

UNIC O'ZBEKINVEST

**NATIONAL EXPORT-IMPORT
INSURANCE COMPANY
«UZBEKINVEST»**

**Consolidated Financial Statements and
Independent Auditors' Report
for the year ended 31 December 2016**

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPERATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Management is responsible for the preparation of the consolidated financial statements that fairly present the financial position of the National Export-Import Insurance Company "Uzbekinvest" (the "Company") and its subsidiaries (collectively, the "Group") as of 31 December 2016, and results of its activity, cash flows and changes in equity for the year ended at the date in accordance with International Financial Reporting Standards ("IFRS").

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


- Ensuring the right choice and application of accounting policies;
- Presentation of information, including accounting policy data, in a form that ensures the relevance, reliability, comparability and comprehensibility of such information;
- Disclosure of additional information in cases where compliance with the requirements of IFRS proves insufficient for users to understand the impact that certain transactions, as well as other events or conditions, have on the consolidated financial position and consolidated financial performance of the Group; and
- Assessment of the Group's ability to continue to operate in the foreseeable future.

Management is also responsible for:

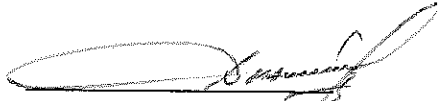
- Development, implementation and operation of an effective and reliable system of internal control in the Group;
- Keeping records in a form that allows to disclose and explain the transactions of the Group, and to provide information of sufficient accuracy as of any date on the consolidated financial position of the Group and ensure that the consolidated financial statements comply with the requirements of IFRS;
- Accounting in accordance with the legislation of the Republic of Uzbekistan and the United Kingdom;
- Taking all reasonably possible measures to ensure the safety of the Group's assets; and
- Identification and prevention of financial and other abuse.

These consolidated financial statements for the year ended 31 December 2016 were approved by the Group's management on 15 August 2017.

On behalf of the Management:


Allanazarov D.T.
Financial director

15 August 2017
Tashkent, Uzbekistan


Javliev A. I.
Chief Accountant

15 August 2017
Tashkent, Uzbekistan



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INDEPENDENT AUDITOR'S REPORT

To the Founders and the Board of Directors of
National export-import insurance company
«Uzbekinvest»:

Opinion

We have audited the accompanying consolidated financial statements of the National Export-Import Insurance Company "Uzbekinvest" (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as of 31 December 2016 and the related consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2016, as well as its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for expressing an opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibilities for the audit of the consolidated financial statements" of our opinion. We are independent of the Group in accordance with ethical requirements applicable to our audit of consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Key audit matters are selected from the matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in the relation to these matters. Accordingly, our audit included the performance of the procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Valuation of technical balances

The Company's technical balances, which include the reserve for outstanding claims and reserve for unexpired risks, reflect the uncertainty inherent in the insurance business on the balance sheet. The estimation of technical balances is complex as it involves a high degree of judgement. With regards to the reserve for outstanding claims, the claims department will set up a loss reserve upon notification and after assessing all the information on the claim which has been provided. The claims information is then aggregated and considered as a whole to determine the total estimate of the ultimate losses that will be incurred in respect of the insurance policies underwritten for each line of business. The modelling for the loss reserves takes into account the claims experience, claims development, market conditions, as well as matters that are sensitive to the legal, economic, and various other factors and uncertainties, in order to arrive at the estimation of the ultimate losses. The reserve for unexpired risk is computed based on the premiums booked, nature of the policies, and generally accepted valuation basis. Management reviews the claims and premiums, the inputs into the models, and they also engage a certified independent actuary to review the estimation of ultimate losses and reserve for unexpired risks to ensure that the technical balances are adequate.

In auditing the technical balances, we performed test of controls, test of details, and analytical review procedures on the Company's technical balances. We also compared the actuarial valuation methodologies and assumptions used by management with industry data, and against recognized actuarial practices. Our procedures included a review of the assumptions used by the independent qualified certifying actuary and rationale for conclusions made thereon, an assessment of the consistency of valuation methodologies applied against prior years, and an assessment of whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience. In addition, we performed an independent analysis and re-computation of the technical balances of selected classes of business. Our focus of the independent analysis and re-computation were over the largest and most uncertain reserves. We also compared our independent analysis to those performed by the management and obtained explanations of significant differences noted, if any.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS and for the internal control system that management considers necessary to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements, management is responsible for assessing the ability of the Group to continue to operate continuously, for disclosure, as appropriate, of information relating to business continuity and for reporting based on the assumption of continuing operations, unless the management intends to liquidate the Group, cease its activities or when it lacks any other real alternative, except for liquidation or discontinuance of activities. Those charged with governance are responsible for overseeing the preparation of the Group's consolidated financial statements.

RESPONSIBILITIES OF AUDITOR'S FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue auditor's report that contains our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing always reveals material misstatement if it exists. Misstatements may result from fraud or error and are considered material if it can be reasonably assumed that individually or collectively they may affect the economic decisions of users made on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.³⁹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements.

We carry out informational interaction with people responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify during our audit.



15 August 2017

Tashkent, the Republic of Uzbekistan

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

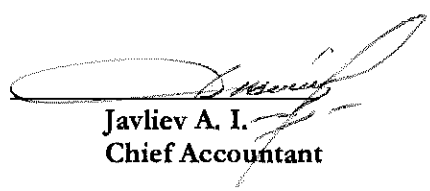
CONSOLIDATED STATEMENT OF PROFIT AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
INSURANCE:			
Written insurance premiums	5	134 249 529	100 046 432
Reinsurance premiums ceded	5	(52 663 159)	(45 120 622)
Written premiums, net of reinsurance		81 586 370	54 925 810
Change in provision for unearned premiums, net of reinsurance	5	914 183	(1 785 676)
Earned insurance premiums, net		82 500 554	53 140 134
Claims paid, gross	6	(34 181 515)	(27 127 120)
Claims on reinsured risks	6	2 820 414	2 831 932
Change in provision for insurance losses, net of reinsurance	6	(11 981 144)	(6 253 616)
Net amount of claims incurred		(43 342 245)	(30 548 804)
Commission income		6 800 689	7 322 540
Acquisition costs		(19 277 494)	(14 738 842)
Change in deferred acquisition costs	17	3 208 823	2 628 932
Results of insurance activity		29 890 327	17 803 960
INVESTMENTS:			
Investment income from financial assets at fair value through profit or loss	7	2 128 744	634 185
Interest income from loans and deposits in banks		6 497 511	5 628 885
Dividend income		3 066 902	6 193 945
Income from share of profit in associates		(97 983)	51 399
Other (expenses)/income from investing activities		367 847	122 756
Results of investing activity		11 963 021	12 631 170
OTHER:			
Net gain on foreign exchange operations		14 093 205	13 334 077
Administrative and operating expenses	8	(31 698 895)	(23 890 236)
Other income		2 225 623	626 146
Results of other activity		(15 380 067)	(9 930 013)
PROFIT BEFORE INCOME TAX		26 473 280	20 505 117
Income tax expense	9	(1 634 161)	(1 081 236)
NET PROFIT FOR THE YEAR		24 839 119	19 423 881
Attributable to:			
Owners of the Company		24 820 064	19 327 520
Non-controlling interest		19 055	96 361
		24 839 119	19 423 881

On behalf of the Management:


Allanazarov D.T.
Financial Director

15 August 2017
Tashkent, Uzbekistan


Javliev A. I.
Chief Accountant

15 August 2017
Tashkent, Uzbekistan

The accompanying notes on pages 12 - 58 are an integral part of the current financial statements.


CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December 2016	Year ended 31 December 2015
NET PROFIT FOR THE YEAR	24 839 120	19 423 883
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	21 062 969	19 371 103
OTHER COMPREHENSIVE INCOME	21 062 969	19 371 103
TOTAL COMPREHENSIVE INCOME	45 902 089	38 784 986
Attributable to:		
Owners of the Company	45 883 033	38 698 623
Non-controlling interest	19 055	96 361
TOTAL COMPREHENSIVE INCOME	45 902 089	38 794 984

On behalf of the Management:


Allanazarov D.T.
Financial Director

15 August 2017
Tashkent, Uzbekistan


Javliev A. I.
Chief Accountant

15 August 2017
Tashkent, Uzbekistan

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

	Notes	31 December 2016	31 December 2015
ASSETS:			
Cash and cash equivalents	10	7 225 149	12 344 106
Deposits in banks	11	144 099 346	117 924 648
Financial assets at fair value through profit or loss	12	163 222 342	138 868 697
Investments available for sale	13	38 563 324	34 125 598
Investments in associates		784 432	685 223
Reinsurer's share in provision for unearned premiums	20	34 183 732	17 627 240
Reinsurer's share in provision for insurance losses	21	4 522 435	4 614 225
Loans and receivables	14	1 632 150	3 592 000
Insurance and reinsurance receivable	15	3 825 367	1 976 153
Property and equipment and Intangible assets	16	15 243 588	13 480 418
Deferred acquisition costs	17	11 675 934	8 467 111
Other assets	18	8 392 017	8 803 903
TOTAL ASSETS		433 369 816	362 509 322
LIABILITIES AND EQUITY			
Insurance and reinsurance payable	19	3 019 848	8 950 721
Provision for unearned premiums	20	50 303 427	32 421 590
Provision for insurance losses	21	45 372 588	33 307 386
Deferred tax liabilities	9	2 996 261	2 624 414
Other liabilities	22	7 196 012	2 816 011
TOTAL LIABILITIES		108 888 135	80 120 122
Share capital	23	19 257 325	19 257 325
Reserve for investment purposes	23	15 454 598	15 454 598
Special insurance reserve	23	4 926 898	4 926 898
Translation reserve	23	160 424 000	139 361 031
Stabilization reserve	23	3 141 237	2 151 467
Retained earnings		119 102 728	99 211 837
Total equity attributable to owners of the Company		322 306 785	280 363 156
Non-controlling interest		2 174 895	2 026 044
TOTAL EQUITY		324 481 680	282 389 200
TOTAL LIABILITIES AND EQUITY		433 369 816	362 509 322

