

**UZBEKINVEST NATIONAL  
EXPORT-IMPORT INSURANCE  
COMPANY**

**Consolidated Financial Statements and  
Independent Auditors' Report**  
For the Year Ended 31 December 2014

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

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# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Uzbekinvest national export-import insurance company ("the Company") and its subsidiaries ("the Group") as at 31 December 2014 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

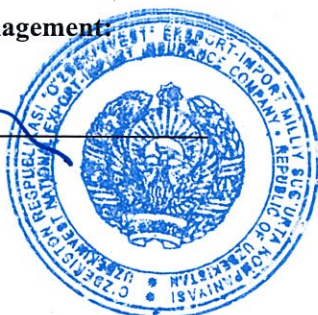
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with the requirements of legislation and accounting standards the Republic of Uzbekistan and Great Britain;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by management on 30 June 2015.

On behalf of the Management:

  
Saidakhmedov F.A.  
General Director

30 June 2015  
Tashkent, Uzbekistan



  
Javliev A.I.  
Chief Accountant

30 June 2015  
Tashkent, Uzbekistan

## INDEPENDENT AUDITORS' REPORT

To: Founders and Council of Uzbekinvest national export-import insurance company

We have audited the accompanying consolidated financial statements of Uzbekinvest national export-import insurance company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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



## **Basis for Qualified Opinion**

We were unable to satisfy ourselves concerning the provision for insurance losses as at 31 December 2013 and 1 January 2013. Since provision for insurance losses enters into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows for the years ended 31 December 2014 and 2013.

## **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## **Emphasis of Matter**

We draw attention to Note 4 to the consolidated financial statements which describe the restatement of corresponding figures for the year ended 31 December 2013. Our opinion is not qualified in that respect.

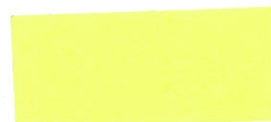
## **Other Matters**

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on 26 May 2014.

As part of our audit of the 2014 consolidated financial statements, we also audited adjustments described in Note 4 that were applied to amend the 2013 corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 consolidated financial statements taken as a whole.

*Deloitte & Touche*

30 June 2015  
Tashkent, Uzbekistan



# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

(in thousands of Uzbek Soums)

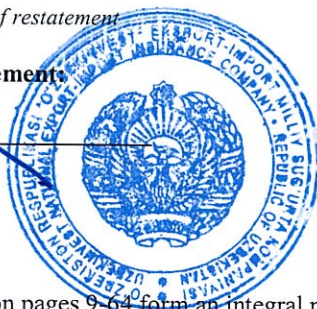
|   | Notes | 31 December<br>2014 | 31 December<br>2013<br>(restated)* | 1 January<br>2013<br>(restated)* |
|---|-------|---------------------|------------------------------------|----------------------------------|
| <b>ASSETS:</b>  |       |                     |                                    |                                  |
| Cash and cash equivalents                                     | 5     | 8,620,575           | 12,106,659                         | 4,947,228                        |
| Deposits in banks   | 6     | 97,671,763          | 82,617,714                         | 74,020,464                       |
| Financial assets at fair value<br>through profit or loss      | 7     | 120,928,326         | 104,873,472                        | 92,906,510                       |
| Investments available for sale                                | 8     | 28,901,946          | 25,576,124                         | 21,353,771                       |
| Investments in associates                                     |       | 604,787             | 526,700                            | 223,785                          |
| Reinsurer's share in provision for<br>unearned premiums       | 14    | 8,639,519           | 9,245,917                          | 9,809,689                        |
| Reinsurer's share in provision for<br>insurance losses        | 15    | 3,329,323           | 1,859,007                          | 16,710,685                       |
| Loans and receivables   | 9     | 3,531,972           | 3,565,305                          | 2,432,932                        |
| Insurance and reinsurance receivable                          | 10    | 1,866,297           | 1,916,015                          | 5,695,198                        |
| Property and equipment  | 11    | 14,642,316          | 15,605,203                         | 16,667,784                       |
| Intangible assets   | 11    | 33,330              | 43,801                             | 31,538                           |
| Deferred tax assets   | 22    | -                   | -                                  | 227,160                          |
| Deferred acquisition costs                                    |       | 5,838,179           | 3,081,240                          | 1,341,839                        |
| Other assets  | 12    | 7,547,998           | 6,531,204                          | 3,304,941                        |
| <b>TOTAL ASSETS</b>   |       | <b>302,156,331</b>  | <b>267,548,361</b>                 | <b>249,673,524</b>               |
| <b>LIABILITIES AND EQUITY</b>                                 |       |                     |                                    |                                  |
| Insurance and reinsurance payable                             | 13    | 7,080,346           | 3,753,163                          | 599,399                          |
| Deferred commission income                                    |       | -                   | -                                  | 124,627                          |
| Provision for unearned premiums                               | 14    | 21,648,192          | 23,073,647                         | 14,963,710                       |
| Provision for insurance losses                                | 15    | 25,213,764          | 19,465,254                         | 41,189,006                       |
| Deferred tax liabilities                                      | 22    | 2,098,417           | 1,337,788                          | -                                |
| Other liabilities   | 16    | 2,629,321           | 2,101,496                          | 6,832,476                        |
| <b>TOTAL LIABILITIES</b>                                      |       | <b>58,670,040</b>   | <b>49,731,348</b>                  | <b>63,709,218</b>                |
| Charter capital   | 17    | 19,257,325          | 19,257,325                         | 19,257,325                       |
| Reserve for investment purposes                               | 17    | 15,454,598          | 15,454,598                         | 15,454,598                       |
| Special insurance reserve                                     | 17    | 4,926,898           | 4,926,898                          | 4,926,898                        |
| Translation reserve   | 17    | 119,989,928         | 108,942,498                        | 98,087,407                       |
| Stabilization reserve   | 17    | 1,896,076           | 1,628,827                          | 4,922,546                        |
| Retained earnings   |       | 80,461,975          | 66,222,957                         | 42,039,225                       |
| <b>Total equity attributable to owners of<br/>the Company</b> |       | <b>241,986,800</b>  | <b>216,433,103</b>                 | <b>184,687,999</b>               |
| Non-controlling interest                                      |       | 1,499,491           | 1,383,910                          | 1,276,307                        |
| <b>TOTAL EQUITY</b>   |       | <b>243,486,291</b>  | <b>217,817,013</b>                 | <b>185,964,306</b>               |
| <b>TOTAL LIABILITIES AND EQUITY</b>                           |       | <b>302,156,331</b>  | <b>267,548,361</b>                 | <b>249,673,524</b>               |

\*See Note 4 for description of restatement

On behalf of the Management:

Saidakhmedov F.A.  
General Director

30 June 2015  
Tashkent, Uzbekistan



Javliev A.I  
Chief Accountant

30 June 2015  
Tashkent, Uzbekistan

The notes on pages 9-64 form an integral part of these consolidated financial statements.



# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Uzbek Soums)

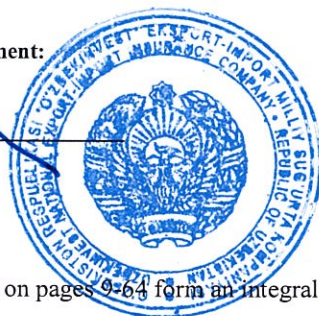
|   | Notes | Year ended 31<br>December 2014 | Year ended 31<br>December 2013<br>(restated)* |
|---|-------|--------------------------------|---|
| <b>INSURANCE:</b>   |       |                                |   |
| Written insurance premiums  | 18    | 67,306,433                     | 49,991,466                                    |
| Reinsurance premiums ceded  | 18    | (23,213,394)                   | (17,450,894)                                  |
| Written premiums, net of reinsurance  |       | 44,093,039                     | 32,540,572                                    |
| Change in provision for unearned premiums,<br>net of reinsurance                | 14,18 | 1,274,386                      | (7,109,944)                                   |
| Earned insurance premiums, net  |       | 45,367,425                     | 25,430,628                                    |
| Claims paid, gross  | 19    | (23,317,558)                   | (33,903,440)                                  |
| Claims on reinsured risks   | 19    | 1,516,401                      | 17,324,365                                    |
| Change in provision for insurance losses,<br>net of reinsurance                 | 15,19 | (3,985,220)                    | 6,872,075                                     |
| Net amount of claims incurred   |       | (25,786,377)                   | (9,707,000)                                   |
| Commission income   |       | 2,802,275                      | 559,835                                       |
| Acquisition costs   |       | (9,086,912)                    | (7,022,988)                                   |
| Change in deferred acquisition costs  |       | 2,756,939                      | 1,739,401                                     |
| Results of insurance activity   |       | 16,053,350                     | 10,999,876                                    |
| <b>INVESTMENTS:</b>   |       |                                |   |
| Investment income from financial assets at fair<br>value through profit or loss | 20    | 1,464,075                      | 474,310                                       |
| Interest income from loans and deposits in banks                                |       | 4,842,659                      | 4,310,095                                     |
| Dividend received   |       | 3,954,207                      | 3,746,027                                     |
| Income from share of profit in associates                                       |       | 78,087                         | 280,964                                       |
| Other (expenses)/income from investing activities                               |       | (4,366)                        | 1,056,942                                     |
| Results of investing activity   |       | 10,334,662                     | 9,868,338                                     |
| <b>OTHER:</b>   |       |                                |   |
| Net gain on foreign exchange operations   |       | 7,413,458                      | 12,967,154                                    |
| Administrative and operating expenses   | 21    | (18,388,535)                   | (10,942,380)                                  |
| Other income  |       | 693,346                        | 336,327                                       |
| Results of other activity   |       | (10,281,731)                   | 2,361,101                                     |
| PROFIT BEFORE INCOME TAX  |       | 16,106,281                     | 23,229,315                                    |
| Income tax expense  | 22    | (1,190,191)                    | (1,961,038)                                   |
| NET PROFIT FOR THE YEAR   |       | 14,916,090                     | 21,268,277                                    |
| <b>Attributable to:</b>   |       |                                |   |
| Owners of the Company   |       | 14,800,509                     | 21,160,674                                    |
| Non-controlling interest  |       | 115,581                        | 107,603                                       |
|   |       | <b>14,916,090</b>              | <b>21,268,277</b>                             |

\*See Note 4 for description of restatement

On behalf of the Management:

Saidakhmedov F.A.  
General Director

30 June 2015  
Tashkent, Uzbekistan



Javliev A.I.  
Chief Accountant

30 June 2015  
Tashkent, Uzbekistan

The notes on pages 9-64 form an integral part of these consolidated financial statements.

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

*(in thousands of Uzbek Soums)*

|   | Year ended 31<br>December 2014 | Year ended 31<br>December 2013<br>(restated) |
|---|--------------------------------|--|
| <b>NET PROFIT FOR THE YEAR</b>  | <u>14,916,090</u>              | <u>21,268,277</u>                            |
| <b>OTHER COMPREHENSIVE INCOME</b>                                     |                                |  |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |                                |  |
| Exchange differences on translating foreign operations                | <u>11,047,430</u>              | <u>10,855,091</u>                            |
| <b>OTHER COMPREHENSIVE INCOME</b>                                     | <u>11,047,430</u>              | <u>10,855,091</u>                            |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                     | <u>25,963,520</u>              | <u>32,123,368</u>                            |
| <b>Attributable to:</b>   |                                |  |
| Owners of the Company   | 25,847,939                     | 32,015,765                                   |
| Non-controlling interest  | <u>115,581</u>                 | <u>107,603</u>                               |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                     | <u>25,963,520</u>              | <u>32,123,368</u>                            |

On behalf of the Management:

Saidakhmedov F.A.  
General Director

30 June 2015  
Tashkent, Uzbekistan



Javliev A.I.  
Chief Accountant

30 June 2015  
Tashkent, Uzbekistan

The notes on pages 9-64 form an integral part of these consolidated financial statements.



**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

*(in thousands of Uzbek Soums)*

|   | Share capital | Reserve for investment purpose | Special insurance reserve | Translation reserve | Stabilization reserve | Retained earnings | Total equity attributable to owners of the Company | Non-controlling interest | TOTAL       |
|---|---------------|--------------------------------|---------------------------|---------------------|-----------------------|-------------------|--|--------------------------|-------------|
| <b>1 January 2013</b>                   | 19,257,325    | 15,454,598                     | 4,954,740                 | 107,318,063         | 4,922,546             | 33,777,110        | 185,684,382  | 1,247,883                | 186,932,265 |
| The effect of restatement               | -             | -                              | (27,842)                  | (9,230,656)         | -                     | 8,262,115         | (996,383)  | 28,424                   | (967,959)   |
| <b>1 January 2013 (as restated)*</b>    | 19,257,325    | 15,454,598                     | 4,926,898                 | 98,087,407          | 4,922,546             | 42,039,225        | 184,687,999  | 1,276,307                | 185,964,306 |
| Total comprehensive income for the year | -             | -                              | -                         | 10,855,091          | -                     | 21,160,674        | 32,015,765   | 107,603                  | 32,123,368  |
| Transfer from stabilization reserve     | -             | -                              | -                         | -                   | (3,293,719)           | 3,293,719         | -  | -                        | -           |
| Dividends declared                      | -             | -                              | -                         | -                   | -                     | (270,661)         | (270,661)  | -                        | (270,661)   |
| <b>31 December 2013 (as restated)*</b>  | 19,257,325    | 15,454,598                     | 4,926,898                 | 108,942,498         | 1,628,827             | 66,222,957        | 216,433,103  | 1,383,910                | 217,817,013 |
| Total comprehensive income for the year | -             | -                              | -                         | 11,047,430          | -                     | 14,800,509        | 25,847,939   | 115,581                  | 25,963,520  |
| Transfer to stabilization reserve       | -             | -                              | -                         | -                   | 267,249               | (267,249)         | -  | -                        | -           |
| Dividends declared                      | -             | -                              | -                         | -                   | -                     | (294,242)         | (294,242)  | -                        | (294,242)   |
| <b>31 December 2014</b>                 | 19,257,325    | 15,454,598                     | 4,926,898                 | 119,989,928         | 1,896,076             | 80,461,975        | 241,986,800  | 1,499,491                | 243,486,291 |

\*See Note 4 for description of restatement

**On behalf of the Management:**

*Saidakhmedov F.A.*

**Saidakhmedov F.A.  
General Director**

30 June 2015  
Tashkent, Uzbekistan



*Javliev A.I.*

**Javliev A.I.  
Chief Accountant**

30 June 2015  
Tashkent, Uzbekistan

These financial statements are an integral part of these consolidated financial statements.

