition costs	11	(28 562)	(25 630)
Change in deferred client acquisition costs	12	1 149	658
Administrative expenses	13	(92 068)	(74 967)
Reinsurance commission income	18	355	1 948
Net operating expenses		<u>(119 126)</u>	<u>(97 991)</u>
Other technical income / (expenses), net	14	<u>(10 434)</u>	<u>537</u>

Statement of comprehensive income for the year ended 31 December 2013

(continued)

All amounts are in millions of BYR

	Notes	2013	2012 (restated)
Investments income, net	15	11 741	10 591
Impairment loss		(237)	(2 222)
Other (expenses) / income, net	16	6 328	(3 000)
Profit before tax		30 191	99 070
Income tax expense	17	(2 689)	(10 725)
Profit before loss on net monetary position		27 502	88 345
Loss on net monetary position due to inflation effect		(28 738)	(36 433)
Net profit for the year		(1 236)	51 912
Other comprehensive income		.	-
Total comprehensive income for the year		(1 236)	51 912

The accompanying note on page 11 forms an integral part of these financial statements.



Elena Lapitskaya
Acting as General Director

11 August 2014

Statement of financial position as at 31 December 2013

All amounts are in millions of BYR

	Notes	31 December 2013	31 December 2012(restated)
Assets			
Property and equipment	19	102 558	79 031
Investment property	20	551	649
Intangible assets	21	256	316
Financial investments			
Deposits with banks	22	178 247	153 624
Available-for-sale financial assets		-	3 432
Total financial investments		178 247	157 056
Loans and receivables			
Loans issued		70	83
Receivables from direct insurance activities	23	66 038	62 547
Receivables from reinsurance activities		71	567
Other receivables	24	10 863	7 444
Total loans and receivables		77 042	70 641
Accrued income and deferred expenses			
Deferred client acquisition costs	12	7 844	6 695
Other accrued income and deferred expenses		282	270
Total accrued income and deferred expenses		8 126	6 965
Reinsurance contract assets			
Reinsurers' share in unearned premiums technical reserve	7	3 500	7 395
Reinsurers' share in outstanding claim technical reserve	9	13 600	8 513
Total assets from reinsurance contracts		17 100	15 908
Deferred tax assets	17	10 783	369
Cash and cash equivalents	25	9 623	8 043
Total assets		404 286	338 978

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of financial position as at 31 December 2013

All amounts are in millions of BYR

Equity and liabilities	Notes	31 December 2013	31 December 2012(restated)
Equity			
Share capital	26	138 817	104 111
Retained earnings		(46 151)	(7 718)
Total equity		<u>92 666</u>	<u>96 393</u>
Liabilities			
Technical reserves			
Technical reserves for unearned premiums and unexpired risks	7	163 846	137 770
Outstanding claim technical reserve	9	115 161	81 400
Total technical reserves		<u>279 007</u>	<u>219 170</u>
Creditors			
Direct insurance creditors			
Accrued commissions		5 341	3 497
Insurance prepayments		2 271	2 746
Total direct insurance creditors		<u>7 612</u>	<u>6 243</u>
Reinsurance creditors		2 773	8 245
Current income taxes liabilities		7 046	1 528
Other creditors	27	13 046	6 164
Total creditors		<u>22 865</u>	<u>15 937</u>
Provision for unused vacations		2 136	1 235
Total liabilities		<u>311 620</u>	<u>242 585</u>
Total equity and liabilities		<u>404 286</u>	<u>338 978</u>