On behalf of the Management:

Allanazarov D.T.
Financial Director

15 August 2017
Tashkent, Uzbekistan

Javliev A. I.
Chief Accountant

15 August 2017
Tashkent, Uzbekistan

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Provision for investment purposes	Special insurance reserve	Exchange differences	Stabilization reserve	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests
January 1, 2015	19 257 325	15 454 598	4 926 898	119 989 928	1 896 076	80 461 975	241 986 800	1 499 491
Total comprehensive income for the year	-	-	-	19 371 103	-	19 327 520	38 698 623	96 361
Transfer to stabilization reserve	-	-	-	-	255 391	(255 391)	-	-
Dividends declared	-	-	-	-	-	(322 267)	(322 267)	-
Change in equity	-	-	-	-	-	-	-	-
Exemption from income tax on dividends and interest income	-	-	-	-	-	-	-	430 192
December 31, 2015	19 257 325	15 454 598	4 926 898	139 361 031	2 151 467	99 211 837	280 363 156	2 026 044
Total comprehensive income for the year	-	-	-	21 062 969	-	24 820 065	45 883 033	19 055
Transfer to stabilization reserve	-	-	-	-	989 770	(989 770)	-	-
Dividends declared	-	-	-	-	-	(3 573 694)	(3 573 694)	-
Change in equity	-	-	-	-	-	(365 710)	(365 710)	-
Exemption from income tax on dividends and interest income	-	-	-	-	-	-	-	129 796
December 31, 2016	19 257 325	15 454 598	4 926 898	160 424 000	3 141 237	119 102 728	322 306 786	2 174 895

On behalf of the Management:



Allanazarov D.T.
Financial Director

Javliev A. I.
Chief Accountant

15 August 2017
Tashkent, Uzbekistan

The accompanying notes on pages 12 - 58 are an integral part of the current financial statements.

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

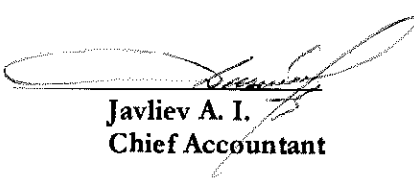
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Year ended 31 December 2016	Year ended 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Premiums received		131 804 385	100 110 434
Reinsurance premiums paid		(53 987 987)	(44 326 359)
Claims paid		(35 983 774)	(27 361 816)
Claims received on reinsured risks		2 996 262	3 929 691
Commission revenue received		6 832 381	7 322 540
Acquisition cost		(19 277 494)	(14 769 177)
Administrative and operating expenses paid		(28 392 107)	(21 638 786)
Interest received		8 626 254	7 553 483
Income tax paid		(1 262 314)	(609 249)
Other revenue received		2 357 556	748 897
Cash flows from operating activities before changes in operating assets and liabilities		27 430 197	10 959 658
<i>Changes in operating assets and liabilities</i>			
Increase in other assets		411 886	(1 467 547)
Increase/(decrease) in other liabilities		4 380 001	186 690
Net cash inflow from operating activities		32 222 084	9 678 801
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from/(investment in) loans and receivables		1 959 850	(420 983)
Net investment in deposits in banks		(26 174 698)	(6 565 645)
Net investment in/(proceeds from) financial assets at fair value through profit or loss		(3 487 867)	405 971
Purchase of property and equipment and intangible assets		(5 139 086)	(2 936 540)
Purchase of investments available for sale		(4 687 726)	(2 635 168)
Proceeds from redemption or sale of investments available for sale		250 000	430 192
Proceeds from sale of property and equipment		69 127	1 880 318
Dividend income received		3 066 902	3 605 461
Net cash used in investing activities		(34 143 498)	(6 236 394)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(3 573 694)	(351 304)
Net cash used in financing activities		(3 573 694)	(351 304)
Effect of changes in foreign exchange rate on cash and cash equivalents		376 151	632 428
Net (decrease)/increase in cash and cash equivalents		(5 118 956)	3 723 531
CASH AND CASH EQUIVALENTS, beginning of the year	10	12 344 106	8 620 575
CASH AND CASH EQUIVALENTS, end of the year	10	7 225 150	12 344 106

On behalf of the Management:


Allanazarov D. T.
Financial Director

15 August 2017
Tashkent, Uzbekistan


Javliev A. I.
Chief Accountant

15 August 2017
Tashkent, Uzbekistan

The accompanying notes on pages 12 - 58 are an integral part of the current financial statements.

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The national export-import insurance company "Uzbekinvest" (the "Company") is a legal entity of the Republic of Uzbekistan. It was created by the decision of the Cabinet of Ministers on April 13, 1994 as the National Insurance Company "Uzbekinvest" and started its activity on June 1, 1994. In accordance with the Decree of the President of February 18, 1997, the National Insurance Company "Uzbekinvest" was transformed into the National Export-Import Insurance Company "Uzbekinvest", with the increase of the share capital and the expansion of the volume of operations. The company provides protection of national exporters of the Republic of Uzbekistan from political, commercial and business risks and assists in the development of international markets. The company provides property insurance, accident insurance, construction insurance, life insurance and other types of insurance. The Company operates in accordance with license No. 00144 dated June 29, 2010 for the implementation of insurance activities issued by the Ministry of Finance of the Republic of Uzbekistan.

The company is registered at the following address: 2, Abdulla Kodiriy Str., Tashkent, the Republic of Uzbekistan 100017

The Company is owned by the Ministry of Finance of the Republic of Uzbekistan (hereinafter referred to as "MF") and the National Bank for Foreign Economic Activity of the Republic of Uzbekistan (hereinafter referred to as "NBU"), whose shares in the Company's capital are 83.33% and 16.67%, respectively. The parent company of the Group is the Government of the Republic of Uzbekistan.

As of 31 December 2016, the Company had 14 branches (31 December 2015: 14) that carry out insurance activities in the territory of the Republic of Uzbekistan.

The Company is the parent company of the insurance group (the "Group"), which consists of the following entities consolidated in these financial statements:

Subsidiary	Country	Share of participation/votes, %		Industry
		2016	2015	
Uzbekinvest International Insurance Company Limited	Great Britain	100	100	Insurance of political risks
Uzbekinvest Sarmoyalari	Uzbekistan	100	100	Investment
Uzbekinvest Hayot	Uzbekistan	80	80	Life insurance
Uzbekinvest Assistance	Uzbekistan	100	100	Insurance service agency

Uzbekinvest International Insurance Company Limited ("UIIC") was incorporated in November 1994 in Great Britain with a share capital of 100,000 thousand US dollars. In December 1995, UIIC received permission from the UK Department of Trade and Industry to carry out insurance activities in the UK and provides insurance services for international investments in the economy of the Republic of Uzbekistan against political risks. In 2009, the shareholders agreed to reduce the total amount of the share capital of UIIC from USD 100,000 thousand to USD 50,000 thousand. In 2009, both UIIC shareholders, the Uzbekinvest National Export-Import Insurance Company (80% shareholder) and American International Underwriters Overseas Ltd (20% shareholder), reduced their investments by 20,000 thousand US dollars each. As a result, the National Export-Import Insurance Company "Uzbekinvest" became the sole owner of UIIC. In 2010, the National Export-Import Insurance Company "Uzbekinvest" reduced its share in the authorized capital of UIIC by 10,000 thousand US dollars, thereby reducing the total amount of the share capital from 60,000 thousand US dollars to 50,000 thousand US dollars.

2 BASIC PRINCIPLES OF 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 on the assumption that the Group will continue to operate in the foreseeable future. Management and shareholders intend to further develop the Group's business in the Republic of Uzbekistan and the United Kingdom. Management believes that the assumption of continuing operations is applicable to the Group due to a satisfactory 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 in accordance with historical cost principles, except for certain financial instruments that are carried at cost at revaluation or fair value at each reporting date, as explained below.

Historical cost is usually determined on the basis of the fair value of the consideration transferred in exchange for goods and services.

The fair value reflects the price that would be received upon the sale of the asset or paid when transferring the obligation under a regular transaction between market participants as of the valuation date, whether such price is directly observable or received by calculation using another valuation technique. In assessing the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants consider such characteristics when forming the price of the asset or liability as of the valuation date. For fair value measurement and / or disclosure with respect to fair value measurement, the fair value in these consolidated financial statements is determined in this way.

In addition, for the purposes of preparing financial statements, the fair value is classified on the basis of a fair value hierarchy (Level 1, 2 or 3). The levels correspond to the possibility of direct determination of fair value based on market data and reflect the significance of the initial data used in estimating the fair value as a whole:

- The Level 1 inputs are non-quoted adjustments in active markets for identical assets or liabilities that the Group has access to at the time of valuation;
- The Level 2 inputs are not quotations determined for Level 1, but are observed in the market for an asset or liability either directly or indirectly;
- The Level 3 inputs are unobservable inputs on the asset or liability.

The Group presents items of the consolidated statement of financial position as a whole in the order of liquidity. The breakdown of repayment or repayment data within 12 months after the date of the consolidated statement of financial position (short-term) and for more than 12 months after the date of the consolidated statement of financial position (long-term) is disclosed in Note 29.

Functional currency

Items included in the Group's consolidated financial statements are measured in the currency of the primary economic environment in which the Group operates ("functional currency"). The Group's functional currency is Uzbek Soum ("UZS"). The currency of presentation of these financial statements of the Group is Uzbek Soum. All values are rounded to the nearest thousand sums, unless otherwise specified.

Offsetting

The financial asset and financial liability are offset and the net consolidated amount is reflected in the consolidated statement of financial position only if the Group has a legally enforceable right to offset the amounts recognized in the balance sheet and intends either to offset the net amount or to realize the asset and fulfill the obligation simultaneously. Income and expenses are not offset in the consolidated income statement, unless required or permitted by the accounting standard or an appropriate interpretation, with such cases separately disclosed in the Group's accounting policies.