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of Uzbek Soums)

|  | Note | Year ended 31<br>December<br>2014 | Year ended 31<br>December<br>2013<br>(restated)* |
|--|------|-----------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |      |                                   |  |
| Premiums received  |      | 67,219,766                        | 57,064,368                                       |
| Reinsurance premiums paid  |      | (20,917,568)                      | (11,822,165)                                     |
| Claims paid  |      | (22,250,142)                      | (33,903,440)                                     |
| Claims received on reinsured risks   |      | 1,595,575                         | 18,943,563                                       |
| Commission revenue received  |      | 2,802,275                         | 559,835  |
| Acquisition cost   |      | (9,065,760)                       | (3,223,733)                                      |
| Administrative and operating expenses paid   |      | (16,464,381)                      | (12,498,579)                                     |
| Interest received  |      | 7,076,199                         | 6,681,081  |
| Income tax paid  |      | (633,394)                         | (108,268)  |
| Other revenue received   |      | 688,980                           | 471,193  |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |      | <b>10,051,550</b>                 | <b>22,163,855</b>                                |
| <i>Changes in operating assets and liabilities</i>   |      |                                   |  |
| Increase in other assets   |      | (1,088,317)                       | (3,613,390)                                      |
| Increase/(decrease) in other liabilities   |      | 537,528                           | (4,740,684)                                      |
| <b>Net cash inflow from operating activities</b>   |      | <b>9,500,761</b>                  | <b>13,809,781</b>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |      |                                   |  |
| Net proceeds from/(investment in) loans and receivables  |      | 33,333                            | (1,132,373)                                      |
| Net investment in deposits in banks  |      | (7,450,338)                       | (8,597,250)                                      |
| Net investment in/(proceeds from) financial assets at fair value through profit or loss        |      | (5,501,821)                       | 4,044,976  |
| Purchase of property and equipment and intangible assets                                       |      | (959,645)                         | (682,118)  |
| Purchase of investments available for sale   |      | (273,732)                         | (2,581,129)                                      |
| Proceeds from redemption or sale of investments available for sale                             |      | 250,000                           | -  |
| Proceeds from sale of property and equipment   |      | 8,849                             | 1,399  |
| Dividend income received   |      | 652,117                           | 507,636  |
| <b>Net cash used in investing activities</b>   |      | <b>(13,241,237)</b>               | <b>(8,438,859)</b>                               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |      |                                   |  |
| Dividends paid   |      | (294,242)                         | (270,661)  |
| <b>Net cash used in financing activities</b>   |      | <b>(294,242)</b>                  | <b>(270,661)</b>                                 |
| Effect of changes in foreign exchange rate on cash and cash equivalents                        |      | 548,634                           | 2,059,170  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                                    |      | <b>(3,486,084)</b>                | <b>7,159,431</b>                                 |
| <b>CASH AND CASH EQUIVALENTS, beginning of the year</b>  | 5    | <b>12,106,659</b>                 | <b>4,947,228</b>                                 |
| <b>CASH AND CASH EQUIVALENTS, end of the year</b>  | 5    | <b>8,620,575</b>                  | <b>12,106,659</b>                                |

### Non-cash transactions:

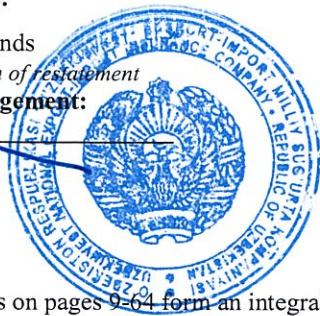
|                             |  |           |           |
|-----------------------------|--|-----------|-----------|
| Capitalization of dividends |  | 3,302,090 | 1,619,193 |
|-----------------------------|--|-----------|-----------|

\*See Note 4 for description of restatement

On behalf of the Management:

Saidakhmedov F.A.  
General Director

30 June 2015  
Tashkent, Uzbekistan



Javliev A.I.  
Chief Accountant

30 June 2015  
Tashkent, Uzbekistan

The notes on pages 9-64 form an integral part of these consolidated financial statements.

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Uzbek Soums, unless otherwise indicated)

### 1. ORGANIZATION

Uzbekinvest national export-import insurance company (hereinafter – “the Company”) is a legal entity of the Republic of Uzbekistan and incorporated by the resolution of the Cabinet of Ministers on 13 April 1994 as National Insurance Company Uzbekinvest and started its operations on 1 June 1994. Pursuant to the decree of the President of the Republic of Uzbekistan dated 18 February 1997, National Insurance Company Uzbekinvest was reorganised into Uzbekinvest National Export-Import Insurance Company, including an increase of its charter capital and expansion of the scope of its activities. The Company provides protection for national exporters of the Republic of Uzbekistan against political, commercial and business risks and assists in international market development. The Company underwrites property, causality, construction, life and other types of insurance. The Company operates under insurance license issued by the Ministry of Finance of the Republic of Uzbekistan #00144 dated 29 June 2010.

The Company’s legal address is 2 Abdulla Qodiriy, Tashkent, the Republic of Uzbekistan.

The Company is owned by the Ministry of Finance of the Republic of Uzbekistan (hereinafter- “MoF”) and by the National bank for foreign economic activity of the Republic of Uzbekistan (hereinafter – “NBU”) with ownership shares of 83.33% and 16.67%, respectively. The Group’s ultimate parent is the Government of the Republic of Uzbekistan.

As at 31 December 2014 and 2013, the number of employees of the Group was 226 and 220, respectively.

As at 31 December 2014, the Group has 14 (2013:14) branches in the Republic of Uzbekistan.

The Company is a parent company of an insurance group (“the Group”) which consists of the following enterprises consolidated in these financial statements:

| Name  | Country of operation | The Company ownership interest/voting rights, % |      | Type of operation        |
|---|----------------------|---|------|--------------------------|
|   |                      | 2014  | 2013 |                          |
| Uzbekinvest International Insurance Company Limited | Great Britain        | 100   | 100  | Political risk insurance |
| Uzbekinvest Sarmoyalari                             | Uzbekistan           | 100   | 100  | Investment               |
| Uzbekinvest Hayot                                   | Uzbekistan           | 80  | 80   | Life insurance           |
| Uzbekinvest Assistance                              | Uzbekistan           | 100   | 100  | Insurance Assistance     |

Uzbekinvest International Insurance Company Limited (hereinafter – “UIIC”) was registered in November 1994 in Great Britain with charter capital of USD 100,000 thousand. In December 1995, UIIC has received authorization of UK Ministry for Trade and Industry to carry on insurance business in Great Britain, and it offers political risks coverage for international investors in the economy of the Republic of Uzbekistan. In 2007, shareholders agreed to reduce charter capital of UIIC from USD 100,000 thousand to USD 50,00 thousand. In 2009, both shareholders of UIIC, Uzbekinvest national export-import insurance company (80% share) and American International Underwriters Overseas Ltd (20% shares), reduced their investments by USD 20,000 thousand each. As a result, Uzbekinvest national export-import insurance company became the sole owner of UIIC. In 2010, Uzbekinvest national export-import insurance company further reduced its share in charter capital of UIIC by USD 10,000 thousand, thus decreasing total amount of charter capital from USD 60,000 thousand to USD 50,000 thousand.



# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Republic of Uzbekistan and Great Britain both in corporate and retail segments. The Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio.

These consolidated financial statements are presented in thousands of Uzbek Soums (“UZS”), unless otherwise indicated. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented (see Note 26).

#### Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary of the economic environment in which the Group operates (“the functional currency”). The functional currency of the Group is UZS. The presentational currency of the consolidated financial statements of the Group is also UZS. All values are rounded to the nearest thousand UZS, except when otherwise indicated.

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY .

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

### **Interest income and expense**

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### **Dividend income**

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

### **Insurance operations**

The accounting policy applied to insurance operations is determined in accordance with IFRS 4 "Insurance Contracts". The development and adoption of this standard includes two phases:

During the first phase, this standard prescribes the requirements to the presentation of insurance contracts in the financial statements by the insurer until the International Accounting Standards Board (IASB) completes the second phase of its project with regard to insurance contracts.

In particular, during the first phase an entity may continue to use local accounting policies with regard to insurance operations in the financial statements prepared in accordance with IFRS if the principles of adequacy of insurance reserves and information disclosure set up by the IFRS are complied with.

The second phase of the project the development of which is currently in process shall establish unified international accounting principles with regard to insurance contracts.

The Group's accounting policy with regard to insurance contracts described below has been determined in accordance with the first phase of IFRS 4 "Insurance Contracts", and the Group has elected to

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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continue to use the statutory accounting policies with regard to insurance operations in the financial statements prepared in accordance with IFRS.

**Insurance contracts.** Insurance contracts are those contracts under which the Group (the insurer) accepts significant insurance risk from the insured by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder and (or) its financial position. As a general guideline, the Group determines whether it has significant insurance risk by comparing potential insurance benefit with the amount payable if the insured event does not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract until it expires even if the level of insurance risk decreases significantly during this period.

**Description of insurance products.** The Group offers insurance products covering all common insurance risks. The Group's main lines of business are as follows:

- vehicle insurance, including third party liability;
- property insurance;
- personal accident insurance;
- political risk insurance;
- life insurance.

Short term insurance contracts include insurance of vehicles, property, personal accident, as well as voluntary medical insurance and short-duration life insurance contracts.

**Short term insurance contracts.** Vehicle and property insurance ensures that Group customers are paid compensation for the damage caused to their property or covers their financial interests. Customers are also indemnified for losses caused by their inability to use an insured property in their economic activities as a result of the occurrence of an insured event (business interruption).

Liability insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees or society (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Personal accident contracts protect the customers against the risk of injury or other casualties. Voluntary medical insurance was designed to provide the Group's customers with paid medical services. These services are considered as insurance only if the Group is unsure at inception of the contract on the probability, timeliness and amount of cash outflows connected with this type of insurance.

Political risk insurance protects customers' business and assets of companies investing in or doing business in Uzbekistan. The coverage provides for infrastructure investment and trade transactions against certain political risk and events in Uzbekistan towards investors and lenders. Investment covers include confiscation, expropriation and nationalization. The trade covers include long term repudiation and wrongful calling of guarantee.

**Long term insurance contracts.** Long-term life insurance contracts with fixed and guaranteed terms insure events associated with human life (for example, death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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**Insurance premiums.** Upon inception of a contract, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage.

**Provision for unearned premiums.** Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated on a "pro rata temporis" basis.

**Claims.** Claims and corresponding handling expenses are charged to the consolidated statement of profit or loss as incurred based on evaluated liability for compensation payable to policyholders or third parties, net of subrogation. Subrogation is a right to demand payment from third parties of some or all costs related to the claims settlement process.

**Deferred acquisition costs.** Acquisition costs, representing commissions, salaries and other underwriting expenses, which vary with and are incurred in connection with the acquisition or renewal of insurance policies, are deferred and amortized over the period in which the related written premiums are earned. Deferred acquisition costs ("DAC") are calculated separately for each line of business and reviewed at each accounting period to ensure they are recoverable.

**Provision for insurance losses.** Provision for insurance losses are a summary of estimates of ultimate losses, and include claims reported but not settled (RBNS), claims incurred but not reported (IBNR) and life insurance provision.

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Group during its investigation of insured events. IBNR is estimated by summing up IBNR calculated for each type of insurance in accordance with the requirements of MoF which stipulates that amount of IBNR cannot, in any event, be less than 10 per cent of the written insurance premium under general insurance agreement for the last twelve months prior reporting date.

The reinsurers' share in the provision for insurance losses is calculated in accordance with the reinsurers' share under the reinsurance contracts. The reinsurers' share in RBNS is recorded in reinsurer's share in provision for insurance losses of RBNS until full insurance payment by a reinsurer is received.

**Liability adequacy test.** The Group applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate assumptions.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is fully recognized in the consolidated statement of profit or loss.

#### **Financial instruments**

The Group recognizes financial assets and liabilities in the consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than

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financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### **Financial assets**

Financial assets are classified into the following specified categories: 'Financial assets at fair value through profit or loss' ("FVTPL"), 'Investments available-for-sale' ("AFS") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **Financial assets at fair value through profit or loss**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'investment income' line item, respectively, in the statement of comprehensive income. Fair value is determined in the manner described (see Note 25).

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also may have investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). Gains

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and losses arising from changes in fair value are recognised in comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in the other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

### **Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including deposits in banks, loans and receivables, insurance and reinsurance receivable and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.



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For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the consolidated statement of comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in the consolidated statement of comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### **Write off of loans and receivables**

Loans and receivables are written off against the allowance for impairment losses when deemed uncollectible. Loans and receivables are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

#### **Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been

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recognized in the consolidated statement of comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in the consolidated statement of comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in the consolidated statement of comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### **Financial liabilities and equity instruments issued**

#### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

#### Financial liabilities

Financial liabilities (including insurance and reinsurance payable and other financial liabilities) are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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derecognized and the consideration paid and payable is recognized in the consolidated statement of profit or loss.