Statement of cash flows for the year ended 31 December 2013

All amounts are in millions of BYR

	Notes	2013	2012 (restated)
Cash flow from insurance activities			
(Loss)/Profit after income taxes		(1 236)	51 912
Adjustments for:			
Loss on net monetary position due to inflation effect		28 738	36 433
Increase in allowance for impairment of other receivables	24	237	479
Increase in allowance for impairment of insurance debtors	23	11 421	9 306
Net foreign exchange gain	16	(16 550)	(7 359)
Depreciation of property and equipment and investment property		4 280	3 657
Intangible assets amortisation	21	156	102
Proceeds from sale of property, plant and equipment	16	(67)	-
Proceeds from sale of assets available-for-sale	15	(1 595)	-
Interest income	15	(10 082)	(10 137)
Increase in provision for unused vacations		1 076	172
Written-off reinsurance creditors	14	(987)	(9 843)
Increase in allowance for impairment of IAFS		-	1 743
Income tax	17	2 689	10 725
Cash flows from operating activities before changes in operating assets and liabilities		18 080	87 190
<i>(Increase) / decrease in operating assets:</i>			
Increase in receivables from direct insurance activities		(32 226)	(37 533)
(Increase)/ Decrease in receivables from reinsurance activities		923	(404)
Increase in other receivables		(8 200)	(3 148)
Decrease in reinsurers' share in unearned premiums reserve		3 895	5 039
Increase reinsurers' share in outstanding claim technical reserves		(6 293)	(6 568)
Increase in accrued income and deferred expenses		(3 348)	(751)
<i>Increase/ (decrease) in operating liabilities:</i>			
(Decrease) / increase in technical reserves for unearned premiums and unexpired risks		26 591	(9 841)
Increase in outstanding claim technical reserve		45 289	21 015
(Decrease)/Increase in reinsurance creditors		(3 413)	3 596
Increase in direct insurance creditors		1 704	2 813
Decrease in insurance prepayments		(86)	-
Increase in other creditors		15 185	1 932
Net cash inflow from insurance activities before income tax paid		58 101	63 340
Income tax paid		(6 454)	(7 117)
Total cash flow from insurance activities		51 647	56 223
Cash flow from investing activities			
Interest income received		10 091	10 146
Repayment of loans issued		-	17
Net withdrawals / (placement) of deposits with banks		(51 419)	(51 648)
Purchase of property and equipment and investment property	19	(27 776)	(16 097)
Purchase of intangible assets	21	(96)	(212)
Proceeds from disposal of assets available-for-sale		4 245	-
Proceeds from disposal of property and equipment and intangible assets		133	43
Total cash flow from investing activities		(64 822)	(57 751)

CLOSED JOINT STOCK INSURER „BELNEFTESTRAKH”
SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of cash flows for the year ended 31 December 2013

	Notes	2013	(continued) 2012 (restated)
Cash flow from financing activities			
Dividends paid		(2 168)	(2 005)
Reserve fund reinstatement		419	-
National development fund		(741)	-
Treasury shares		-	(70)
Total cash flow from financing activities		(2 490)	(2 075)
Cash and cash equivalent net increase/ (decrease)			
Cash and cash equivalent at the beginning of the year		8 043	26 457
Effect of inflation on cash and cash equivalents		16 987	(14 837)
Effect of exchange rate fluctuations on cash held		258	26
Cash and cash equivalent at the end of the year	25	9 623	8 043

Statement of changes in equity for the year ended 31 December 2013

All amounts are in millions of BYR

	Notes	Share capital	Retained earnings	Total equity
Balance at 31 December 2011 (restated)		74 927	(28 371)	46 556
Profit for the year		-	51 912	51 912
Total comprehensive income for the year		-	51 912	51 912
Transactions with owner, recorded directly in equity				
Increase in share capital due to profit reallocation		29 254	(29 254)	-
Dividends for 2011		-	(1 517)	(1 517)
Other payments to shareholders		-	(488)	(488)
Treasury shares		(70)	0	(70)
Balance at 31 December 2012(restated)	26	104 111	(7 718)	96 393
Loss for the year		-	(1 236)	(1 236)
Total comprehensive income for the year		-	(1 236)	(1 236)
Transactions with owner, recorded directly in equity				
Increase in share capital due to profit reallocation	26	34 706	(34 706)	-
Dividends for 2012		-	(1 560)	(1 560)
Other payments to shareholders		-	(608)	(608)
Reserve fund reinstatement		-	419	419
National development fund		-	(742)	(742)
Balance at 31 December 2013	26	138 817	(46 151)	92 666

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 2013, the statement of profit and loss and other 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 “Belneftestrahk” for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards.

Full set of audited financial statements and audit opinion are available from Closed joint stock insurer “Belneftestrahk”, 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.