The main provisions of the accounting policy are given below.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Recognition of interest income+ and expenses

Interest income on financial assets is recognized if it is probable that the Group will receive economic benefits and the amount of revenue can be reliably measured. Interest income and expenses are recognized on an accrual basis and are calculated using the effective interest method. The effective interest method is a method that involves calculating the amortized cost of a financial asset or financial liability (or a group of financial assets / group of financial liabilities), as well as relating interest income or interest expense to the relevant period.

The effective interest rate is the discount rate for the expected future cash inflows (including all payments received or made on the debt instrument that are an integral part of the effective interest rate, as well as transaction costs and other premiums or discounts) for an expected period until the debt instrument is repaid or (if applicable) for a shorter period to the book value at the time the debt instrument is accepted for accounting.

If a financial asset or a group of similar financial assets has been written off (partially written off) as a result of impairment, interest income is determined taking into account the interest rate used to discount future cash flows for the purpose of calculating impairment losses.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive dividends is established (if there is a high probability that the Group will receive economic benefits and the amount of income can be reliably determined).

Insurance operations

IFRS 4 "Insurance Contracts" defines the accounting policy applied to insurance operations. The development and assimilation of this standard includes two stages.

During the first stage, this standard prescribes the requirements for the presentation of insurance contracts in the financial statements of the insurer until the International Accounting Standards Board has completed the second stage of its project regarding insurance contracts. In particular, at the first stage, an enterprise can continue to use local accounting policies for insurance transactions in financial statements prepared in accordance with IFRS, provided that the principles of adequacy of insurance reserves and disclosure of information established in IFRS are observed.

The second phase of the project, currently under implementation, should develop a unified international accounting principles for insurance contracts.

The Group's accounting policies for insurance contracts described below have been determined in accordance with IFRS of 1st stage – IFRS 4 Insurance Contracts, and the Group has decided to continue to use the statutory accounting policies for insurance transactions in the financial statements prepared in accordance with IFRS.

Insurance contract

Insurance contracts are contracts whereby the Group (the insurer) assumes a significant insurance risk from the policyholder, agreeing to provide compensation to the policyholder in the event that a specified future event, the occurrence of which is uncertain (an insurance event), will adversely affect the policyholder and/or its financial position. As a general recommendation, the Group determines whether it has a significant insurance risk compared to the potential insurance coverage of the amount payable if the insured event does not occur.

After the 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.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Description of insurance products

The group offers insurance products that include all general insurance risks. The main business of the Group is:

- Insurance of transport, including third-party liability insurance;
- Property insurance;
- Personal accident insurance;
- Insurance of political risks;
- Life insurance.

Short-term insurance contracts include insurance for transport, property, accident insurance, voluntary medical insurance and short-term life insurance contracts.

Short-term insurance contracts

Transport and property insurance guarantees that the Group's customers are paid compensation for damage caused to their property, or their financial interests are covered. Customers are also insured against losses incurred as a result of their inability to use the 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 harm to third parties as a result of their legal activities. Reimbursable losses include both contractual and non-contractual events. Typical protection is designed for employers who are legally responsible for paying compensation to injured employees or the company (the employer's liability), as well as for individual and business clients who are responsible for paying compensation to a third party for personal injury or property damage (social responsibility).

Personal accident insurance protects the customer from the risk of injury (injury) or other accidents. Voluntary health insurance was developed to provide the Group's customers with payment for medical services. These services are considered to be insurance only if, at the time of entry into force of the agreement, the Group can not be sure of the probability, timeliness and amount of cash outflows related to this type of insurance.

Insurance of political risks protects the activity of clients and assets of companies-investors or companies engaged in business activities in the Republic of Uzbekistan. The cover provides for investments in infrastructure and trade operations, which are insured against political risks in Uzbekistan with respect to investors and creditors. The investment cover includes confiscation, expropriation and nationalization. Coverage of trade operations includes long-term refusals to fulfill obligations and illegal withdrawal of guarantees.

Long-term insurance contracts

Long-term life insurance contracts with fixed and guaranteed terms provide for insurance of events related to a person's life (for example, death or survival) for a long-term period. Premiums are recognized as income when they are payable by the owner of the contract. Bonuses are reflected until the commission is deducted. Rewards are recorded as expenses as they arise.

Insurance premiums

Premiums under insurance contracts are accounted for as issued at the time of the commencement of the operation of insurance contracts and relate to income proportionally during the validity of insurance policies.

Unearned premium reserve

The unearned premium reserve is created in the amount of the part of the premium issued under the insurance contract relating to the remaining term of the insurance contract as of the reporting date and is proportionally calculated by the "pro rata temporis" method.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Claims

Claims and related settlement costs are recorded in the consolidated statement of comprehensive income as incurred on the basis of an assessment of the liability for the amount of payment to the policyholder or third party, less subrogation. Subrogation is the right to demand from a third party a part or the entire amount of a claim settlement.

Deferred acquisition costs

Acquisition costs are commissions, salaries and other direct costs for attracting insurance, the amount of which varies and depends on the amount of premiums on newly signed and renewed contracts. Acquisition costs are deferred and amortized over the period for which the respective premiums will be earned. Deferred acquisition costs (DAC) are calculated separately by type of activity and are reviewed in each reporting period to verify their recoverability.

Allowance for losses

The loss reserve is an estimate of the liabilities for future insurance payments and includes a reserve of claimed losses (RCL) and a reserve of incurred but not settled losses (RINSL).

RCL is created with respect to existing claims that were not settled as of the reporting date. The valuation is based on information received by the Company during the investigation of the insured event. RINSL as a whole is determined by summing up the RINSL calculated for each type of insurance according to the requirements of the MF, which stipulate that the amount of RINSL in any case should not be less than 10 percent of the amount of the basic insurance premium under general insurance (reinsurance) contracts for the period of twelve months prior to the reporting dates.

The share of the reinsurer in the loss reserve is calculated in accordance with the share of the reinsurer under the relevant reinsurance contract. The share of reinsurers in RCL is accounted for in reinsurance assets under RCL until the full payment by the reinsurer of the insurance payment.

Test for the adequacy of the obligation. At each reporting date, an adequacy test is conducted to ensure the adequacy of contractual obligations, net of related deferred acquisition costs (DAC). During these tests, the most accurate available estimates of future contractual cash flows, claims settlement costs, administrative expenses, and investment returns from assets supporting these obligations are used.

Any deficiencies are immediately reflected in the consolidated statement of comprehensive income, initially by writing off the DAC, subsequently by creating a provision for losses arising from the adequacy test.

Financial instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position of the Group when the Group becomes a party to the contract in respect of the related financial instrument. The Group records the acquisition and sale of financial assets and liabilities on a settlement date, which are regular. Standard purchase or sale transactions are the purchase or sale of financial assets that require the delivery of assets within the time limits established by regulatory enactments or market practices.

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss (FVTPL); Available-for-sale (AFS); Loans and receivables. The assignment of financial assets to a particular class depends on their characteristics and acquisition objectives and occurs at the time they are taken into account.

Financial assets at fair value through profit or loss

A financial asset is classified as a FVTPL, if it is either intended for trading or is defined as a FVTPL at the time of initial recognition.

A financial asset is classified as held for sale if it:

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

- Is purchased with the main purpose of reselling it in the near future;
- At initial accounting, is part of a portfolio of financial instruments that are managed by the Group as a single portfolio, for which there is a recent history of short-term purchases and resale; or
- Is a derivative that is not classified and is not used as a hedging instrument.

A financial asset that is not held for sale can be designated as a control document at the time of acceptance to the account if:

- The application of this classification eliminates or significantly reduces the imbalance in the valuation or accounting of assets or liabilities that might otherwise arise;
- A financial asset is part of a group of financial assets, financial liabilities or a group of financial assets and liabilities that is managed and evaluated based on a fair value in accordance with a documented risk management strategy or investment strategy of the Company and information about such a group of financial assets is This basis; or
- The financial liability is part of a tool containing one or more embedded derivatives and IAS 39
- "Financial Instruments: Recognition and Measurement" permits the instrument to be classified as a whole (asset or
- liability) at fair value with recognition of its change in the income statement.

FVTPL financial assets recorded at fair value reflecting the revaluation in profit or loss. Net profit or loss incorporates any dividend or interest earned on the financial asset, are recognized in the line "Investment income" in the statement of comprehensive income.

Available-for-sale financial assets

Financial assets of the category "AFS" are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) investments held to maturity, (c) financial assets carried at fair value Through profit or loss.

Shares and fixed-term bonds traded on organized markets are classified as "available-for-sale" and are recorded at fair value. The Group also has investments in shares that do not circulate on the organized market, which are also classified as financial assets of the category of the AFS and are accounted for at fair value (as the Company's management believes that fair value can be measured reliably). Income and expenses arising from changes in fair value are recognized in other comprehensive income as part of the investment revaluation reserve, with the exception of those that are permanent in cases of impairment of interest income calculated using the effective interest method, dividend income and foreign exchange gains that are recognized in profit or Losses. When a financial asset is derecognized or depreciated, the cumulative gain or loss previously recognized in the investment revaluation reserve relates to the financial results during the period of disposal or impairment.

The fair value of monetary assets classified as AFS in foreign currency is determined in that foreign currency and translated at the spot rate as at the reporting date. Exchange differences are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other exchange differences are recognized in other comprehensive income.

Investments in equity securities classified as AFS, which are not quoted in an active market and whose fair value cannot be reliably measured, are carried at cost less any impairment losses identified at the end of each reporting period.

Loans and receivables provided

Trade receivables, loans and other receivables with fixed or determinable payments that are not traded in an organized market, including funds in banks, insurance and reinsurance receivables and other financial assets are classified as "loans and receivables". Loans and receivables are carried at amortized cost using the effective interest method less impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables, interest income on which is insignificant.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. Financial assets are considered impaired if there is objective evidence of a decrease in the estimated future cash flows of the asset as a result of one or more events that occurred after the financial asset was recorded.