#### **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had



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previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted current and deposit accounts with banks with an original maturity of less than three months.

### **Deposits in banks**

In the normal course of business, the Group maintains deposits for various periods of time with the banks. Deposits in banks are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method. Deposits in banks are carried net of any allowance for impairment losses.

### **Insurance and reinsurance receivable**

Insurance and reinsurance receivable is recognized when related income is earned and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, any insurance and reinsurance receivable is measured at amortized cost, using the effective interest rate method. The carrying value of the insurance and reinsurance receivable is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of the insurance and reinsurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of profit or loss.

Insurance and reinsurance receivable is derecognized when derecognition criteria for financial assets has been met.

### **Reinsurance**

The Group cedes insurance risks in the normal course of business. Reinsurance receivable represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the provision for unearned premiums and provision for insurance losses and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on these amounts can be measured reliably. The impairment loss is recorded in the consolidated statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risks in the normal course of business for certain non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct written business, taking into account the product classification of the reinsured business.

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Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

### **Property, equipment and intangible assets**

Property and equipment are stated at acquisition cost adjusted to the equivalent purchasing power of UZS as at 31 December 2005 for assets acquired prior to 1 January 2006, less accumulated depreciation and provision for impairment, where required.

Depreciation and amortization is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

|                                 |        |
|---------------------------------|--------|
| Buildings and other real estate | 5%     |
| Vehicles                        | 15%    |
| Computers                       | 20%    |
| Other                           | 15-20% |
| Intangible assets               | 15%    |

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

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Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The Republic of Uzbekistan also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

### **Insurance and reinsurance payable**

Payables on insurance business comprise advances received, amounts payable to insured (claims and premium refund payable) and amounts payable to agents and brokers, and advances received from insurers and reinsurers.

Payables on reinsurance business comprise net amounts payable to reinsurers. Amounts payable to reinsurers include ceded reinsurance premiums, assumed premium refunds and claims on assumed reinsurance. Insurance and reinsurance payable are accounted for at amortized cost.

### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Charter capital and dividends**

Contributions to charter capital are recognized at cost. Dividends are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

### **Foreign currencies**

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into UZS at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

|                           | 31 December<br>2014 | 31 December<br>2013 |
|---------------------------|---------------------|---------------------|
| UZS/1 US Dollar           | 2,422.40            | 2,202.2             |
| UZS/1 Euro                | 2,987.74            | 3,031.9             |
| UZS/1 Russian Ruble       | 46.55               | 67.49               |
| UZS/1 Great Britain Pound | 3,774.82            | 3,628.34            |

### Key sources of estimation uncertainty

In the application of the Group's accounting policies the Group management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Provision for insurance losses

Provision for insurance losses is a summary of estimates of ultimate losses, and includes both claims reported but not settled (RBNS) and claims incurred but not reported (IBNR).

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Group during its investigation of insured events. IBNR is estimated by the Group based on its previous history of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For lines of insurance that do not have statistical data, IBNR is calculated according to the requirements of MoF which stipulates that amount of IBNR cannot, in any event, be less than 10 per cent of the written insurance premium under general insurance agreement for the last twelve months prior reporting date.

The reinsurers' share in the provision for insurance losses is calculated in accordance with the reinsurers' share under the reinsurance contracts.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### Valuation of insurance liabilities

For insurance liabilities, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

### Investments carried at cost

Management believes that the cost of the Group's investments in equity instruments available for sale fairly represent their fair value, as such these investments are carried cost and assessed for impairment.

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

**Amendments to IFRSs affecting amounts reported in the financial statements.** In the current year, the following new and revised Standards and Interpretations have been adopted and could have affected the amounts reported in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;
- IFRIC 21 *Levies*.

**Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*.** The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

These amendments do not have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

**Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*.** The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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There is no effect of these amendments on the consolidated financial statements as the Group does not have any material financial assets and financial liabilities that qualify for offset.

**Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.** The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

**IFRIC 21 Levies.** The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements except for the change in Group's policy.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

#### **New and revised IFRSs in issue but not yet effective.**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Annual Improvements to IFRSs 2010-2012 Cycle<sup>1</sup>;
- Annual Improvements to IFRSs 2011-2013 Cycle<sup>1</sup>;
- Annual Improvements to IFRSs 2012-2014 Cycle<sup>2</sup>;
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*<sup>2</sup>;
- Amendments to IAS 27 - *Equity Method in Separate Financial Statements*<sup>2</sup>;
- Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*<sup>2</sup>;
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>2</sup>;
- IFRS 15 Revenue from Contracts with Customers<sup>3</sup>;
- IFRS 9 Financial Instruments<sup>4</sup>.
- Amendments to IAS 1 – Disclosure initiative project.<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

**IFRS 15 Revenue from Contracts with Customers.** In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

**IFRS 9 Financial Instruments.** IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

**Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.** The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The management of the Group does not anticipate that the application of these amendments will have a material impact of the Group's consolidated financial statements.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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**Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.** The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

**Amendments to IAS 27 – Equity Method in Separate Financial Statements.** The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

**Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss is recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

**Annual Improvements to IFRSs 2010-2012 Cycle.** The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

**Annual Improvements to IFRSs 2011-2013 Cycle.** The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

**Annual Improvements to IFRSs 2012-2014 Cycle.** The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures



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may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

### **Amendments to IAS 1 – Disclosure initiative project**

The amendments clarify the principles of disclosing information. The definition of materiality is expanded. It specifies the requirements of aggregation and disaggregation of data, clarifies that materiality applies to all parts of financial statements and even in those cases when the standards require specific disclosures materiality criteria do apply. The standard also provides more guidance on presenting the information in the statement of financial position and statement of comprehensive income as well as on the order of the notes in the financial statements.

## **4. RESTATEMENTS AND RECLASSIFICATIONS**

In 2014 the Group's management determined that the financial statement line items below had not been appropriately presented in the consolidated financial statements for the year ended 31 December 2013. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," these consolidated financial statements have been restated to correct a number of account balances and classes of transactions. Apart from minor restatements, there were five major causes for restatements, the descriptions of which are summarized below:

1. As at 31 December 2013 and 1 January 2013, investments available for sale were overstated by UZS 1,367,571 thousand and UZS 1,156,462 thousand, respectively, as a result of re-measurement of non-monetary assets for foreign exchange rate movements. These investments have been revised to bring them in line with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" stipulating to measure foreign currency denominated non-monetary items at their historical exchange rate. The misstatement resulted in restatement of previously reported amounts in respect of:
  - "Investments available for sale", "Retained earnings", "Net gain on foreign exchange operations" and related tax effects.
2. As at 31 December 2013, deferred acquisition costs were understated by UZS 1,225,984 thousand as portion of acquisition costs incurred by branches of the Group were recorded within administrative and operating expenses in the same period they were paid. This has also understated the "change in deferred acquisition cost" in the amount of UZS 3,285,838 thousand representing the amortization of deferred acquisition costs during the year of 2013 previously misclassified as part of administrative and operating expense. The misstatement resulted in restatement and reclassification of previously reported amounts in respect of:

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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- “Deferred acquisition costs”, “Retained earnings”, “Acquisition costs”, “Change in deferred acquisition costs”, “Administrative and operating expenses” and related tax effects.
3. As at 31 December 2013 and 1 January 2013, translation reserve arising from translation of the net investment in UIIC from its functional currency USD to Group’s presentation currency UZS was overstated by UZS 37,352,477 thousand and UZS 23,520,381 thousand, respectively, due to error in its calculation. The misstatement resulted in restatement of the previously reported amounts in respect of:
- “Translation reserve”, “Retained earnings” and “Net gain on foreign exchange operations”.
4. For the year ended 31 December 2013 the management has erroneously reduced its stabilization reserve through OCI for the total of amount of UZS 3,293,719 thousand by overstating the premiums written in the statement of profit or loss for the same amount. The accounting policy of the Group, however, stipulates that any adjustments to stabilization reserve should be done as a reclassification to or from retained earnings directly without any impact to statement of profit or loss. The misstatement resulted in restatement of the previously reported amounts in respect of:
- “Retained earnings” and “Written insurance premiums” and related tax effects.
5. Also, the management has revisited the impact of infrastructure tax, bearing the nature of income tax, on the assessment of deferred income tax. This resulted in change of the tax rates used in measurement of deferred income tax balances and had a retrospective impact on the following items:
- “Deferred income tax liability”, “Retained earnings” and “Income tax expenses”.
6. In addition to the effects of the misstatements above on the consolidated statement of cash flows, the management has also revised investments made in loans and receivables, deposits in banks and financial assets at fair value through profit or loss (except for interest income) previously misclassified as operating activities by classifying them within investing activities.

In addition, the management has sought to reclassify a portion of provision for unearned premiums to provision for insurance losses to better reflect the nature of the provisions. The reclassification in the statement of financial position has also resulted in reclassification of statement of profit or loss in part of change in provision for unearned premiums, net of reinsurance and change in provision for insurance losses, net of reinsurance.

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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The effect of adjustments made to the consolidated financial statements as at and for the year ended 31 December 2013 and opening balances as at 1 January 2013 is as follows:

31 December 2013

|   | As previously reported | Adjustment         | Reclassification | As restated and reclassified |
|---|------------------------|--------------------|------------------|------------------------------|
| <b>ASSETS:</b>  |                        |                    |                  |                              |
| Investments available for sale                            | 26,943,695             | (1,367,571)        | -                | 25,576,124                   |
| Deferred acquisition costs                                | 1,855,256              | 1,225,984          | -                | 3,081,240                    |
| Other assets  | 6,628,777              | -                  | (97,573)         | 6,531,204                    |
| <b>TOTAL ASSETS</b>                                       | <b>267,787,521</b>     | <b>(141,587)</b>   | <b>(97,573)</b>  | <b>267,548,361</b>           |
| <b>LIABILITIES AND EQUITY</b>                             |                        |                    |                  |                              |
| Deferred tax liabilities                                  | 397,707                | 1,037,654          | (97,573)         | 1,337,788                    |
| Provision for unearned premiums                           | 31,472,611             | -                  | (8,398,964)      | 23,073,647                   |
| Provision for insurance loss                              | 11,066,290             | -                  | 8,398,964        | 19,465,254                   |
| <b>TOTAL LIABILITIES</b>                                  | <b>48,791,267</b>      | <b>1,037,654</b>   | <b>(97,573)</b>  | <b>49,731,348</b>            |
| Special insurance reserve                                 | 5,399,697              | (472,799)          | -                | 4,926,898                    |
| Translation reserve                                       | 132,005,250            | (23,062,752)       | -                | 108,942,498                  |
| Retained earnings   | 43,254,997             | 22,967,960         | -                | 66,222,957                   |
| <b>Total equity attributable to owners of the Company</b> | <b>217,000,694</b>     | <b>(567,591)</b>   | <b>-</b>         | <b>216,433,103</b>           |
| Non-controlling interest                                  | 1,995,560              | (611,650)          | -                | 1,383,910                    |
| <b>TOTAL EQUITY</b>                                       | <b>218,996,254</b>     | <b>(1,179,241)</b> | <b>-</b>         | <b>217,817,013</b>           |
| <b>TOTAL LIABILITIES AND EQUITY</b>                       | <b>267,787,521</b>     | <b>(141,587)</b>   | <b>(97,573)</b>  | <b>267,548,361</b>           |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

|   | 1 January 2013            |                  |                       |                                 |
|---|---------------------------|------------------|-----------------------|---------------------------------|
|   | As previously<br>reported | Adjustment       | Reclassifi-<br>cation | As restated and<br>reclassified |
| <b>ASSETS:</b>  |                           |                  |                       |                                 |
| Investments available for sale                                | 22,510,233                | (1,156,462)      | -                     | 21,353,771                      |
| Deferred tax assets   | 38,657                    | 188,503          | -                     | 227,160                         |
| <b>TOTAL ASSETS</b>   | <b>250,641,483</b>        | <b>(967,959)</b> | <b>-</b>              | <b>249,673,524</b>              |
| <b>LIABILITIES AND EQUITY</b>                                 |                           |                  |                       |                                 |
| Provision for unearned<br>premiums                            | 20,392,753                | -                | (5,429,043)           | 14,963,710                      |
| Provision for insurance loss                                  | 35,759,963                | -                | 5,429,043             | 41,189,006                      |
| <b>TOTAL LIABILITIES</b>                                      | <b>63,709,218</b>         | <b>-</b>         | <b>-</b>              | <b>63,709,218</b>               |
| Special insurance reserve                                     | 4,954,740                 | (27,842)         | -                     | 4,926,898                       |
| Translation reserve   | 107,318,063               | (9,230,656)      | -                     | 98,087,407                      |
| Retained earnings   | 33,777,110                | 8,262,115        | -                     | 42,039,225                      |
| <b>Total equity attributable to<br/>owners of the Company</b> | <b>185,684,382</b>        | <b>(996,383)</b> | <b>-</b>              | <b>184,687,999</b>              |
| Non-controlling interest                                      | 1,247,883                 | 28,424           | -                     | 1,276,307                       |
| <b>TOTAL EQUITY</b>   | <b>186,932,265</b>        | <b>(967,959)</b> | <b>-</b>              | <b>185,964,306</b>              |
| <b>TOTAL LIABILITIES AND<br/>EQUITY</b>                       | <b>250,641,483</b>        | <b>(967,959)</b> | <b>-</b>              | <b>249,673,524</b>              |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

|   | Year ended 31 December 2013 |             |                       |                                 |
|---|-----------------------------|-------------|-----------------------|---------------------------------|
|   | As previously<br>reported   | Adjustment  | Reclassifi-<br>cation | As restated and<br>reclassified |
| <b>INSURANCE:</b>   |                             |             |                       |                                 |
| Written insurance premiums  | 53,285,185                  | (3,293,719) | -                     | 49,991,466                      |
| Written premiums, net of reinsurance  | 35,834,291                  | (3,293,719) | -                     | 32,540,572                      |
| Change in provision for unearned<br>premiums, net of reinsurance              | (10,079,865)                | -           | 2,969,921             | (7,109,944)                     |
| Earned insurance premiums, net  | 25,754,426                  | (3,293,719) | 2,969,921             | 25,430,628                      |
| Change in provision for insurance<br>losses, net of reinsurance               | 9,841,996                   | -           | (2,969,921)           | 6,872,075                       |
| Net amount of claims<br>(incurred)/returned                                   | (6,737,079)                 | -           | (2,969,921)           | (9,707,000)                     |
| Acquisition costs   | -                           | -           | (7,022,988)           | (7,022,988)                     |
| Change in deferred acquisition costs  | (3,223,733)                 | 1,225,984   | 3,737,150             | 1,739,401                       |
| Results of insurance activity   | 16,353,449                  | (2,067,735) | (3,285,838)           | 10,999,876                      |
| <b>INVESTMENTS:</b>   |                             |             |                       |                                 |
| Interest return from financial assets<br>at fair value through profit or loss | 2,149,598                   | -           | (1,675,288)           | 474,310                         |
| Net loss from financial assets at fair<br>value through profit or loss        | (753,212)                   | -           | 753,212               | -                               |
| Other (expenses)/income from<br>investing activities                          | 134,866                     | -           | 922,076               | 1,056,942                       |
| Results of investing activity   | 9,868,338                   | -           | -                     | 9,868,338                       |
| <b>OTHER:</b>   |                             |             |                       |                                 |
| Net gain on foreign exchange<br>operations                                    | 2,059,170                   | 10,907,984  | -                     | 12,967,154                      |
| Administrative and operating expenses   | (14,228,218)                | -           | 3,285,838             | (10,942,380)                    |
| Results of other activity   | (11,832,721)                | 10,907,984  | 3,285,838             | 2,361,101                       |
| PROFIT BEFORE INCOME TAX  | 14,389,066                  | 8,840,249   | -                     | 23,229,315                      |
| Income tax expense  | (734,881)                   | (1,226,157) | -                     | (1,961,038)                     |
| NET PROFIT FOR THE YEAR   | 13,654,185                  | 7,614,092   | -                     | 21,268,277                      |
| <b>Attributable to:</b>   |                             |             |                       |                                 |
| Owners of the Company   | 12,906,508                  | 8,254,166   | -                     | 21,160,674                      |
| Non-controlling interest  | 747,677                     | (640,074)   | -                     | 107,603                         |
|   | 13,654,185                  | 7,614,092   | -                     | 21,268,277                      |



**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

*(in thousands of Uzbek Soums, unless otherwise indicated)*

|   | Year ended 31 December 2013 |                    |                              |
|---|-----------------------------|--------------------|------------------------------|
|   | As previously reported      | Adjustment         | As restated and reclassified |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                             |                    |                              |
| Administrative and operating expenses paid  | (12,497,180)                | (1,399)            | (12,498,579)                 |
| Interest received   | 4,310,095                   | 2,370,986          | 6,681,081                    |
| Net realized gains from investments   | 1,396,386                   | (1,396,386)        | -                            |
| Income tax paid   | (298,517)                   | 190,249            | (108,268)                    |
| <b>Cash flow from operating activities before changes in operating assets and liabilities</b> | <b>21,000,405</b>           | <b>1,163,450</b>   | <b>22,163,855</b>            |
| <i>Changes in operating assets and liabilities</i>  |                             |                    |                              |
| Increase in deposits in banks   | (8,597,250)                 | 8,597,250          | -                            |
| (Increase)/decrease in financial assets at fair value through profit or loss                  | 4,910,569                   | (4,910,569)        | -                            |
| Decrease/(increase) in loans and receivable   | (1,132,373)                 | 1,132,373          | -                            |
| Increase in other assets  | (3,323,837)                 | (289,553)          | (3,613,390)                  |
| Increase in other liabilities   | (4,730,981)                 | (9,703)            | (4,740,684)                  |
| <b>Net cash inflow from operating activities</b>  | <b>8,126,533</b>            | <b>5,683,248</b>   | <b>13,809,781</b>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                             |                    |                              |
| Net proceeds from/(investment in) loans and receivables                                       | -                           | (1,132,373)        | (1,132,373)                  |
| Net investment in deposits in banks   | -                           | (8,597,250)        | (8,597,250)                  |
| Net investment in/(proceeds from) financial assets at fair value through profit or loss       | -                           | 4,044,976          | 4,044,976                    |
| Proceeds from sale of property and equipment  | -                           | 1,399              | 1,399                        |
| <b>Net cash used in investing activities</b>  | <b>(2,755,611)</b>          | <b>(5,683,248)</b> | <b>(8,438,859)</b>           |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

#### 5. CASH AND CASH EQUIVALENTS

|   | 31 December<br>2014 | 31 December<br>2013 |
|---|---------------------|---------------------|
| Balances with banks in foreign currencies | 6,213,382           | 9,861,351           |
| Balances with banks in UZS                | 2,407,193           | 2,245,308           |
|   | <b>8,620,575</b>    | <b>12,106,659</b>   |

#### 6. DEPOSITS IN BANKS

|   | 31 December<br>2014 | 31 December<br>2013 |
|---|---------------------|---------------------|
| Placements denominated in USD with<br>original maturities of more than three months | 83,088,320          | 75,601,464          |
| Placements denominated in UZS with<br>original maturities of more than three months | 14,733,443          | 7,166,250           |
| Less impairment provision   | (150,000)           | (150,000)           |
|   | <b>97,671,763</b>   | <b>82,617,714</b>   |

As at 31 December 2014 and 2013, accrued interest on deposits in banks comprised UZS 116,669 thousand and UZS 126,085 thousand, respectively.

As at 31 December 2014 and 2013, interest rates on long-term and short-term deposits denominated in USD were in the range of 4% and 6.4%.

As at 31 December 2014 and 2013, interest rates on long-term and short-term deposits denominated in UZS were in the range of 8% and 15%.

#### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                  | 31 December<br>2014 | 31 December<br>2013 |
|------------------|---------------------|---------------------|
| Government bonds | 30,561,327          | 32,977,944          |
| Corporate bonds  | 90,366,999          | 71,895,528          |
|                  | <b>120,928,326</b>  | <b>104,873,472</b>  |

Financial assets at fair value through profit or loss comprise foreign currency denominated investments held by UIIC. These securities are managed by Falcon Private Wealth Limited (UK) under the investment management agreement. These investments are denominated in several fully convertible currencies with fixed annual interest rate between 0.34% and 4% (2013: between 0.4% and 2.63%).

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

#### 8. INVESTMENTS AVAILABLE FOR SALE

|  | 31 December<br>2014 | 31 December<br>2013<br>(restated) |
|--|---------------------|-----------------------------------|
| JSICB Ipak Yuli Bank   | 10,294,548          | 8,381,926                         |
| JSCB Qishloq Qurilish Bank   | 3,944,580           | 3,725,268                         |
| JSCB Microcredit Bank  | 2,735,999           | 2,735,999                         |
| JSMCB Ipoteka Bank   | 2,377,837           | 1,658,164                         |
| JSC Kizilkum Cement  | 1,401,855           | 1,401,855                         |
| CJSC Azia Invest Bank  | 1,384,681           | 1,384,681                         |
| JSCB Uzpromstroybank   | 1,210,913           | 1,151,904                         |
| JSC Tashsvetmedzavod   | 612,954             | 612,954                           |
| JSCB Asaka Bank  | 576,502             | 528,250                           |
| SJSC Uzmarkazimpex   | 435,769             | 435,749                           |
| SJCS Markazsanoatexport  | 449,240             | 430,540                           |
| Baraka Leasing   | 441,396             | 425,000                           |
| SJSC Uzinterimpex  | 453,054             | 395,434                           |
| SJSC Uzprommashimpex   | 567,504             | 389,400                           |
| Kashkadarya Technologic Transporti LLC                                       | 537,934             | 316,125                           |
| JS Navoipakhtosanoat   | 170,192             | 170,192                           |
| SJCIC Kafolat  | 198,557             | 170,092                           |
| JSC Hamkorbank   | 187,475             | 164,641                           |
| OJSC Mulk sarmoya brokerlik uyi  | 148,945             | 148,945                           |
| SC Muborak neftgaz trans   | 141,540             | 141,540                           |
| IC Kishloq qurilish invest   | 141,000             | 141,000                           |
| JSC Agrobank   | 140,907             | 140,907                           |
| JSIC Alskom  | 96,938              | 76,338                            |
| Karakul Paxta Tozalash zavodi LLC  | 64,063              | 64,063                            |
| National Bank for foreign economic activity of<br>the Republic of Uzbekistan | -                   | 250,000                           |
| Other  | 187,563             | 135,157                           |
|  | <b>28,901,946</b>   | <b>25,576,124</b>                 |
| <b>Total investments available for sale</b>                                  | <b>28,901,946</b>   | <b>25,576,124</b>                 |

As at 31 December 2014 and 2013, investments available for sale are carried at cost less any impairment losses as they do not have a quoted market price in an active market and the management is of the view that their cost is a reasonable approximation of their fair value.

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

#### 9. LOANS AND RECEIVABLES

|                                    | 31 December<br>2014     | 31 December<br>2013     |
|------------------------------------|-------------------------|-------------------------|
| Corporate bonds                    | 2,800,000               | 2,800,000               |
| Corporate loans                    | 493,083                 | 493,083                 |
| Loans to employees                 | 238,889                 | 272,222                 |
| <b>Total loans and receivables</b> | <b><u>3,531,972</u></b> | <b><u>3,565,305</u></b> |

As at 31 December 2014 and 2013, 'Corporate bonds' are classified as 'Loans and receivables' as they are not traded in an active market.

#### 10. INSURANCE AND REINSURANCE RECEIVABLE

|   | 31 December<br>2014     | 31 December<br>2013     |
|---|-------------------------|-------------------------|
| Amounts due from policyholders                    | 1,247,842               | 1,226,416               |
| Amounts due from reinsurers                       | 582,936                 | 662,110                 |
| Amounts due from agents and brokers               | 35,519                  | 27,489                  |
| <b>Total insurance and reinsurance receivable</b> | <b><u>1,866,297</u></b> | <b><u>1,916,015</u></b> |

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**  
*(in thousands of Uzbek Soums, unless otherwise indicated)*

**11. PROPERTY AND EQUIPMENT**

| Cost                                 | Buildings and Land | Office equipment and computers | Construction in progress | Total Property and equipment | Intangible assets | Property and equipment and Intangible assets |
|--------------------------------------|--------------------|--------------------------------|--------------------------|------------------------------|-------------------|--|
| <b>As at 1 January 2013</b>          | 16,774,873         | 5,960,684                      | 503,017                  | 23,238,574                   | 96,698            | 23,335,272                                   |
| Additions                            | -                  | 339,185                        | 320,787                  | 659,972                      | 22,146            | 682,118                                      |
| Disposals                            | (1,413)            | (111,506)                      | -                        | (112,919)                    | (3,846)           | (116,765)                                    |
| <b>As at 31 December 2013</b>        | <u>16,773,460</u>  | <u>6,188,363</u>               | <u>823,804</u>           | <u>23,785,627</u>            | <u>114,998</u>    | <u>23,900,625</u>                            |
| Additions                            | 107,522            | 807,340                        | 41,563                   | 956,425                      | 3,220             | 959,645                                      |
| Transfer                             | 362,350            | -                              | (362,350)                | -                            | -                 | -  |
| Disposals                            | (72,770)           | (408,890)                      | -                        | (481,660)                    | -                 | (481,660)                                    |
| <b>As at 31 December 2014</b>        | <u>17,170,562</u>  | <u>6,586,813</u>               | <u>503,017</u>           | <u>24,260,392</u>            | <u>118,218</u>    | <u>24,378,610</u>                            |
| <b>Accumulated depreciation</b>      |                    |                                |                          |                              |                   |  |
| <b>As at 1 January 2013</b>          | (3,240,112)        | (3,330,678)                    | -                        | (6,570,790)                  | (65,160)          | (6,635,950)                                  |
| Depreciation and amortisation charge | (1,025,550)        | (695,604)                      | -                        | (1,721,154)                  | (9,883)           | (1,731,037)                                  |
| Disposals                            | 905                | 110,615                        | -                        | 111,520                      | 3,846             | 115,366                                      |
| <b>As at 31 December 2013</b>        | <u>(4,264,757)</u> | <u>(3,915,667)</u>             | <u>-</u>                 | <u>(8,180,424)</u>           | <u>(71,197)</u>   | <u>(8,251,621)</u>                           |
| Depreciation and amortisation charge | (1,187,879)        | (722,584)                      | -                        | (1,910,463)                  | (13,691)          | (1,924,154)                                  |
| Disposals                            | 68,303             | 404,508                        | -                        | 472,811                      | -                 | 472,811                                      |
| <b>at 31 December 2014</b>           | <u>(5,384,333)</u> | <u>(4,233,743)</u>             | <u>-</u>                 | <u>(9,618,076)</u>           | <u>(84,888)</u>   | <u>(9,702,964)</u>                           |
| <b>Net book value</b>                |                    |                                |                          |                              |                   |  |
| <b>at 31 December 2013</b>           | <u>12,508,703</u>  | <u>2,272,696</u>               | <u>823,804</u>           | <u>15,605,203</u>            | <u>43,801</u>     | <u>15,649,004</u>                            |
| <b>at 31 December 2014</b>           | <u>11,786,229</u>  | <u>2,353,070</u>               | <u>503,017</u>           | <u>14,642,316</u>            | <u>33,330</u>     | <u>14,675,646</u>                            |



**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

*(in thousands of Uzbek Soums, unless otherwise indicated)*

**12. OTHER ASSETS**

|                                     | <b>31 December<br/>2014</b> | <b>31 December<br/>2013</b> |
|-------------------------------------|-----------------------------|-----------------------------|
| <b>Other financial assets</b>       |                             |                             |
| Other accounts receivable           | 1,928,339                   | 2,127,940                   |
| <b>Total other financial assets</b> | <b>1,928,339</b>            | <b>2,127,940</b>            |
| <b>Other non-financial assets</b>   |                             |                             |
| Advances to suppliers               | 4,267,636                   | 3,099,492                   |
| Prepaid expenses                    | 299,818                     | 288,257                     |
| Tax prepayments                     | 579,886                     | 431,422                     |
| Other                               | 472,319                     | 584,093                     |
| <b>Total non-financial assets</b>   | <b>5,619,659</b>            | <b>4,403,264</b>            |
| <b>Total other assets</b>           | <b>7,547,998</b>            | <b>6,531,204</b>            |

As at 31 December 2014 and 2013, advances to suppliers include advances paid to contractors for construction of premises in the amount of UZS 4,024,983 thousand and UZS 2,457,512 thousand, respectively.