For non-traded investments in shares in the category of AFS, an objective evidence of impairment is a significant or prolonged decline in fair value below the cost of their acquisition.

For all other financial assets, objective evidence of impairment may be as follows:

- Significant financial difficulties of the issuer or counterparty; or
- Violation of the contract, for example, refusal or evasion from payment of interest or principal amount of debt; or
- Non-payment or delay in payment of interest and principal amount of debt or
- High probability of bankruptcy or financial reorganization of the borrower; or
- The disappearance of the active market for this financial asset due to financial difficulties.

For certain categories of financial assets, such as loans and receivables, assets that are not individually recognized as impaired are also assessed for impairment in the portfolio as a whole. An objective indication of the depreciation of the portfolio of loans and receivables can be the past experience of the Group in recovering debts, increasing the number of delays in repaying portfolio debts, as well as pronounced changes in the national and local economy, which are usually accompanied by a default on payments.

For financial assets carried at amortized cost, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate for the financial asset.

For financial assets carried at cost, the impairment loss is defined as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market interest rate for a similar financial asset. Such impairment losses are not reversible in future periods.

An impairment loss directly reduces the carrying amount of all financial assets, with the exception of loans and receivables, the reduction in value of which is due to the formation of a provision. If loans are recognized as uncollectible, loans and receivables are also written off against the reserve. The reimbursements of amounts previously written off are credited against the reserve account. Changes in the provision are recognized in profit or loss.

If a financial asset classified AFS is recognized as impaired, the gain or loss accumulated in other comprehensive income is recognized in profit or loss.

If, in a subsequent period, the amount of an impairment loss on a financial asset carried at amortized cost decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is recovered through the profit or loss account. At that, the carrying amount of financial assets as of the date of restoration of an impairment loss can not exceed the amortized cost, which would be reflected in case if the impairment was not recognized.

Impairment losses on equity securities classified as AFS previously recognized in profit or loss is not reversed. Any increase in fair value of these assets after recognition of the impairment loss is recognized directly in other comprehensive income and accumulated under the heading of revaluation reserve investments.

In the case of debt securities classified as AFS impairment losses are subsequently reversed through profit or loss if the increase in fair value of financial investments can be objectively linked to an event occurring after the recognition of impairment loss.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Write-off of loans and receivables

If it is not possible to recover loans and receivables, including by foreclosure, they are written off against the provision for impairment. Write-off of loans and receivables occurs after the Company's management has taken all possible measures to recover the amounts due to the Group, and after the Company has realized the available collateral. Subsequent recoveries of amounts previously written off are recorded as a reduction in the cost of impairment of financial assets in the income statement during the recovery period.

Derecognition of financial assets

The Group derecognizes financial assets only in the event of termination of contractual rights over them to cash flows or in the event of the transfer of a financial asset and the related risks and benefits to the other party. If the Group does not transfer and does not retain all the main risks and rewards of ownership of the asset and continues to control the transferred asset, it continues to reflect its share in the asset and the associated possible liabilities for possible payment of the related amounts. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, it continues to account for this financial asset, and the proceeds from the transfer reflect a secured loan.

When a financial asset is fully written down, the difference between the carrying amount of the asset and the amount of consideration received and receivable, as well as the cumulative gain or loss recognized in other comprehensive income and accumulated in equity, relates to profit or loss.

If the recognition of a financial asset is not completely discontinued (for example, when the Group retains the opportunity to repurchase part of the transferred asset), the Group allocates the previous carrying amount of the financial asset between the part that it continues to recognize in the continuing participation and the part that it no longer recognizes Based on the relative values of the fair values of these parts as of the date of transfer. The difference between the carrying amount allocated to the written-off part and the amount of consideration received for the written-off part, as well as any profits or losses accumulated and distributed to it recognized in other comprehensive income, relate to profit or loss. Income or expenses recognized in other comprehensive income are also distributed in proportion to the fair value, withheld and written-off parts.

Issued financial liabilities and equity instruments

Classification as an obligation or capital. Debt and equity instruments issued by the Company are classified as financial liabilities or capital based on the substance of the relevant contract, as well as the definitions of the financial liability and equity instrument.

Equity instruments. An equity instrument is any contract that confirms the right to a share of the company's assets after deducting all its liabilities. Equity instruments issued by the Company are recognized in the amount of proceeds from them, net of direct costs incurred for their issue.

The repayment of the Company's own equity instruments is deducted directly from the capital. The profit or loss arising from the purchase, sale, issue or cancellation of the Company's own shares is not recognized in profit or loss.

Financial liabilities

Financial liabilities, including insurance and reinsurance payables and other financial liabilities, are initially recorded at fair value, net of transaction costs. Subsequently, financial liabilities are measured at amortized cost. The interest expense is calculated using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and the allocation of interest expense in the relevant period. The effective interest rate is the discount rate of the expected future cash payments (including all payments received or effected on the debt instrument that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) for the expected period until the financial liability is paid or (if applicable) for a shorter period to the book value at the time of its adoption.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Derecognition of financial liabilities

The Group derecognizes financial liabilities only in case of redemption, cancellation or expiration of requirements on them. When an existing financial liability is replaced by another obligation to the same creditor under substantially different terms, or the terms of the existing liability substantially change, such an exchange or change is accounted for as a write-off of the original obligation and recognition of a new liability. The difference between the carrying amount of a financial liability that is derecognized and the consideration paid or receivable is recognized in profit or loss.

Investments in associates

The associate is the entity over which the Group has significant influence. Significant influence is the power to participate in decisions relating to the financial and economic activity of the enterprise, but is not control or joint control in respect of such activities.

Assets and liabilities and financial performance of associates are included in these consolidated financial statements on a participatory basis, unless the financial investment or part of it is classified as held for sale and accounted for in accordance with IFRS 5. For The equity investment method, investments in associates are initially recognized in the consolidated statement of financial position at cost and subsequently adjusted to including the Group's share of profit or loss and other comprehensive income of the associate. In the event that the Group's share of the loss of the associate exceeds the Group's investment in that associate (including any long-term investments that are in fact part of the Group's net investment in the associate), the Group ceases to recognize its share of the loss. Additional losses are recognized only in cases where the Group has a legal obligation or in accordance with the rules of business turnover to reimburse the corresponding share of losses or if the Group has made payments on behalf of the dependent enterprise.

Investments in an associate are accounted for using the equity method from the date on which it becomes an associate. When an investment in an associate is acquired, the positive difference between the acquisition cost of the investment and the Group's interest in the fair value of the identifiable assets and liabilities of the investee entity is goodwill, which is included in the carrying amount of such investments. If the Group's share in the net fair value of the identifiable assets and liabilities acquired exceeds the cost of acquisition of the investment after the revaluation, the excess is immediately recognized in profit or loss in the period in which the investment is acquired.

To determine whether recognition of an impairment loss on the Group's investment in associates it is applied the requirements of IAS 39. If necessary, the carrying value of the investment (including goodwill) is tested for impairment according to IAS 36 "Impairment of assets" as a whole by comparing its recoverable amount (the highest value of the value in use and fair value less costs to sell) with its carrying amount. A recognized impairment loss reduces the carrying amount of the investment. Reversals of such impairment loss is recognized in accordance with IAS 36 in cases where the recoverable amount of the investment subsequently increases.

The Group discontinues the application of the equity method from the date that the investment ceases to be an associate or when the investment satisfies the recognition criteria as held for sale. If the Group maintains a share in the former associate which is a financial asset, then this interest is measured at its fair value at that date, and the fair value of the investment is deemed to be the fair value at the time of initial recognition as a financial asset in accordance with IAS 39. The difference between the carrying amount of an associate as of the date of termination of the equity method of accounting and the fair value of all the remaining Interest and all proceeds from the retirement of a part of the interest in the associate is accounted for in determining the profit and loss from the sale of the associate. In addition, all amounts previously recognized in other comprehensive income in the part relating to the retiring associate are accounted for by the Group in the same manner as would be required if the associate independently sold the related assets and liabilities. Accordingly, if a gain or loss previously recognized in other comprehensive income is reclassified to profit or loss when the related assets or liabilities are sold, the Group reclassifies profit or loss from equity to profit or loss (as reclassified adjustment) at the time of termination of the use of the equity method Participation.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

When the Group reduces its interest in an associate but continues to apply the equity method, a portion of the profit or loss previously recognized in other comprehensive income and attributable to such reduction in the participatory interest is reclassified to profit or loss if such gains or losses are reclassified to profit or loss on disposal of the related assets or liabilities.

If the Group member entity conducts transactions with an associate, the gains and losses arising from transactions with the associate are recognized in the consolidated financial statements of the Group only to the extent of the interest in the associate that does not belong 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 disburses funds and provides deposits to banks for various periods. Amounts due from banks are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Amounts due from banks are recorded net of any allowance for impairment.

Accounts receivable on insurance and reinsurance

The insurance receivable is recognized upon receipt of the relevant income and is measured at initial recognition at the fair value of the funds receivable. After initial recognition, the insurance receivables are measured at amortized cost using the effective interest method. The carrying amount of insurance receivables is the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of insurance receivables is assessed for impairment whenever events or circumstances indicate that the carrying amount may not be recovered and the impairment loss is recognized in the income statement.

The termination of recognition of accounts receivable for insurance is carried out when the criteria for derecognition of financial assets are met.

Reinsurance

In the normal course of business, the Group transfers insurance risks to reinsurance. Reinsurance assets represent funds receivable from reinsurance companies. The recoverable amounts are estimated in the same way as the unearned premium reserve and the reserve of losses and losses settlement costs and in accordance with the reinsurance contract.