**13. INSURANCE AND REINSURANCE PAYABLE**

|  | <b>31 December<br/>2014</b> | <b>31 December<br/>2013</b> |
|--|-----------------------------|-----------------------------|
| Amounts payable to reinsurers                  | 4,626,984                   | 2,331,158                   |
| Amounts payable to insurers                    | 1,138,487                   | 71,071                      |
| Advances received for the insurance activity   | 1,249,073                   | 1,314,314                   |
| Amounts payable to agents and brokers          | 65,802                      | 36,620                      |
| <b>Total insurance and reinsurance payable</b> | <b>7,080,346</b>            | <b>3,753,163</b>            |

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

*(in thousands of Uzbek Soums, unless otherwise indicated)*

**14. UNEARNED PREMIUMS**

|   | Provision for<br>unearned premiums | Reinsurer's share in<br>provision for<br>unearned premiums | Net                      |
|---|------------------------------------|--|--------------------------|
| Provision for unearned premiums as at<br>1 January 2014           | 23,073,647                         | (9,245,917)  | 13,827,730               |
| Change in provision for unearned<br>premiums, net of reinsurance  | (2,593,248)                        | 1,318,862  | (1,274,386)              |
| Effect of change in foreign<br>exchange rates                     | <u>1,167,793</u>                   | <u>(712,464)</u>   | <u>455,329</u>           |
| <b>Provision for unearned premiums as at<br/>31 December 2014</b> | <b><u>21,648,192</u></b>           | <b><u>(8,639,519)</u></b>                                  | <b><u>13,008,673</u></b> |

|   | Provision for<br>unearned premiums | Reinsurer's share in<br>provision for<br>unearned premiums | Net                      |
|---|------------------------------------|--|--------------------------|
| Provision for unearned premiums as at<br>1 January 2013           | 14,963,710                         | (9,809,689)  | 5,154,021                |
| Change in provision for unearned<br>premiums, net of reinsurance  | 7,210,976                          | (101,032)  | 7,109,944                |
| Effect of change in foreign<br>exchange rates                     | <u>898,961</u>                     | <u>664,804</u>   | <u>1,563,765</u>         |
| <b>Provision for unearned premiums as at<br/>31 December 2013</b> | <b><u>23,073,647</u></b>           | <b><u>(9,245,917)</u></b>                                  | <b><u>13,827,730</u></b> |

**15. PROVISION FOR INSURANCE LOSSES**

|  | 2014                     | 2013                     |
|--|--------------------------|--------------------------|
| As at beginning of the year                                  | 17,606,247               | 24,478,322               |
| Change in provision for insurance losses, net of reinsurance | 3,985,220                | (6,872,075)              |
| Effect of change in foreign exchange rates                   | <u>292,974</u>           | <u>-</u>                 |
| <b>As at end of the year</b>                                 | <b><u>21,884,441</u></b> | <b><u>17,606,247</u></b> |

|   | IBNR                    | RBNS                    | Life<br>insurance<br>provision | 31 December<br>2014<br>Total |
|---|-------------------------|-------------------------|--------------------------------|------------------------------|
| Provision for insurance losses                                | 5,771,311               | 4,561,147               | 14,881,306                     | 25,213,764                   |
| Reinsurer's share in provision<br>for insurance losses        | (3,002,500)             | (326,823)               | -                              | (3,329,323)                  |
| <b>Provision for insurance losses,<br/>net of reinsurance</b> | <b><u>2,768,811</u></b> | <b><u>4,234,324</u></b> | <b><u>14,881,306</u></b>       | <b><u>21,884,441</u></b>     |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

|   | IBNR             | RBNS             | Life insurance provision | 31 December 2013 Total |
|---|------------------|------------------|--------------------------|------------------------|
| Provision for insurance losses                            | 4,554,238        | 6,512,052        | 8,398,964                | 19,465,254             |
| Reinsurer's share in provision for insurance losses       | (1,685,350)      | (173,657)        | -                        | (1,859,007)            |
| <b>Provision for insurance losses, net of reinsurance</b> | <b>2,868,888</b> | <b>6,338,395</b> | <b>8,398,964</b>         | <b>17,606,247</b>      |

#### 16. OTHER LIABILITIES

|  | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| <b>Other financial liabilities</b>           |                  |                  |
| Payables to suppliers                        | 1,488,811        | 693,086          |
| Payables to employees                        | 254,927          | 222,261          |
| Other accounts payable                       | 222,476          | 194,015          |
| <b>Total other financial liabilities</b>     | <b>1,966,214</b> | <b>1,109,362</b> |
| <b>Other non-financial liabilities</b>       |                  |                  |
| Payables to budget and non-budget funds      | 318,614          | 677,778          |
| Accruals and deferred income                 | 344,493          | 314,356          |
| <b>Total other non-financial liabilities</b> | <b>663,107</b>   | <b>992,134</b>   |
| <b>Total other liabilities</b>               | <b>2,629,321</b> | <b>2,101,496</b> |

#### 17. EQUITY

##### *Charter capital*

In February 1997, based on the Decree of President of Republic of Uzbekistan the Group's charter capital increased from USD 10,000 thousand to USD 60,000 thousand, which was equivalent to UZS 3,453,000 thousand.

In accordance with the Decree of President of Republic of Uzbekistan "On further liberalization and development of insurance market" from 31 January 2002, all insurance companies operating in the Republic of Uzbekistan were exempted from payment of corporate income tax for a period of 3 years until 31 January 2005. Pursuant to the Decree funds accumulated to UZS 2,189,070 thousand as a result of these tax exemptions were reclassified to charter capital upon expiry of the corporate income tax exemption period.

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

|                 | 31 December 2014 |                    | 31 December 2013 |                    |
|-----------------|------------------|--------------------|------------------|--------------------|
|                 | Par value        | Inflation adjusted | Par value        | Inflation adjusted |
| Charter capital | <u>5,642,070</u> | <u>19,257,325</u>  | <u>5,642,070</u> | <u>19,257,325</u>  |

The inflation effect is from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to the charter capital of the Group.

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") the economy of the Republic of Uzbekistan was considered to be hyperinflationary during 2005 and prior years. Starting from 1 January 2006, the Uzbekistan economy is no longer considered to be hyperinflationary and the values of non-monetary assets, liabilities and equity as stated in measuring units as at 31 December 2005 have formed the basis for the amounts carried forward to 1 January 2006.

#### *Reserve for investment purposes*

The Government of the Republic of Uzbekistan contributed UZS 24,779,214 thousand, equivalent to USD 80,245 thousand, to the Group for the purpose of investing USD 80 000 thousand in UIIC and USD 245 thousand in AIG Uzbekistan Limited (former Chartis Uzbekinvest Limited), located in Great Britain. As it was noted in Note 1, in 2009 both shareholders of UIIC, Uzbekinvest national export-import insurance company (80% interest) and American International Underwriters Overseas Ltd (20% interest) decreased their investments by USD 20,000 thousand each. As a result, the Group became the sole owner of UIIC with a charter capital of USD 60,000 thousand. The Group returned funds to the Government of the Republic of Uzbekistan in the amount of UZS 6,191,278 thousand.

On 27 July 2010 the Group reduced its share in capital of UIIC to USD 50,000 thousand by further withdrawal of USD 10,000 thousand from the charter capital and returned these funds to the Government of the Republic of Uzbekistan in the amount of UZS 3,133,338 thousand. As a result of this transaction, remaining amount of the Group's contribution in charter capital of UIIC became equal to USD 50,000 thousand equivalent of UZS 15,454,598 thousand.

#### *Special insurance reserve*

The President of Republic of Uzbekistan, by Decree, granted the Company a relief from income and property taxes for a period of five years, which ended in February 2002. According to the above Decree part of the Company's profit along with funds released from income and property tax exemptions should be directed to the charter capital of the Company. Once the charter capital is fully paid up, the exempted funds are transferred to the Special insurance reserve. The charter capital was fully paid up as of 1 May 1999, and from that date all exempted funds were directed to the Special insurance reserve.

In addition, according to the President's Decree of Republic of Uzbekistan, the Company was also exempted from income tax on dividends and interest income from June 2008 for three years.

#### *Stabilization reserve*

In accordance with MoF regulation on insurance provisions of insurer #107 dated 20 November 2008 insurance companies are required to establish a stabilization reserve for 'Motor vehicle - Civil responsibility' and 'Employers' Civil responsibility'. This reserve is in the form of appropriations of retained earnings to an equity reserve to cover any unforeseen future losses of the Company. As at 31

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

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December 2014 and 2013, the stabilization reserve was equal to UZS 1,896,076 thousand and UZS 1,628,827 thousand, respectively.

#### *Translation reserve*

Translation reserve is the exchange differences arising from the translation of the net investment in UIIC from its functional currency USD to Group's presentation currency UZS. As at 31 December 2014 and 2013, exchange differences from the translation of the net investment in foreign operations were equal to UZS 105,700,203 thousand and UZS 94,652,773 thousand, respectively.

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**  
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**18. EARNED INSURANCE PREMIUMS, NET**

Premiums earned, net of reinsurance, for the year ended 31 December 2014, comprised the following:

|   | Property          | Liability         | Medical insurance | Motor vehicle - Civil responsibility | Employers' Civil responsibility | Political risk | Life insurance    | Total             |
|---|-------------------|-------------------|-------------------|--------------------------------------|---------------------------------|----------------|-------------------|-------------------|
| Direct insurance premiums                                     | 26,136,334        | 6,160,821         | 1,499,044         | 3,321,532                            | 4,214,393                       | 772,425        | 16,506,094        | 58,610,643        |
| Reinsurance premiums assumed                                  | 2,158,826         | 4,916,012         | 311,506           | -                                    | 648,442                         | -              | 661,004           | 8,695,790         |
| <b>Written insurance premiums</b>                             | <b>28,295,160</b> | <b>11,076,833</b> | <b>1,810,550</b>  | <b>3,321,532</b>                     | <b>4,862,835</b>                | <b>772,425</b> | <b>17,167,098</b> | <b>67,306,433</b> |
| Reinsurance premiums ceded                                    | (18,174,920)      | (4,568,875)       | -                 | -                                    | -                               | -              | (469,599)         | (23,213,394)      |
| <b>Written premiums, net of reinsurance</b>                   | <b>10,120,240</b> | <b>6,507,958</b>  | <b>1,810,550</b>  | <b>3,321,532</b>                     | <b>4,862,835</b>                | <b>772,425</b> | <b>16,697,499</b> | <b>44,093,039</b> |
| Change in provision for unearned premiums, net of reinsurance | 1,044,559         | 115,200           | 346,774           | (222,293)                            | 92,437                          | (420,037)      | 317,746           | 1,274,386         |
| <b>Earned insurance premiums, net</b>                         | <b>11,164,799</b> | <b>6,623,158</b>  | <b>2,157,324</b>  | <b>3,099,239</b>                     | <b>4,955,272</b>                | <b>352,388</b> | <b>17,015,245</b> | <b>45,367,425</b> |



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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Premiums earned, net of reinsurance, for the year ended 31 December 2013, comprised the following:

|   | Property          | Liability         | Medical insurance | Motor vehicle - Civil responsibility | Employers' Civil responsibility | Political risk | Life insurance   | Total             |
|---|-------------------|-------------------|-------------------|--------------------------------------|---------------------------------|----------------|------------------|-------------------|
| Direct insurance premiums                                     | 24,859,922        | 8,671,636         | 547,204           | 3,197,367                            | 3,777,849                       | 75,642         | 6,149,353        | 47,278,973        |
| Reinsurance premiums assumed                                  | 1,431,769         | 3,065,948         | 538,083           | -                                    | 309,408                         | -              | 661,004          | 6,006,212         |
| <b>Written insurance premiums</b>                             | <b>26,291,691</b> | <b>11,737,584</b> | <b>1,085,287</b>  | <b>3,197,367</b>                     | <b>4,087,257</b>                | <b>75,642</b>  | <b>6,810,357</b> | <b>53,285,185</b> |
| Reinsurance premiums ceded                                    | (14,642,800)      | (1,821,326)       | -                 | -                                    | -                               | -              | (986,768)        | (17,450,894)      |
| <b>Written premiums, net of reinsurance</b>                   | <b>11,648,891</b> | <b>9,916,258</b>  | <b>1,085,287</b>  | <b>3,197,367</b>                     | <b>4,087,257</b>                | <b>75,642</b>  | <b>5,823,589</b> | <b>35,834,291</b> |
| Change in provision for unearned premiums, net of reinsurance | (5,390,366)       | (1,197,983)       | (270,234)         | (222,302)                            | 92,437                          | (12,571)       | (108,925)        | (7,109,944)       |
| <b>Earned insurance premiums, net</b>                         | <b>6,258,525</b>  | <b>8,718,275</b>  | <b>815,053</b>    | <b>2,975,065</b>                     | <b>4,179,694</b>                | <b>63,071</b>  | <b>5,714,664</b> | <b>28,724,347</b> |