The impairment assessment is carried out at each reporting date or more frequently if there are indications of impairment during the reporting year. Impairment arises when there is objective evidence that the Group will not be able to recover the amounts receivable from the reinsurer under the terms of the contract, and when the impact on them can be reliably measured. An impairment loss is recognized in the income statement.

The agreements transferred for reinsurance do not release the Group from liabilities to the insured.

In the ordinary course of business, the Company also assumes a risk in connection with reinsurance under general insurance contracts. Premiums and losses for accepted reinsurance are recognized as income and expenses in the same way as income and expenses for direct insurance, taking into account reinsurance classes.

Bonuses and payments are presented separately for both outgoing and incoming reinsurance. The termination of recognition of reinsurance assets and liabilities is carried out when the contractual obligations are fulfilled or expired or when the contract is transferred to a third party.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)**Fixed assets and intangible assets**

Fixed assets and intangible assets are stated at cost less accumulated depreciation and impairment and accumulated impairment losses.

Depreciation and amortization are charged for the purpose of writing down fixed assets and intangible assets during their useful life. Depreciation is accrued on the basis of the method of uniform write-off of cost using the following annual rates:

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

At each reporting date, the Group assesses whether the carrying amount of fixed assets and intangible assets exceeds their replacement cost. In case of excess of the book value of fixed assets and intangible assets of their replacement value, the Company reduces the carrying amount of fixed assets and intangible assets to their replacement value.

The gain or loss arising from the sale or disposal of an asset is recognized as the difference between the sale price and the carrying amount of the asset in the income statement.

Taxation

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

Current income tax

The amount of expenses for income tax in the current period is determined taking into account the amount of taxable profit received for the year. Taxable profit differs from net profit recorded in the income statement, as it does not include items of income or expense that are taxable or deductible in other years, and excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that are effective during the reporting period.

Deferred income tax

Deferred tax is provided on the basis of the balance sheet method of accounting and represents income tax claims or liabilities accrued on the difference between the carrying amount of assets and liabilities and the corresponding tax records used to calculate taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recorded to reflect the likelihood of future taxable profits for offsetting the related deferred tax assets.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the tax benefit will be obtained sufficient to recover the asset in whole or in part.

Deferred taxes are calculated at rates that are expected to apply in the period when the liability is settled or the asset is sold. Deferred income tax expense is charged to the income statement, except when they relate to items that are directly attributable to other comprehensive income, in which case deferred taxes are also recognized in other comprehensive income.

The assessment of deferred tax liabilities and assets reflects the tax consequences of the Group's intentions (as of the end of the reporting period) with respect to how to recover or pay off the carrying amount of assets and liabilities.

Current tax and deferred income tax are recognized in profit or loss unless they relate to items that are directly recognized in other comprehensive income or equity.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

In the Republic of Uzbekistan there are requirements for the calculation and payment of various taxes applicable to the activities of the Group. These taxes are included in operating expenses in the statement of income.

Accounts payable on insurance and reinsurance

Accounts payable for insurance includes advances received, debts to policyholders for claims and reimbursement for canceled contracts and debts to agents and brokers, as well as advances received from insurers and reinsurers.

Accounts payable for reinsurance includes net indebtedness for reinsurance. Indebtedness for reinsurance includes premiums transferred to reinsurance, reimbursement of premiums accepted for reinsurance for canceled contracts and claims for accepted reinsurance. Accounts payable for insurance and reinsurance are recorded at amortized cost.

Reserves

Reserves are recognized when the Group has contingent liabilities arising from past events that are determined by law or implied, for the settlement of which it is probable that an outflow of resources embodying economic benefits will be required and the amount of such liabilities can be estimated reliably.

The amount of the provision for future expenses recorded is the best estimate of the amount necessary to settle the obligations, determined at the end of the reporting period, taking into account the risks and uncertainties inherent in these obligations. If the amount of the reserve of future expenses is calculated on the basis of the estimated cash flows for the repayment of liabilities, the reserve of future expenses is defined as the present value of such cash flows (if the influence of the value of money over time is significant).

If it is expected that the payments necessary to settle the obligations will be partially or fully recovered by a third party, the related receivables are recognized as assets subject to full assurance that the reimbursement will be received and if there is an opportunity to reliably estimate the amount of that receivable.

Share capital and dividends

Contributions to the share capital are recorded at cost. Dividends on common shares are reflected as a decrease in equity in the period in which they were declared. Dividends declared after the balance sheet date are treated as events after the reporting date in accordance with IAS 10 Events after the Reporting Date ("IAS 10") and disclosed accordingly.

Foreign currency

In preparing the financial statements, transactions in currencies other than the functional currency of the Group ("foreign currencies") are accounted for at the exchange rate as of the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the UZS at the appropriate current exchange rate as at the balance sheet date. Transactions in foreign currencies are recorded at the rate applicable at the date of the transaction. The gains and losses arising from such translation are included in the net profit / (loss) on foreign exchange transactions. The exchange rates at the end of the year used by the Company in preparing the financial statements are as follows:

	31 December 2016	31 December 2015
UZS/1 US Dollar	3231.48	2,809.98
UZS/1 Euro	3419.23	3,074.19
UZS /1 Russian Ruble	53.10	39.99
UZS /1 British Pound Sterling	3969.23	4,191.93

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Essential assumptions and sources of uncertainty in estimates

In the process of applying the Group's accounting policies, management must make assumptions, estimates and assumptions about the carrying amount of assets and liabilities that are not apparent from other sources. Estimates and underlying assumptions are based on past experience and other factors that are considered relevant in the particular circumstances. Actual results may differ from these estimates.

Estimates and associated assumptions are regularly reviewed. Changes in estimates are recorded in the period in which the estimate was revised, if the change affects only that period, or in the period in which the estimate was revised, and in future periods, if the change affects both current and future periods.

Essential assumptions used in applying accounting policies

Below are significant assumptions other than those where there is uncertainty in the estimates (see below) that the Group's management used in applying the Company's accounting policies and which most significantly affect the amounts reflected in the financial statements.

Allowance for losses

The loss reserve is an estimate of the liabilities for future insurance payments and includes a reserve of claimed losses (RCL) and a reserve of incurred but not settled losses (RINSL).

RCL is created with respect to existing claims that were not settled as of the reporting date. The valuation is based on information received by the Company during the investigation of the insured event. The RINSL as a whole is determined by summing up the RINSL calculated for each type of insurance according to the MF requirement, which stipulates that the amount of the RINSL should in no case be less than 10 percent of the amount of the basic insurance premium under general insurance (reinsurance) contracts for a period of twelve months before the reporting date.

The share of the reinsurer in the loss reserve is calculated in accordance with the share of the reinsurer under the relevant reinsurance contract. The share of reinsurers in RCL is accounted for in reinsurance assets under RCL until the full payment by the reinsurer of the insurance payment.

Valuation of financial instruments

The Group uses valuation methods that take into account inputs that are not based on observable market data used in determining the fair value of financial instruments, as well as a detailed analysis of the sensitivity of estimates with respect to these assumptions. Management believes that the valuation techniques chosen and the assumptions used are appropriate to determine the fair value of financial instruments.

Investments are recorded at cost

Management can not reliably estimate the fair value of the Group's investments in equity instruments available for sale.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that affect financial reporting

The new and revised standards and interpretations listed below were firstly applied in the current period and affected the financial indicators presented in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 - "Investment Organizations";
- Amendments to IAS 32 - "Offsetting Financial Assets and Liabilities";
- Amendments to IAS 36 - Disclosures about the recoverable amount of non-financial assets;

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continuation)

- Clarification of the IFRIC 21 "Levies".

Amendments to IFRS 10, IFRS 12 and IAS 27 - "Investment Organizations". The amendments to IFRS 10 exempt investment organizations from the consolidation of subsidiaries. Instead, investment entities are required to measure their interest in subsidiaries at fair value through profit or loss in their and separate financial statements. The exception does not apply to those subsidiaries that provide services related to the investment activity of the investment organization.

Organization is considered as an investment company if it meets several criteria:

- receives funds from one or more investors to provide them with professional investment management services;
- provides investors with an assurance that the purpose of its business is solely to invest in capital gains, generate investment income, or both;
- estimates the results of almost all investments at fair value.

Amendments to IFRS 12 and IAS 27 provide for additional disclosures that are mandatory for investment institutions.

These amendments did not have an impact on the Company's financial statements, as the Company is not an investment organization.

The impact of the application of these standards is presented below:

Amendments to IAS 32 - "Offsetting Financial Assets and Liabilities". The amendments to IAS 32 clarify the application of the requirements for netting of financial assets and financial liabilities. In particular, the meanings of the phrases "existing legally enforceable right of netting" and "simultaneous sale of the asset and settlement of the obligation" are explained.

The amendments had no impact on the Company's financial statements due to the lack of financial assets and liabilities to which the netting rules apply.

Amendments to IAS 36 - Disclosures about the recoverable amount of non-financial assets. The amendments to IAS 36 limit the requirement to disclose the recoverable amount of an asset or cash-generating unit only in those periods in which the impairment loss was recognized or reversed. In addition, the amendments introduce additional disclosure requirements in the event that the recoverable amount has been determined based on the fair value less costs to divest. The new disclosure includes the hierarchy of fair value, the main assumptions used and valuation methods that comply with the disclosure requirements specified in IFRS.

IFRS 13 "Measurement of fair value".

Clarification of the IFRIC 21 "Levies" The clarification applies to all payments made by the government other than income taxes that are accounted for in accordance with IAS 12 and penalties for violation of law. The clarification states that the obligation to pay the fee is recognized only when the binding event occurs; this clarification also provides guidance on determining whether an obligation should be recognized gradually over a period or in a full amount as of a certain date. The clarification did not have an impact on the financial statements, except for changes made to the accounting policy.

The company did not apply ahead of schedule other standards, amendments and interpretations that were issued, but did not enter into force.

New and revised IFRSs issued but not yet effective

A number of new standards, amendments to standards and explanations have not yet entered into force as of 31 December 2016 and have not been applied in the preparation of these consolidated financial statements. Of these innovations, the following standards, amendments and clarifications have the potential to affect the Group's operations.

The Group plans to begin applying these standards, amendments and clarifications from the moment they come into force.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continuation)

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments", published in July 2014, replaced the existing guidance to IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification and evaluation

IFRS 9 contains three main appraisal categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL). In accordance with IFRS 9, the classification of financial assets is determined primarily on the basis of the business model in which the financial asset is managed and the characteristics of contractual cash flows. The standard eliminates the category of financial assets that exist in IAS 39: financial assets held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives that are embedded in a host contract that is a financial asset in the scope of the standard are not separated from the host contract. Instead, the entire hybrid contract is fully evaluated for classification. Equity instruments are measured at fair value.

IFRS 9 largely retained the requirements in IAS 39 for the classification of financial liabilities.

Impairment

With respect to impairment, IFRS 9 introduces a new, forward-looking model of "expected credit losses" that replaces the "incurred credit loss" model established by IAS 39. Applying the new impairment model will require significant professional judgment from the Company, how changes in economic factors affect the expected credit losses, determined by weighing the probability of occurrence.

A new impairment model will apply to financial assets measured at amortized cost or at fair value through other comprehensive income, excluding investments in equity instruments, as well as to contractual assets.

In accordance with IFRS 9, the estimated provisions for expected credit losses will be estimated in one of the following ways:

- based on 12-month expected credit losses. These are the expected credit losses that will arise as a result of defaults possible within 12 months after the reporting date.
- on the basis of expected credit losses for the entire period. This is the expected credit loss, arising from all possible cases of default throughout the expected life of the financial instrument.

An estimate of the expected credit losses for the entire period is applied if the credit risk on the financial asset at the reporting date has increased significantly since the initial recognition. Otherwise, the estimated credit loss is estimated for 12 months after the balance sheet date. In this case, the enterprise is entitled to use the assumption that the credit risk on the financial instrument has not increased significantly since the initial recognition, if it was determined that the financial instrument has a low credit risk as of the reporting date. However, in respect of trade receivables and contract assets that do not contain significant funding components, an estimate of the expected credit losses for the entire period should always be applied. An enterprise can choose as its accounting policy the same approach for both trade receivables and contract assets that contain significant financing components.

Hedge accounting

The general hedge accounting requirements are aimed at simplifying hedge accounting, more convergence of hedge accounting with risk management strategies. The standard does not contain direct guidance on the accounting for macro hedging, which is considered in a separate project. IFRS 9 provides for the selection of an accounting policy with respect to the ability of the Company to continue accounting for hedges in accordance with IAS 39.

Transition to IFRS 9

The requirements for classification and assessment and impairment are generally applied retrospectively (with certain exemptions) by adjusting the opening balance of retained earnings and reserves at the date of initial application. The standard does not require recalculation of comparative historical data.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continuation)

IFRS 9 becomes effective for annual periods beginning on or after January 1, 2018. Early application of the standard is allowed. The Group does not intend to apply this standard ahead of schedule in full.

The group has begun to develop a transition plan to IFRS 9 and will soon begin to formally assess the potential impact of applying IFRS 9 to its financial statements. At the time the consolidated financial statements are prepared, it is not possible from a practical point of view to assess the impact that IFRS 9 will have on the Group's financial statements.

IFRS 16 "Leases" replaces the current guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determination of the presence of the lease agreement in the agreement", Clarification of the SIC 15 "Operating Leases - Incentives" and Clarification of the SIC 27 "Analysis of the nature of transactions that have a legal form of lease". The new standard abolishes the double accounting model currently applied to the lessee's account. This model requires classification of leases for financial leases recorded on the balance sheet and operating leases that are accounted for by the balance sheet. Instead, it introduces a single accounting model, which reflects a lease on the balance sheet and has a similarity to the current accounting for finance leases. For the lessors, the accounting rules currently in force are generally preserved - the lessors will continue to classify the lease for financial and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. Early adoption of the standard is permitted provided that IFRS 15 "Revenues under contracts with customers" will also be applied. The Group does not intend to apply this standard ahead of schedule. The Group is in the process of assessing the possible impact of IFRS 16 on the consolidated financial statements.

IFRS 15 "Revenue under contracts with customers" establishes a general system of principles for determining whether revenue should be recognized, in what amount and when. The standard replaces the current guidance on revenue recognition, including IAS 11 Construction Contracts, IAS 18 Revenues and IFRIC 13 Customer Loyalty Programs. IFRS 15 becomes effective for annual periods beginning on or after 1 January 2018. Early application of the standard is allowed. The Group does not intend to apply this standard ahead of schedule. The Group is in the process of assessing the possible impact of IFRS 15 on the consolidated financial statements.

The following new standards or amendments to standards are not expected to have a significant impact on the Group's consolidated financial statements.

"Draft revision of disclosure requirements (Amendments to IAS 7 "Statement of Cash Flows")

Recognition of deferred tax assets for future unused tax losses (amendments to IAS 12 "Income taxes")
Classification and valuation of share-based payment transactions (amendments to IFRS 2 "Share-based payments").

Various "Improvements to IFRS are considered in relation to each standard separately. All amendments that lead to changes in accounting records for presentation, recognition or valuation are effective no earlier than January 1, 2017. The Group did not analyze the possible impact of improvements on its financial position or performance

4 IMPORTANT EVALUATION VALUES AND JUDGMENTS IN APPLICATION OF ACCOUNTING POLICIES

The Company makes accounting estimates and assumptions that affect the amounts reflected in the financial statements and the carrying amount of assets and liabilities in the next financial year. Accounting estimates and judgments are subject to constant analysis and are based on past management experience and other factors, including expectations of future events that are considered valid under the circumstances. In the process of applying accounting policies, management also makes use of professional judgments, except for accounting estimates. Professional judgments that have the most significant effect on the amounts recognized in the financial statements and accounting estimates that could result in the need for a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

4 IMPORTANT EVALUATION VALUES AND JUDGMENTS IN APPLICATION OF ACCOUNTING POLICIES (Continuation)

Recognition of deferred tax asset. Recognized deferred tax assets represent the amount of income tax that can be offset against future income taxes; They are reflected in the statement of financial position. A deferred tax asset is recognized only if the use of the relevant tax deduction is highly probable. This assumes the existence of temporary differences, the restoration of which is expected in the future, and the existence of sufficient future taxable profits for the production of deductions. The definition of future taxable profits and the amount of tax deductions likely to offset in the future is based on the medium-term business plan prepared by the management and the results of its extrapolation for the future. The business plan is based on management expectations that are considered reasonable in the circumstances.

Tax legislation. The tax, currency and customs legislation of the Republic of Uzbekistan allows for different interpretations.

Initial recognition of transactions with related parties. In the ordinary course of business, the Company conducts transactions with related parties. Under IAS 39, initial recognition of financial instruments is based on their fair value. Judgment is used in determining if transactions are valued at market or non-market interest rates when there is no active market for such transactions. The basis of the judgment is to evaluate similar types of transactions with unrelated parties and to analyze the effective interest rate.

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5 NET EARNED PREMIUMS

Net earned premiums for the year ended 31 December 2016, included:

In thousands of UZS	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2016 Total
Premiums for direct insurance	26 593 121	44 599 560	4 072 474	4 313 086	578 351	27 817 028	107 973 619
Premiums for the reinsurance	14 899 366	6 310 226	156 198	164 052	4 746 069	-	26 275 910
General Insurance premiums	41 492 486	50 909 785	4 228 672	4 477 138	5 324 420	27 817 028	134 249 529
Insurance premiums transferred to reinsurance	(12 529 029)	(36 621 738)	(555 468)	(2 232 725)	(724 199)	-	(52 663 159)
Insurance premiums, minus transferred to reinsurance	28 963 457	14 288 048	3 673 204	2 244 412	4 600 221	27 817 028	81 586 370
Change in the reserve of unearned insurance premiums, minus the share of the reinsurer	250 499	(3 073 642)	859 056	498 917	2 379 353	-	914 183
Net earned premiums	29 213 956	11 214 406	4 532 261	2 743 329	6 979 574	27 817 028	82 500 554

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5 NET EARNED PREMIUMS (Continuation)

Net earned premiums for the year ended 31 December 2015, included:

	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2015 Total
Premiums for direct insurance	13 511 980	36 835 983	6 334 285	1 437 034	118 642	15 922 295	74 160 220
Premiums for the reinsurance	21 226 111	3 943 940	8 610	707 551	-	-	25 886 212
General insurance premiums	34 738 091	40 779 924	6 342 895	2 144 585	118 642	15 922 295	100 046 432
Insurance premiums transferred to reinsurance	14 925 094	28 674 023	300 836	1 220 668	-	-	45 120 621
Insurance premiums, minus transferred to reinsurance	19 812 997	12 105 901	6 042 058	923 917	118 642	15 922 295	54 925 810
Change in the reserve of unearned insurance premiums, minus the share of the reinsurer	405 872	193 794	560 525	(2 866 408)	(81 961)	2 503	(1 785 676)
Net earned premiums	20 218 869	12 299 695	6 602 583	(1 942 491)	36 681	15 924 798	53 140 134

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6 NET LOSSES OCCURRED

Net payments for the year ending 31 December 2016, included

	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2015 Total
Premiums for direct insurance	13 511 980	36 835 983	6 334 285	1 437 034	118 642	15 922 295	74 160 220
Premiums for the reinsurance	21 226 111	3 943 940	8 610	707 551	-	-	25 886 212
General Insurance premiums	34 738 091	40 779 924	6 342 895	2 144 585	118 642	15 922 295	100 046 432
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Net earned premiums	20 218 869	12 299 695	6 602 583	(1 942 491)	36 681	15 924 798	53 140 134