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**19. NET AMOUNT OF CLAIMS INCURRED**

Claims incurred, net of reinsurance, for the year ended 31 December 2014, comprise the following:

|  | Property         | Liability        | Medical insurance | Motor vehicle - Civil responsibility | Employers' Civil responsibility | Political risk | Life insurance    | Total             |
|--|------------------|------------------|-------------------|--------------------------------------|---------------------------------|----------------|-------------------|-------------------|
| Claims paid on direct insurance                              | 2,302,116        | 2,960,045        | 946,473           | 625,292                              | 3,051,271                       | -              | 10,665,627        | 20,550,824        |
| Claims paid on assumed reinsurance                           | -                | -                | -                 | -                                    | 2,766,734                       | -              | -                 | 2,766,734         |
| <b>Claims paid, gross</b>                                    | <b>2,302,116</b> | <b>2,960,045</b> | <b>946,473</b>    | <b>625,292</b>                       | <b>5,818,005</b>                | <b>-</b>       | <b>10,665,627</b> | <b>23,317,558</b> |
| Claims on reinsured risks                                    | -                | -                | -                 | -                                    | (1,516,401)                     | -              | -                 | (1,516,401)       |
| <b>Claims paid, net</b>                                      | <b>2,302,116</b> | <b>2,960,045</b> | <b>946,473</b>    | <b>625,292</b>                       | <b>4,301,604</b>                | <b>-</b>       | <b>10,665,627</b> | <b>21,801,157</b> |
| Change in provision for insurance losses, net of reinsurance | (1,942,102)      | (22,415)         | (50,033)          | (587,428)                            | 104,856                         | -              | 6,482,342         | 3,985,220         |
| <b>Net amount of claims incurred</b>                         | <b>360,014</b>   | <b>2,937,630</b> | <b>896,440</b>    | <b>37,864</b>                        | <b>4,406,460</b>                | <b>-</b>       | <b>17,147,969</b> | <b>25,786,377</b> |

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Claims incurred, net of reinsurance, for the year ended 31 December 2013, comprise the following:

|  | Property            | Liability        | Medical insurance | Motor vehicle -<br>Civil responsibility | Employers' Civil responsibility | Political risk | Life insurance   | Total             |
|--|---------------------|------------------|-------------------|---|---------------------------------|----------------|------------------|-------------------|
| Claims paid on direct insurance                              | 16,459,853          | 6,172,635        | 1,973,697         | 360,116                                 | 1,823,493                       | -              | 4,631,067        | 31,420,861        |
| Claims paid on assumed reinsurance                           | -                   | -                | -                 | -                                       | 2,482,579                       | -              | -                | 2,482,579         |
| <b>Claims paid, gross</b>                                    | <b>16,459,853</b>   | <b>6,172,635</b> | <b>1,973,697</b>  | <b>360,116</b>                          | <b>4,306,072</b>                | <b>-</b>       | <b>4,631,067</b> | <b>33,903,440</b> |
| Claims on reinsured risks                                    | (15,636,860)        | -                | -                 | -                                       | (1,259,677)                     | -              | (427,828)        | (17,324,365)      |
| <b>Claims paid, net</b>                                      | <b>822,993</b>      | <b>6,172,635</b> | <b>1,973,697</b>  | <b>360,116</b>                          | <b>3,046,395</b>                | <b>-</b>       | <b>4,203,239</b> | <b>16,579,075</b> |
| Change in provision for insurance losses, net of reinsurance | (11,416,870)        | 514,559          | 275,490           | (16,600)                                | 499,785                         | -              | 3,271,561        | (6,872,075)       |
| <b>Net amount of claims incurred</b>                         | <b>(10,593,877)</b> | <b>6,687,194</b> | <b>2,249,187</b>  | <b>343,516</b>                          | <b>3,546,180</b>                | <b>-</b>       | <b>7,474,800</b> | <b>9,707,000</b>  |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

#### 20. INVESTMENT INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | Year ended 31<br>December 2014 | Year ended 31<br>December 2013 |
|--|--------------------------------|--------------------------------|
| Interest income  | 1,958,472                      | 2,261,979                      |
| Unrealised gains/(losses) on change in fair value            | 838,676                        | (1,051,496)                    |
| Investment management expenses<br>including interest expense | (259,074)                      | (229,768)                      |
| Losses on the realisation of investments                     | (1,073,999)                    | (506,405)                      |
|  | <u>1,464,075</u>               | <u>474,310</u>                 |

#### 21. ADMINISTRATIVE AND OPERATING EXPENSES

|  | Year ended 31<br>December 2014 | Year ended 31<br>December 2013 |
|--|--------------------------------|--------------------------------|
| Staff cost and related taxes                       | 6,993,638                      | 3,107,757                      |
| Charity  | 2,954,774                      | 1,441,289                      |
| Taxes other than income tax                        | 2,580,068                      | 2,147,807                      |
| Depreciation and amortisation charges              | 1,924,154                      | 1,731,037                      |
| Office supplies                                    | 935,112                        | 311,538                        |
| Rent of premises and utilities expenses            | 837,485                        | 691,231                        |
| Professional services                              | 417,136                        | 251,231                        |
| Bank commission charges                            | 361,830                        | 341,231                        |
| Maintenance of property and equipment              | 297,842                        | 201,286                        |
| Transport expenses                                 | 292,514                        | 154,024                        |
| Business trip expenses                             | 270,651                        | 265,868                        |
| Security services                                  | 154,587                        | 130,120                        |
| Communication                                      | 117,474                        | 98,749                         |
| Training   | 42,450                         | 22,078                         |
| Other  | 208,820                        | 47,134                         |
|  | <u>18,388,535</u>              | <u>10,942,380</u>              |
| <b>Total administrative and operating expenses</b> | <b>18,388,535</b>              | <b>10,942,380</b>              |

#### 22. INCOME TAXES

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan and other countries where the Group operates, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2014 and 2013 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The income tax rate applicable to the majority of the Group's income is comprised corporate income tax (2014: 8%; 2013: 9%) and infrastructure development tax (2014: 8%; 2013: 8%) with the tax base

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for infrastructure development tax being accounting profit after corporate income tax charge. Effectively, statutory income tax rate is 15.4% (2013: 16.3%).

Tax effect on Temporary differences as at 31 December 2014 and 2013 comprise:

|  | December 31,<br>2014 | December 31,<br>2013<br>(restated) |
|--|----------------------|------------------------------------|
| <b>Tax effect of deductible temporary differences:</b> |                      |                                    |
| Investments available for sale                         | 210,606              | 222,914                            |
| Deposits in banks                                      | 23,100               | 24,450                             |
| Insurance and reinsurance payable                      | 125,328              | 132,653                            |
| Other  | 950                  | 97,573                             |
| <b>Total deferred tax assets</b>                       | <b>359,984</b>       | <b>477,590</b>                     |
| <b>Tax effect of deductible temporary differences:</b> |                      |                                    |
| Investments in associates                              | (51,971)             | (45,797)                           |
| Deferred acquisition costs                             | (899,080)            | (502,242)                          |
| Provision for insurance losses                         | (1,367,290)          | (1,217,706)                        |
| Other  | (140,060)            | (49,633)                           |
| <b>Total deferred tax liabilities</b>                  | <b>(2,458,401)</b>   | <b>(1,815,378)</b>                 |
| <b>Net deferred tax liabilities</b>                    | <b>(2,098,417)</b>   | <b>(1,337,788)</b>                 |

Relationships between tax expenses and taxable income for the years ended 31 December 2014 and 2013 are explained as follows:

|  | Year ended<br>December 31,<br>2014 | Year ended<br>December 31,<br>2013<br>(restated) |
|--|------------------------------------|--|
| Profit before income tax                                       | 16,106,281                         | 23,229,315                                       |
| Tax at the statutory tax rate (15.4% for 2014; 16.3% for 2013) | 2,480,367                          | 3,786,378  |
| Non-deductible expenses  | (63,147)                           | 1,354,133  |
| Tax benefits   | (108,007)                          | -  |
| Tax exempt income  | (1,019,344)                        | (3,099,827)                                      |
| Tax effect on income of subsidiaries taxed at different rates  | 6,058                              | 44,248   |
| Utilisation of losses brought forward                          | (105,736)                          | (123,894)  |
| <b>Income tax expense</b>                                      | <b>1,190,191</b>                   | <b>1,961,038</b>                                 |
|  | Year ended<br>December 31,<br>2014 | Year ended<br>December 31,<br>2013               |
| Current income tax   | 429,562                            | 396,090  |
| Deferred income tax  | 760,629                            | 1,564,948  |
| <b>Income tax expense</b>                                      | <b>1,190,191</b>                   | <b>1,961,038</b>                                 |

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

Deferred income tax liabilities comprised:

|  | 2014                      | 2013                      |
|--|---------------------------|---------------------------|
| As at January 1 – deferred tax (liabilities)/assets                              | (1,337,788)               | 227,160                   |
| Change in deferred income tax balances recognized in consolidated profit or loss | <u>(760,629)</u>          | <u>(1,564,948)</u>        |
| As at December 31- deferred tax liabilities                                      | <u><u>(2,098,417)</u></u> | <u><u>(1,337,788)</u></u> |

## 23. COMMITMENTS AND CONTINGENCIES

### Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred by the Group and accordingly no provision has been made in these consolidated financial statements.

### Taxation

Uzbekistan tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Tax authorities may be taking a more assertive position in the interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. The Management of the Group believes that its interpretation of the relevant tax legislation is appropriate and that the Group's tax position will be sustained.

### Capital commitments

As at 31 December 2014 and 2013, the Group had no significant capital commitments.

### Operating lease commitments

As at 31 December 2014 and 2013, the Group did not have any significant operating lease commitments.

### Operating environment

Emerging markets such as the Republic of Uzbekistan are subject to different risks more than developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting business in the Republic of Uzbekistan continue to change rapidly. Tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

## 24. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures" are presented below.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) (in thousands of Uzbek Soums, unless otherwise indicated)

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding as at 31 December 2014 and 2013 with related parties:

|                                   | 31 December 2014 |                               | 31 December 2013 |                               |
|-----------------------------------|------------------|-------------------------------|------------------|-------------------------------|
|                                   | Shareholders     | Entities under common control | Shareholders     | Entities under common control |
| Cash and cash equivalents         | 1,006,160        | 4,043,532                     | 4,288,379        | -                             |
| Deposits in banks                 | -                | 97,555,094                    | -                | 79,272,035                    |
| Investments available for sale    | -                | 21,140,379                    | 250,000          | 18,070,790                    |
| Loans and receivables             | -                | 493,083                       | -                | 493,083                       |
| Insurance and reinsurance payable | -                | 719,758                       | -                | 559,566                       |

Included in the consolidated statement of profit or loss for the years ended 31 December 2014 and 2013 are the following amounts which were recognized in the transactions with related parties:

|  | 31 December 2014 |                               | 31 December 2013 |                               |
|--|------------------|-------------------------------|------------------|-------------------------------|
|  | Shareholders     | Entities under common control | Shareholders     | Entities under common control |
| Insurance premiums written, gross              | -                | 8,402,346                     | -                | 4,956,554                     |
| Claims paid                                    | -                | 1,233,134                     | 27,004           | 2,403,353                     |
| Interest income on loans and deposits in banks | -                | 4,842,659                     | 22,192           | 2,327,720                     |
| Dividend income                                | -                | 3,954,207                     | -                | 2,110,842                     |
| Charitable contributions                       | -                | 1,940,911                     | -                | 2,446,145                     |

In 2014, key management compensation comprise salary and bonuses on discretion of shareholders in the amount of UZS 220,905 thousand (2013: UZS 182,948 thousand)

#### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

##### Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/<br>financial liabilities            | Fair value as at |                  | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|------------------|------------------|----------------------|---|-----------------------------------|---|
|   | 31 December 2014 | 31 December 2013 |                      |   |                                   |   |
| Financial assets at fair value through profit or loss | 120,928,326      | 104,873,472      | Level 1              | Quoted bid prices in an active market   | N/a                               | N/a   |

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

As at 31 December 2014 and 2013, investments available-for-sale in the amount of UZS 28,901,946 thousand and UZS 25,576,124 thousand, respectively do not have a quoted market prices in an active market and their cost fairly represent their fair value and therefore are carried at cost less any impairment losses.

There were no transfers between Level 1 and 2 in the period.