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

6 NET LOSSES OCCURRED (Continuation)

Net payments for the year ending 31 December 2015, included

	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2015 Total
Claims paid for direct insurance	9 670 715	1 601 235	1 286 766	-	243 618	12 812 239	25 614 572
Claims paid on reinsurance accepted	956 682	256 373	283 666	-	-	15 827	1 512 547
Gross claims paid	10 627 396	1 857 608	1 570 432	-	243 618	12 828 066	27 127 120
Claim paid transferred to reinsurance	(586 039)	(2 060 063)	(185 830)	-	-	-	(2 831 932)
Case of compensation paid, net	10 041 357	(202 456)	1 384 602	-	243 618	12 828 066	24 295 187
Changes in the allowance for possible losses of insurance, net of reinsurance	73 598	(337 829)	(97 025)	225 669	7 654	6 381 551	6 253 617
Net claims amount	10 114 955	(540 285)	1 287 577	225 669	251 272	19 209 617	30 548 804

7 INVESTMENT INCOME FROM OPERATIONS WITH FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income	2 474 822	1 658 946
Unrealised gains/(losses) on change in fair value	208 246	(546 485)
Investment management expenses including interest expense	(505 210)	(388 561)
Losses on the realisation of investments	(49 115)	(89 715)
Total investment income from financial assets at fair value through profit or loss	2 128 744	634 185

8 ADMINISTRATIVE AND OPERATING EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015
Staff cost and related taxes	10 943 709	10 179 900
Taxes other than income tax	6 107 114	863 763
Charity	4 503 256	3 584 232
Depreciation and amortisation charges	1 893 917	2 089 477
Rent of premises and utilities expenses	1 013 427	713 815
Office supplies	977 813	324 998
Bank commission charges	821 641	590 157
Transport expenses	744 256	412 393
Professional services	734 525	2 511 529
Security services	475 300	206 576
Business trip expenses	458 123	433 382
Communication	303 849	189 870
Maintenance of property and equipment	242 183	105 833
Training	132 555	125 846
Other	2 347 230	1 558 465
Total administrative and operating expenses	31 698 895	23 890 236

9 INCOME TAX

The Company prepares tax settlements based on the data of tax accounting carried out in accordance with the requirements of the legislation of the Republic of Uzbekistan, which may differ from IFRS.

Due to the fact that certain types of expenses are not taken into account for tax purposes, and due to the availability of non-taxable income, the Company has permanent tax differences. Investment income arising from government securities and securities quoted on the exchange is exempt from taxation.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount that is determined for tax purposes. The temporary differences available as at 31 December 2016 and 2015 are mainly attributable to various methods of accounting for income and expenses, as well as the recorded value of certain assets.

The income tax rate applicable to the majority of the Company's profits consists of corporate income tax (2016: 7.5%, 2015: 7.5% and 2014: 8%) and an infrastructure development tax (2016: 8%, 2015: 8% and 2014: 8%) (tax base for infrastructure development tax).

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9 INCOME TAX (Continuation)

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax	1 262 314	555 239
Deferred income tax	371 847	525 997
Income tax expense	1 634 161	1 081 236

The tax effect of temporary differences as of 31 December 2016 and 2015 is as follows

	31 December 2016	31 December 2016
Tax effect of deductible temporary differences:		
Investments available for sale	293 285	253 644
Deposits in banks	86 364	86 364
Insurance and reinsurance payable	311 721	52 965
Total deferred tax assets	691 370	392 973
Tax effect of deductible temporary differences:		
Investments in associates	(41 836)	(52 282)
Deferred acquisition costs	(1 501 897)	(1 261 600)
Provision for insurance losses	(1 948 935)	(1 506 445)
Other	(194 963)	(197 060)
Total deferred tax liabilities	(3 687 631)	(3 017 387)
Net deferred tax liabilities	(2 996 261)	(2 624 414)

10 CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Balances with banks in foreign currencies	4 373 641	2 091 932
Balances with banks in UZS	2 851 508	10 252 174
Total cash and cash equivalents	7 225 149	12 344 106

11 DEPOSITS IN BANKS

	31 December 2016	31 December 2015
Placements denominated in foreign currencies with original maturities of more than three months	113 028 698	99 336 399
Placements denominated in UZS with original maturities of more than three months	31 650 270	19 148 249
Less impairment provision	(579 622)	(560 000)
Total deposits in banks	144 099 346	117 924 648

12 FINANCIAL ASSETS REFLECTED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2016	31 December 2015
Government bonds	62 422 829	53 387 049
Corporate bonds	100 799 514	85 481 648
Total financial assets at fair value through profit or loss	163 222 342	138 868 697

Financial assets at fair value through profit or loss include investments in foreign currencies held by UIIC. These securities were managed by Falcon Private Wealth Limited (UK) under an investment management contract. These investments are deformed into several types of freely convertible currencies with fixed interest rates, fluctuating between 0.42% and 3.75%.

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13 INVESTMENTS AVAILABLE FOR SALE

	31 December 2016	31 December 2015
JSICB Ipak Yuli Bank	15 129 625	11 836 345
JSCB Qishloq Qurilish Bank	5 170 236	4 378 550
JSCB Microcredit Bank	2 735 999	2 735 999
JSMCB Ipoteka Bank	4 364 301	3 290 669
JSC Kizilkum Cement	2 356 338	2 191 563
CJSC Azia Invest Bank	1 384 681	1 384 681
JSCB Uzpromstroybank	695 038	1 363 930
SK Asko Vostok LLC	696 660	696 660
JSC Tashs vetmedzavod	612 954	612 954
JSCB Asaka Bank	576 502	576 502
SJSC Uzmarkazimpex	593 082	529 721
SJCS Markazsanoatexport	425 000	550 000
Baraka Leasing	539 916	555 193
SJSC Uzinterimpex	524 074	524 074
SJSC Uzprommashimpex	616 402	616 402
Kashkadarya Technologic Transporti LLC	499 525	670 185
JS Navoipakhtosanoat	177 301	177 301
SJCIC Kafolat	227 160	227 160
JSCB Hamkorbank	210 569	210 569
OJSC Mulk sarmoya brokerlik uyi	148 945	148 945
IC Kishloq qurilish invest	-	141 000
JSC Agrobank	143 987	143 987
JSIC Alskom	96 938	96 938
Karakul Paxta Tozalash zavodi LLC	64 063	64 063
Other	574 027	402 207
Total investments available for sale	38 563 324	34 125 598

As at 31 December 2016 and 2015, available-for-sale investments are carried at cost less impairment losses because they do not have market quotes in an active market and management believes that their cost reasonably approximates a fair market cost.

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14 LOANS AND RECEIVABLES

	31 December 2016	31 December 2015
Corporate bonds	800 000	2 800 000
Corporate loans	493 083	493 083
Loans to employees	339 067	298 917
Total loans and receivables	<u>1 632 150</u>	<u>3 592 000</u>

15 RECEIVABLES FOR INSURANCE AND REINSURANCE

	31 December 2016	31 December 2015
Amounts due from policyholders	2 672 345	1 918 208
Amounts due from reinsurers	493 765	40 282
Amounts due from agents and brokers	659 257	17 663
Total insurance and reinsurance receivable	<u>3 825 367</u>	<u>1 976 153</u>

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16 FIXED ASSETS

	Buildings and Land	Office equipment and computers	Construction in progress	Total Property and equipment	Intangible assets	Property and equipment and Intangible assets
<i>Historical cost</i>						
As at 1 January 2015	17 170 562	6 586 813	503 017	24 260 392	118 218	24 378 610
Additions	4 467	2 350 123	581 950	2 936 539	-	2 936 539
Transfer	667 466	(667 466)				
Disposals	(1 859 549)	(506 780)	(357 930)	(2 724 258)		(2 724 258)
As at 31 December 2015	15 982 946	8 430 156	59 571	24 472 673	118 218	24 590 891
Additions	24 545	890 284	4 134 281	5 049 110	89 976	5 139 086
Transfer	2 319 602	1 612 611	(3 932 213)			
Disposals		(367 965)		(367 965)		(367 965)
As at 31 December 2016	18 327 093	10 565 086	261 639	29 153 818	208 194	29 362 012
<i>Accumulated depreciation</i>						
As at 1 January 2015	(5 384 333)	(4 233 743)	-	(9 618 076)	(84 888)	(9 702 964)
Depreciation and amortisation charge	(953 656)	(1 285 805)	-	(2 239 460)	(11 989)	(2 251 449)
Disposals	479 656	364 285	-	843 941		843 941
As at 31 December 2015	(5 858 333)	(5 155 263)	-	(11 013 596)	(96 877)	(11 110 473)
Depreciation and amortisation charge	(2 024 255)	(1 272 693)		(3 296 948)	(9 841)	(3 306 789)
Disposals		298 837,09		298 837		298 837
As at 31 December 2015	(7 882 588)	(6 129 119)	-	(14 011 706)	(106 718)	(14 118 424)
<i>Net book value</i>						
As at 31 December 2015	10 124 613	3 274 893	59 571	21 341	21 341	13 480 418
As at 31 December 2016	10 444 505	4 435 968	261 639	101 476	101 476	15 243 588

17 DEFERRED ACQUISITION COSTS

	31 December 2016	31 December 2015
Deferred acquisition costs as at 1 January	8 467 111	5 838 179
Additions:		
Brokerage and selling commissions	10 686 890	9 205 935
Payroll and related taxes	6 625 914	5 012 059
Advertising and marketing	598 677	398 473
Total	17 911 481	14 616 467
Amortisation:		
Brokerage and selling commissions	(9 052 626)	(7 123 623)
Payroll and related taxes	(5 210 728)	(4 547 937)
Advertising and marketing	(439 304)	(315 975)
Total	(14 702 658)	(11 987 535)
Deferred acquisition costs at 31 December	11 675 934	8 467 111
<i>Change in deferred acquisition costs</i>		
Deferred acquisition cost at 1 January	8 467 111	5 838 179
Increase in deferred acquisition costs	3 208 823	2 628 932
Balance at 31 December	11 675 934	8 467 111