### **Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

|                       | 31 December 2014 |            | 31 December 2013 |            |
|-----------------------|------------------|------------|------------------|------------|
|                       | Carrying value   | Fair value | Carrying value   | Fair value |
| Deposits in banks     | 97,671,763       | 97,361,970 | 82,617,714       | 82,371,543 |
| Loans and receivables | 3,531,972        | 3,449,609  | 3,565,305        | 3,458,346  |

The Group determines the fair value of financial assets and financial liabilities using a discounted cash flow model based on the rates of the deals concluded towards the end of the reporting period. Due to the absence of an active market or observable inputs for assets with characteristics similar to the Group's financial assets and financial liabilities, the management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these financial assets and financial liabilities that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

## 26. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the insurance business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to underwriting risk, credit risk, market risk, operational and liquidity risk. A summary of the Group's risk management policies in relation to those risks is as follows.

### **Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For portfolio of insurance contract where the theory of probability is applied to pricing and reserving, the principal risk that the Group faces under its insurance contracts is that the actual claims payments exceed book value of the insurance liabilities. This could occur because frequency or severity of the claims is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Factors that aggravate insurance risk include a lack of risk diversification in terms of the type and amount of the risk, the geographical location and the type of the policyholder base covered.

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

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Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected pervasively by a change in any subset of the portfolio.

The Group has developed its insurance underwriting strategy to diversify the line of the business and geography of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome. The Group has also included significant pricing margins into its premiums rates.

The Group also has right to reject payment of a fraudulent claim or a claim arising from a policy where policyholder provided false information during the policy application and issuance stage.

Insurance contracts are subdivided into seven risk groups: property, liability, medical insurance, motor vehicle – civil responsibility, employers' – civil responsibility, political and life insurance. Liability insurance mainly comprises of insurance against professional liability. In addition, political insurance mainly comprises of insurance against confiscation, expropriation and nationalization, which are solely written by UIIC.

Based on these considerations, the Group aims to achieve the required level of risk diversification and reinsurance in order to minimize the risk.

Claims on the Group's policies are incurred on a claim-occurrence basis. The Group takes all reasonable steps to ensure that it has appropriate information regarding its risk and claims exposures. However, given the uncertainty in establishing claims reserve, it is likely that the final outcome will prove to be different from the original liability established. The liability of these contracts comprises a provision of IBNR.

#### **Reinsurance**

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Group's Insurance Committee assesses the creditworthiness of all reinsurers and intermediaries reviewing credit grades provided by rating agencies and other publicly available financial information. The Committee also receives details of recent payment history and the status of any ongoing negotiations between Group and these third parties.

#### **Investment risks**

The investment policy of the Group is based on levels of income and the Group's risk appetite at a point in time. The investment activities of insurance companies of Uzbekistan are under a strict supervision of the MoF.

The investment portfolio of the Group comprises financial instruments that are chosen according to profitability rates, maturity and the risk level of the investment. The investment portfolio is diversified so as to provide smooth income receipts during the investing period. Investment income is generally reinvested to increase the investment portfolio.

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

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#### **Credit risk**

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Key areas where the Group is exposed to credit risk are:

- exposure to corporate bonds;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- counterparty risk with respect to derivative transactions.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Group's Insurance Committee assesses the creditworthiness of all reinsurers and intermediaries reviewing credit grades provided by rating agencies and other publicly available financial information. The Committee also receives details of recent payment history and the status of any ongoing negotiations between Group and these third parties.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

A reduction in the creditworthiness of the Group's investment portfolio is the most significant credit risk.

#### **Maximum exposure to credit risk**

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets. For financial assets the maximum exposure is equal to the carrying value of those assets prior to any offset or collateral.

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

|  | Maximum<br>Exposure | Offset | 31 December 2014             |                       |              |
|--|---------------------|--------|------------------------------|-----------------------|--------------|
|  |                     |        | Net exposure<br>after offset | Collateral<br>pledged | Net exposure |
| Cash and cash equivalents                                | 8,620,575           | -      | 8,620,575                    | -                     | 8,620,575    |
| Deposits in banks  | 97,671,763          | -      | 97,671,763                   | -                     | 97,671,763   |
| Financial assets at fair value<br>through profit or loss | 120,928,326         | -      | 120,928,326                  | -                     | 120,928,326  |
| Investments available<br>for sale                        | 28,901,946          | -      | 28,901,946                   | -                     | 28,901,946   |
| Loans and receivables                                    | 3,531,972           | -      | 3,531,972                    | -                     | 3,531,972    |
| Insurance and reinsurance<br>receivable                  | 1,866,297           | -      | 1,866,297                    | -                     | 1,866,297    |
| Other financial assets                                   | 1,928,339           | -      | 1,928,339                    | -                     | 1,928,339    |

|  | Maximum<br>Exposure | Offset | 31 December 2013             |                       |              |
|--|---------------------|--------|------------------------------|-----------------------|--------------|
|  |                     |        | Net exposure<br>after offset | Collateral<br>pledged | Net exposure |
| Cash and cash equivalents                                | 12,106,659          | -      | 12,106,659                   | -                     | 12,106,659   |
| Deposits in banks  | 82,617,714          | -      | 82,617,714                   | -                     | 82,617,714   |
| Financial assets at fair value<br>through profit or loss | 104,873,472         | -      | 104,873,472                  | -                     | 104,873,472  |
| Investments available<br>for sale                        | 25,576,124          | -      | 25,576,124                   | -                     | 25,576,124   |
| Loans and receivables                                    | 3,565,305           | -      | 3,565,305                    | -                     | 3,565,305    |
| Insurance and reinsurance<br>receivable                  | 1,916,015           | -      | 1,916,015                    | -                     | 1,916,015    |
| Other financial assets                                   | 2,127,940           | -      | 2,127,940                    | -                     | 2,127,940    |

Financial assets are graded according to the current credit ratings which have been issued by internationally recognized agencies. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

(in thousands of Uzbek Soums, unless otherwise indicated)

The following table details the credit ratings of financial assets held by the Group:

|  |                |                |                |                  | <b>31 December<br/>2014</b> |
|--|----------------|----------------|----------------|------------------|-----------------------------|
|  | <b>&lt;AAA</b> | <b>&lt;BBB</b> | <b>&lt;CCC</b> | <b>Not rated</b> | <b>Total</b>                |
| Cash and cash equivalents                                | 923,722        | 7,696,853      | -              | -                | 8,620,575                   |
| Deposits in banks  | -              | 71,291,513     | 2,156,250      | 24,224,000       | 97,671,763                  |
| Financial assets at fair value<br>through profit or loss | 118,503,661    | 2,424,665      | -              | -                | 120,928,326                 |
| Investments available<br>for sale                        | -              | 21,468,761     | -              | 7,433,185        | 28,901,946                  |
| Loans and receivables                                    | -              | 2,800,000      | -              | 731,972          | 3,531,972                   |
| Insurance and reinsurance<br>receivable                  | -              | -              | -              | 1,866,297        | 1,866,297                   |
| Other financial assets                                   | -              | -              | -              | 1,928,339        | 1,928,339                   |
|  |                |                |                |                  |                             |
|  |                |                |                |                  | <b>31 December<br/>2013</b> |
|  | <b>&lt;AAA</b> | <b>&lt;BBB</b> | <b>&lt;CCC</b> | <b>Not rated</b> | <b>Total</b>                |
| Cash and cash equivalents                                | 5,965,978      | 6,140,681      | -              | -                | 12,106,659                  |
| Deposits in banks  | -              | 59,369,464     | 1,226,250      | 22,022,000       | 82,617,714                  |
| Financial assets at fair value<br>through profit or loss | 104,873,472    | -              | -              | -                | 104,873,472                 |
| Investments available for sale                           | -              | 18,737,059     | -              | 6,839,065        | 25,576,124                  |
| Loans and receivables                                    | -              | 2,800,000      | -              | 765,305          | 3,565,305                   |
| Insurance and reinsurance<br>receivable                  | -              | -              | -              | 1,916,015        | 1,916,015                   |
| Other financial assets                                   | -              | -              | -              | 2,127,940        | 2,127,940                   |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

(in thousands of Uzbek Soums, unless otherwise indicated)

The credit risk exposure of the Group is mainly concentrated within the Republic of Uzbekistan and Great Britain. The exposure is monitored on a regular basis to ensure that the limits and creditworthiness guidelines established by the Group's risk management policy are not breached.

|  | Neither past<br>due nor<br>impaired | Financial assets past due<br>but not impaired |                          | Financial<br>assets that<br>have been<br>impaired | Impair-<br>ment<br>provision | Total as at<br>31 December<br>2014 |
|--|-------------------------------------|---|--------------------------|---|------------------------------|------------------------------------|
|  |                                     | 0-3 months                                    | Greater than<br>one year |   |                              |                                    |
| Cash and cash equivalents                                | 8,620,575                           | -   | -                        | -   | -                            | 8,620,575                          |
| Deposits in banks  | 97,671,763                          | -   | -                        | 150,000   | (150,000)                    | 97,671,763                         |
| Financial assets at fair value<br>through profit or loss | 120,928,326                         | -   | -                        | -   | -                            | 120,928,326                        |
| Investments available for sale                           | 28,901,946                          | -   | -                        | -   | -                            | 28,901,946                         |
| Loans and receivables                                    | 3,038,889                           | -   | -                        | 493,083   | -                            | 3,531,972                          |
| Insurance and reinsurance<br>receivable                  | 1,866,297                           | -   | -                        | -   | -                            | 1,866,297                          |
| Other financial assets                                   | 1,928,339                           | -   | -                        | -   | -                            | 1,928,339                          |

|  | Neither past<br>due nor<br>impaired | Financial assets past due<br>but not impaired |                          | Financial<br>assets that<br>have been<br>impaired | Impair-<br>ment<br>provision | Total as at<br>31 December<br>2013 |
|--|-------------------------------------|---|--------------------------|---|------------------------------|------------------------------------|
|  |                                     | 0-3 months                                    | Greater than<br>one year |   |                              |                                    |
| Cash and cash equivalents                                | 12,106,659                          | -   | -                        | -   | -                            | 12,106,659                         |
| Deposits in banks  | 82,317,714                          | 300,000                                       | -                        | 150,000   | (150,000)                    | 82,617,714                         |
| Financial assets at fair value<br>through profit or loss | 104,873,472                         | -   | -                        | -   | -                            | 104,873,472                        |
| Investments available for sale                           | 25,576,124                          | -   | -                        | -   | -                            | 25,576,124                         |
| Loans and receivables                                    | 3,072,222                           | -   | -                        | 493,083   | -                            | 3,565,305                          |
| Insurance and reinsurance<br>receivable                  | 1,916,015                           | -   | -                        | -   | -                            | 1,916,015                          |
| Other financial assets                                   | 2,127,940                           | -   | -                        | -   | -                            | 2,127,940                          |



# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) *(in thousands of Uzbek Soums, unless otherwise indicated)*

### Geographical concentration

The management exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan.

The geographical concentration of financial assets and liabilities is set out below:

|  | Republic of<br>Uzbekistan | Non-OECD<br>countries | OECD countries     | 31 December<br>2014<br><br>Total |
|--|---------------------------|-----------------------|--------------------|----------------------------------|
| <b>FINANCIAL ASSETS:</b>                                 |                           |                       |                    |                                  |
| Cash and cash equivalents                                | 7,696,853                 | -                     | 923,722            | 8,620,575                        |
| Deposits in banks  | 73,447,763                | 24,224,000            | -                  | 97,671,763                       |
| Financial assets at fair value<br>through profit or loss | -                         | -                     | 120,928,326        | 120,928,326                      |
| Investments available for sale                           | 27,517,265                | 1,384,681             | -                  | 28,901,946                       |
| Loans and receivables                                    | 3,531,972                 | -                     | -                  | 3,531,972                        |
| Insurance and reinsurance<br>receivable                  | 924,175                   | -                     | 942,122            | 1,866,297                        |
| Other financial assets                                   | 1,388,824                 | -                     | 539,515            | 1,928,339                        |
| <b>TOTAL FINANCIAL<br/>ASSETS</b>                        | <b>114,506,852</b>        | <b>25,608,681</b>     | <b>123,333,685</b> | <b>263,449,218</b>               |
| <b>FINANCIAL LIABILITIES:</b>                            |                           |                       |                    |                                  |
| Insurance and reinsurance<br>payable                     | 5,622,352                 | -                     | 1,457,994          | 7,080,346                        |
| Other financial liabilities                              | 1,621,674                 | -                     | 344,540            | 1,966,214                        |
| <b>TOTAL FINANCIAL<br/>LIABILITIES</b>                   | <b>7,244,026</b>          | <b>-</b>              | <b>1,802,534</b>   | <b>9,046,560</b>                 |
| <b>OPEN BALANCE SHEET<br/>POSITION</b>                   | <b>107,262,826</b>        | <b>25,608,681</b>     | <b>121,531,151</b> | <b>254,402,658</b>               |

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) (in thousands of Uzbek Soums, unless otherwise indicated)

|  | Republic of<br>Uzbekistan | Non-OECD<br>countries | OECD countries     | 31 December<br>2013<br><br>Total |
|--|---------------------------|-----------------------|--------------------|----------------------------------|
| <b>FINANCIAL ASSETS:</b>                                 |                           |                       |                    |                                  |
| Cash and cash equivalents                                | 6,941,020                 | -                     | 5,165,639          | 12,106,659                       |
| Deposits in banks  | 60,595,714                | 22,022,000            | -                  | 82,617,714                       |
| Financial assets at fair value<br>through profit or loss | -                         | -                     | 104,873,472        | 104,873,472                      |
| Investments available for sale                           | 24,191,443                | 1,384,681             | -                  | 25,576,124                       |
| Loans and receivables                                    | 3,565,305                 | -                     | -                  | 3,565,305                        |
| Insurance and reinsurance<br>receivable                  | 1,783,070                 | -                     | 132,945            | 1,916,015                        |
| Other financial assets                                   | 1,345,098                 | -                     | 782,842            | 2,127,940                        |
| <b>TOTAL FINANCIAL<br/>ASSETS</b>                        | <b>98,421,650</b>         | <b>23,406,681</b>     | <b>110,954,898</b> | <b>232,783,229</b>               |
| <b>FINANCIAL LIABILITIES</b>                             |                           |                       |                    |                                  |
| Insurance and reinsurance<br>payable                     | 2,925,184                 | -                     | 827,979            | 3,753,163                        |
| Other financial liabilities                              | 778,211                   | -                     | 331,151            | 1,109,362                        |
| <b>TOTAL FINANCIAL<br/>LIABILITIES</b>                   | <b>3,703,395</b>          | <b>-</b>              | <b>1,159,130</b>   | <b>4,862,525</b>                 |
| <b>OPEN BALANCE SHEET<br/>POSITION</b>                   | <b>94,718,255</b>         | <b>23,406,681</b>     | <b>109,795,768</b> | <b>227,920,704</b>               |

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Group manages liquidity through a Company liquidity risk policy which determines what constitutes liquidity risk for the Group; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specify the sources of funding and the events that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**  
*(in thousands of Uzbek Soums, unless otherwise indicated)*

|  | Weighted<br>average<br>effective<br>interest rate | Up to 1 month     | 1 month to 3<br>months | 3 months to 1 year | 1 year to 5 years  | 31 December<br>2014<br>Total |
|--|---|-------------------|------------------------|--------------------|--------------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>   |   |                   |                        |                    |                    |                              |
| Deposits in banks  | 5.55%   | 19,217,875        | 13,819,760             | 52,744,528         | 11,889,600         | 97,671,763                   |
| Financial assets at fair value through<br>profit or loss                                 | 2.17%   | -                 | 3,267,327              | 19,934,641         | 97,726,358         | 120,928,326                  |
| Loans and receivables  | 10.0%   | -                 | -                      | 800,000            | 2,000,000          | 2,800,000                    |
| <b>Total interest bearing financial assets</b>   |   | <b>19,217,875</b> | <b>17,087,087</b>      | <b>73,479,169</b>  | <b>111,615,958</b> | <b>221,400,089</b>           |
| Cash and cash equivalents  |   | 8,620,575         | -                      | -                  | -                  | 8,620,575                    |
| Investments available for sale   |   | 28,901,946        | -                      | -                  | -                  | 28,901,946                   |
| Insurance and reinsurance receivable   |   | 1,866,297         | -                      | -                  | -                  | 1,866,297                    |
| Loans and receivables  |   | 731,972           | -                      | -                  | -                  | 731,972                      |
| Other financial assets   |   | 1,928,339         | -                      | -                  | -                  | 1,928,339                    |
| <b>TOTAL FINANCIAL ASSETS</b>  |   | <b>61,267,004</b> | <b>17,087,087</b>      | <b>73,479,169</b>  | <b>111,615,958</b> | <b>263,449,218</b>           |
| <b>FINANCIAL LIABILITIES:</b>  |   |                   |                        |                    |                    |                              |
| Insurance and reinsurance payable  |   | 7,080,346         | -                      | -                  | -                  | 7,080,346                    |
| Other financial liabilities  |   | 1,966,214         | -                      | -                  | -                  | 1,966,214                    |
| <b>TOTAL FINANCIAL LIABILITIES</b>   |   | <b>9,046,560</b>  | <b>-</b>               | <b>-</b>           | <b>-</b>           | <b>9,046,560</b>             |
| <b>Liquidity gap</b>   |   | <b>52,220,444</b> | <b>17,087,087</b>      | <b>73,479,169</b>  | <b>111,615,958</b> | <b>254,402,658</b>           |
| <b>Interest sensitivity gap</b>  |   | <b>19,217,875</b> | <b>17,087,087</b>      | <b>73,479,169</b>  | <b>111,615,958</b> |                              |
| <b>Cumulative interest sensitivity gap</b>   |   | <b>19,217,875</b> | <b>36,304,962</b>      | <b>109,784,131</b> | <b>221,400,089</b> |                              |
| <b>Cumulative interest sensitivity gap as a<br/>percentage of total financial assets</b> |   | <b>7.3%</b>       | <b>13.8%</b>           | <b>41.7%</b>       | <b>84.0%</b>       |                              |

**UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

*(in thousands of Uzbek Soums, unless otherwise indicated)*

|  | Weighted<br>average<br>effective<br>interest rate | Up to 1 month     | 1 month to 3<br>months | 3 months to 1 year | 1 year to 5 years  | 31 December<br>2013<br>Total |
|--|---|-------------------|------------------------|--------------------|--------------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>   |   |                   |                        |                    |                    |                              |
| Deposits in banks  | 5.19%   | 7,927,920         | 6,606,600              | 30,343,750         | 37,739,444         | 82,617,714                   |
| Financial assets at fair value through<br>profit or loss                                 | 1.515%  | -                 | 11,116,706             | 24,873,848         | 68,882,918         | 104,873,472                  |
| Loans and receivables  | 10.0%   | -                 | -                      | -                  | 2,800,000          | 2,800,000                    |
| <b>Total interest bearing financial assets</b>   |   | <b>7,927,920</b>  | <b>17,723,306</b>      | <b>55,217,598</b>  | <b>109,422,362</b> | <b>190,291,186</b>           |
| Cash and cash equivalents  |   | 12,106,659        | -                      | -                  | -                  | 12,106,659                   |
| Investments available for sale   |   | 25,576,124        | -                      | -                  | -                  | 25,576,124                   |
| Insurance and reinsurance receivable   |   | 1,916,015         | -                      | -                  | -                  | 1,916,015                    |
| Loans and receivables  |   | 765,305           | -                      | -                  | -                  | 765,305                      |
| Other financial assets   |   | 2,127,940         | -                      | -                  | -                  | 2,127,940                    |
| <b>TOTAL FINANCIAL ASSETS</b>  |   | <b>50,419,963</b> | <b>17,723,306</b>      | <b>55,217,598</b>  | <b>109,422,362</b> | <b>232,783,229</b>           |
| <b>FINANCIAL LIABILITIES:</b>  |   |                   |                        |                    |                    |                              |
| Insurance and reinsurance payable  |   | 3,753,163         | -                      | -                  | -                  | 3,753,163                    |
| Other financial liabilities  |   | 1,109,362         | -                      | -                  | -                  | 1,109,362                    |
| <b>TOTAL FINANCIAL LIABILITIES</b>   |   | <b>4,862,525</b>  | <b>-</b>               | <b>-</b>           | <b>-</b>           | <b>4,862,525</b>             |
| <b>Liquidity gap</b>   |   | <b>45,557,438</b> | <b>17,723,306</b>      | <b>55,217,598</b>  | <b>109,422,362</b> | <b>227,920,704</b>           |
| <b>Interest sensitivity gap</b>  |   | <b>7,927,920</b>  | <b>17,723,306</b>      | <b>55,217,598</b>  | <b>109,422,362</b> |                              |
| <b>Cumulative interest sensitivity gap</b>   |   | <b>7,927,920</b>  | <b>25,651,226</b>      | <b>80,868,824</b>  | <b>190,291,186</b> |                              |
| <b>Cumulative interest sensitivity gap as a<br/>percentage of total financial assets</b> |   | <b>3.4%</b>       | <b>11.0%</b>           | <b>34.7%</b>       | <b>81.7%</b>       |                              |

## UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

(in thousands of Uzbek Soums, unless otherwise indicated)

The Group does not include its insurance reserves in its liquidity and maturity analysis due to the realistic maturity of such balances being undeterminable. In addition, the actual liabilities may vary from the amount reserved and as such these amounts are not included in the above table.

Discounted liabilities presented in the tables above are the same as contractual undiscounted liabilities due to their short-term nature.

Investments available for sale in the form of equity securities are presented under "up to 1 month" category as they are held to manage liquidity and could be realized as the liquidity position requires.

#### Market risk

The Group takes on exposure to market risks which arise from open positions in interest rates and assets and liabilities in foreign currencies, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

#### Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

|   | UZS               | USD<br>USD 1 =<br>2,422.4 UZS | EUR<br>EUR 1 =<br>2,987.74 UZS | Other          | 31 December<br>2014<br>Total |
|---|-------------------|-------------------------------|--------------------------------|----------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>                              |                   |                               |                                |                |                              |
| Cash and cash equivalents                             | 7,431,226         | 923,722                       | 54,635                         | 210,992        | 8,620,575                    |
| Deposits in banks                                     | 14,583,443        | 83,088,320                    | -                              | -              | 97,671,763                   |
| Financial assets at fair value through profit or loss | -                 | 120,928,326                   | -                              | -              | 120,928,326                  |
| Investments available for sale                        | 27,517,265        | 1,384,681                     | -                              | -              | 28,901,946                   |
| Loans and receivables                                 | 3,531,972         | -                             | -                              | -              | 3,531,972                    |
| Insurance and reinsurance receivable                  | 924,175           | 942,122                       | -                              | -              | 1,866,297                    |
| Other financial assets                                | 1,814,772         | 113,567                       | -                              | -              | 1,928,339                    |
| <b>TOTAL FINANCIAL ASSETS</b>                         | <b>55,802,853</b> | <b>207,380,738</b>            | <b>54,635</b>                  | <b>210,992</b> | <b>263,449,218</b>           |
| <b>FINANCIAL LIABILITIES:</b>                         |                   |                               |                                |                |                              |
| Insurance and reinsurance payable                     | 3,398,878         | 3,681,468                     | -                              | -              | 7,080,346                    |
| Other financial liabilities                           | 1,940,757         | 25,457                        | -                              | -              | 1,966,214                    |
| <b>TOTAL FINANCIAL LIABILITIES</b>                    | <b>5,339,635</b>  | <b>3,706,925</b>              | <b>-</b>                       | <b>-</b>       | <b>9,046,560</b>             |
| <b>OPEN BALANCE SHEET POSITION</b>                    | <b>50,463,218</b> | <b>203,673,813</b>            | <b>54,635</b>                  | <b>210,992</b> | <b>254,402,658</b>           |

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED) (in thousands of Uzbek Soums, unless otherwise indicated)

|   | UZS               | USD<br>USD 1 =<br>2,202.2 UZS | EUR<br>EUR 1 =<br>3,031.9 UZS | Other         | 31 December<br>2013<br>Total |
|---|-------------------|-------------------------------|-------------------------------|---------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>                              |                   |                               |                               |               |                              |
| Cash and cash equivalents                             | 6,486,908         | 5,165,639                     | 384,674                       | 69,438        | 12,106,659                   |
| Deposits in banks                                     | 7,016,250         | 75,601,464                    | -                             | -             | 82,617,714                   |
| Financial assets at fair value through profit or loss | -                 | 104,873,472                   | -                             | -             | 104,873,472                  |
| Investments available for sale                        | 24,191,443        | 1,384,681                     | -                             | -             | 25,576,124                   |
| Loans and receivables                                 | 3,565,305         | -                             | -                             | -             | 3,565,305                    |
| Insurance and reinsurance receivable                  | 1,783,070         | 132,945                       | -                             | -             | 1,916,015                    |
| Other financial assets                                | 1,145,497         | 782,842                       | -                             | -             | 1,928,339                    |
| <b>TOTAL FINANCIAL ASSETS</b>                         | <b>44,188,473</b> | <b>187,941,043</b>            | <b>384,674</b>                | <b>69,438</b> | <b>232,583,628</b>           |
| <b>FINANCIAL LIABILITIES</b>                          |                   |                               |                               |               |                              |
| Insurance and reinsurance payable                     | 2,925,184         | 827,979                       | -                             | -             | 3,753,163                    |
| Other financial liabilities                           | 778,211           | 331,151                       | -                             | -             | 1,109,362                    |
| <b>TOTAL FINANCIAL LIABILITIES</b>                    | <b>3,703,395</b>  | <b>1,159,130</b>              | <b>-</b>                      | <b>-</b>      | <b>4,862,525</b>             |
| <b>OPEN BALANCE SHEET POSITION</b>                    | <b>40,485,078</b> | <b>186,781,913</b>            | <b>384,674</b>                | <b>69,438</b> | <b>227,721,103</b>           |

### Currency risk sensitivity

The following table details the Group's sensitivity to a 10% and 1.5% increase and decrease in the USD and EUR against UZS as at 31 December 2014 and 11% and 15.7% for 2013. Due to significant devaluation of EUR exchange rate against USD and UZS during the year ended 31 December 2014, the management has changed its assumptions in sensitivity for EUR from 15.7% used in prior years to 1.5%. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for 10% and 1.5% in foreign currency rates.

Impact on net profit and equity based on asset values as at 31 December 2014 and 2013:

|                                 | As at 31 December 2014 |                  | As at 31 December 2013 |                   |
|---------------------------------|------------------------|------------------|------------------------|-------------------|
|                                 | UZS/USD<br>+10%        | UZS/USD<br>-10%  | UZS/USD<br>+11%        | UZS/USD<br>-11%   |
| Impact on net profit and equity | 20,367,381             | (20,367,381)     | 20,546,010             | (20,546,010)      |
|                                 | As at 31 December 2014 |                  | As at 31 December 2013 |                   |
|                                 | UZS/EUR<br>+1.5%       | UZS/EUR<br>-1.5% | UZS/EUR<br>+15.7%      | UZS/EUR<br>-15.7% |
| Impact on net profit and equity | 820                    | (820)            | 60,394                 | (60,394)          |

# UZBEKINVEST NATIONAL EXPORT-IMPORT INSURANCE COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

*(in thousands of Uzbek Soums, unless otherwise indicated)*

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### **Limitations of sensitivity analysis**

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

### **27. SUBSEQUENT EVENTS**

The management is not aware of any material events subsequent to the reporting date.