18 OTHER ASSETS

	31 December 2016	31 December 2015
Other financial assets		
Other accounts receivable	3 135 427	2 710 403
Total other financial assets	3 135 427	2 710 403
Other non-financial assets		
Advances to suppliers	3 406 151	5 045 797
Prepaid expenses	901 930	343 550
Tax prepayments	186 412	219 390
Other	762 097	484 762
Total non-financial assets	5 256 590	6 093 500
Total other assets	8 392 017	8 803 903

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19 ACCOUNTS PAYABLE ON INSURANCE AND REINSURANCE

	31 December 2016	31 December 2015
Amounts payable to reinsurers	2 481 524	6 045 880
Amounts payable to insurers	307 860	903 791
Advances received for the insurance activity	181 182	1 983 440
Amounts payable to agents and brokers	49 282	17 610
Total insurance and reinsurance payable	<u>3 019 848</u>	<u>8 950 721</u>

20 UNEARNED PREMIUMS RESERVE

	Provision for unearned premiums	Reinsurer's share in provision for unearned premiums	Net
Provision for unearned premiums as at 1 January 2016	32 421 590	(17 627 240)	14 794 350
Change in provision for unearned premiums, net of reinsurance	17 881 837	(16 556 492)	1 325 345
Provision for unearned premiums as at 31 December 2016	<u>50 303 427</u>	<u>(34 183 732)</u>	<u>16 119 695</u>

	Provision for unearned premiums	Reinsurer's share in provision for unearned premiums	Net
Provision for unearned premiums as at 1 January 2015	21 648 192	(8 639 519)	13 008 673
Change in provision for unearned premiums, net of reinsurance	10 773 398	(8 987 721)	1 785 677
Provision for unearned premiums as at 31 December 2015	<u>32 421 590</u>	<u>(17 627 240)</u>	<u>14 794 350</u>

21 RESERVES FOR INSURANCE LOSSES

	RBNS	IBNR	Life insurance provision	31 December 2016 Total
Provision for insurance losses	3 276 305	7 632 817	34 463 466	45 372 588
Reinsurer's share in provision for insurance losses	(515 783)	(4 006 652)	-	(4 522 435)
Provision for insurance losses, net of reinsurance for 2016	2 760 522	3 626 166	34 463 466	40 850 153
	RBNS	IBNR	Life insurance provision	31 December 2015 Total
Provision for insurance losses	4 541 959	7 502 570	21 262 857	33 307 385
Reinsurer's share in provision for insurance losses	(432 807)	(4 181 418)	-	(8 744 985)
Provision for insurance losses, net of reinsurance for 2015	4 109 152	3 321 152	21 262 857	24 562 401

22 OTHER LIABILITIES

	31 December 2016	31 December 2015
Other financial liabilities		
Payables to suppliers	292 670	1 875 174
Payables to employees	401 135	218 316
Other accounts payable	1 490 840	82 763
Total other financial liabilities	2 184 645	2 176 253
Other non-financial liabilities		
Payables to budget and non-budget funds	1 406 676	332 144
Accruals and deferred income	3 604 691	307 614
Total other non-financial liabilities	5 011 367	639 758
Total other liabilities	7 196 012	2 816 011

23 EQUITY

Share capital

In February 1997, by the Decree of the President of the Republic of Uzbekistan, the share capital of the Group was increased from the equivalent of 10 million US dollars to the equivalent of 60 million US dollars, i.e. 3 453 000 thousand sum.

In accordance with the Decree of the President of the Republic of Uzbekistan "On Measures for Further Liberalization and Development of the Insurance Market" of January 31, 2002, all insurance companies operating in the Republic of Uzbekistan were exempt from income tax for a period of 3 years until January 31, 2005 of the year. According to the Decree, the funds, exempted from taxes at a nominal value of 2,189,070 thousand UZS, were classified in the authorized capital after the expiration of the tax exemption period.

	31 December 2016		31 December 2015	
	Nominal amount	Inflation adjusted amount	Nominal amount	Inflation adjusted amount
Share capital	5 642 070	19 257 325	5 642 070	19 257 325

The effect of inflation on ordinary shares is accounted for in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

In accordance with IAS 29, the economy of the Republic of Uzbekistan was considered to be hyperinflationary during 2005 and prior years. Since January 1, 2006, the economy of the Republic of Uzbekistan has ceased to be considered as hyperinflationary, and the value of the Bank's non-monetary assets, liabilities and equity capital, presented in the measuring units current as of 31 December 2005, was used to generate incoming balance balances as of January 1, 2006

Reserve for investment purposes

The Government of the Republic of Uzbekistan contributed to the Group a contribution of 24,779,214 thousand UZS, which is equivalent to 80,245 thousand US dollars, for the purpose of investing US \$ 80,000,000 in UIIC and US \$ 245,000 in AIG Uzbekistan Limited (formerly "Chartis Uzbekinvest Limited") located in the UK. As indicated in Note 1, in 2009, both the UIIC shareholder, the Uzbekinvest National Export-Import Insurance Company (with 80% of the interest) and American International Underwriters Overseas Ltd (with a 20% interest), reduced their investments by 20,000 thousand dollars USA each. As a result, the Group became the sole owner of UIIC with an authorized capital of 60,000 thousand US dollars. The group returned funds to the Government of the Republic of Uzbekistan in the amount of 6,191,278 thousand UZS.

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

Special insurance reserve

By the Decree of the President of the Republic of Uzbekistan, the Company was exempt from income tax and property tax for five years ending in February 2002. In accordance with this Decree, part of the Company's profits and the released funds from the profits tax and property tax benefits are directed to replenish the Company's share capital. After the authorized capital is fully formed, the released funds are sent to the Special Insurance Reserve. As of May 1, 1999, the Company's authorized capital was fully formed, and from that moment all released funds were sent to the Special Insurance Reserve.

In addition, in accordance with the Decree of the President of the Republic of Uzbekistan, the company was also exempt from income tax on dividends and interest income from June 2008 for three years.

23 EQUITY (Continuation)*Stabilization reserve*

According to the Regulations of the Ministry of Finance No. 107 of November 20, 2008 on insurance reserves of the insurer, insurance companies must create a stabilization reserve for OSGO and OASGO. Stabilization reserve is formed due to the transfer of funds from undistributed profits to cover unforeseen future losses of the Company. As of 31 December 2016 and 2015, the stabilization reserve was 3 141 237 thousand UZS and 2 151 467 thousand UZS, respectively.

Exchange differences

Exchange differences - the difference from the transfer of net investment in UIIC from the functional currency - the dollar - to the presentation currency of the Group - UZS. As of 31 December 2016 and 2015, exchange differences from translation of foreign units into the reporting currency were 160,424,000 thousand UZS and 139 361 031 thousand UZS, respectively.

24 FINANCIAL COMMITMENTS AND CONTINGENCIES**Lawsuits**

From time to time, in the course of the Company's business, customers and counterparties may raise claims against the Company. Management believes that as a result of the proceedings on them the Company will not incur significant losses and, accordingly, no reserves have been created in the financial statements.

Taxation

Due to the existence in the tax legislation of Uzbekistan of norms permitting ambiguous interpretation, management's assessment of the facts of the Company's economic activities may not coincide with the interpretation of these facts by the tax authorities. Tax authorities may take a more assertive position in interpreting legislation and determining the amount of taxes, and operations and activities that have not previously been challenged may be challenged. As a result, taxes may be added, as well as fines and penalties. The five preceding calendar years remain open for inspection by the tax authorities. Under certain circumstances, inspections may cover longer periods. The Company's management believes that its interpretation of the relevant tax legislation is appropriate and the Company's tax position is protected.

Liabilities on capital commitments

As of 31 December 2016 and 2015, the Company did not have any significant capital commitments.

Operating lease commitments

As of 31 December 2016 and 2015, the Company had no material liabilities under operating leases.

Operating environment

The markets of developing countries, including the Republic of Uzbekistan, are subject to economic, political, social, judicial and legislative risks, different from the risks of more developed markets. Laws and regulations governing business in the Republic of Uzbekistan can change rapidly, there is the possibility of their arbitrary interpretation. The future direction of the development of the Republic of Uzbekistan largely depends on the tax and monetary policy of the state, the laws and regulations adopted, as well as changes in the political situation in the country.

25 TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties in accordance with the definition in IAS 24 "Related Party Disclosures" are set out below.

When considering the possible existence of relations between related parties, attention is paid to the substance of the relationship, and not only to their legal design. As at 31 December 2016, the Company has the following transactions with related parties:

	31 December 2016	31 December 2015
Lease of Fixed assets	25 142	22 394
Loans and receivables	4 389	14 783
Gross insurance premiums	948	8 735
Dividend income	899 475	687 534
Total	929 955	733 445

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS, the fair value is determined taking into account the price that would have been received upon the sale of the asset or paid when transferring the obligation under a regular transaction between market participants as of the valuation date.

The fair value of financial assets and financial liabilities of the Company recorded at fair value on a permanent basis

Certain financial assets and financial liabilities of the Company are accounted for at fair value at the end of each reporting period. The table below provides information on how the fair value of these financial assets and financial liabilities is determined (in particular, the valuation technique (s) used and the inputs).

	31 December 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Deposits in banks	143 519 724	144 099 346	118 484 648	117 924 648
Loans and receivables	163 715 425	163 222 342	8 823 524	8 803 903

The reclassification of financial instruments between Levels 1 and 2 was not carried out during the year.

The fair value of financial assets and financial liabilities that are not taken into account but the fair value on an ongoing basis (but with a mandatory disclosure of fair value)

In the opinion of management of the Group, the carrying amount of financial assets and liabilities recorded in the consolidated financial statements approximates their fair value.

The fair value of financial assets and financial liabilities was determined in accordance with generally accepted valuation models based on discounted cash flow analysis, with the most significant initial data being the discount rate that reflects market quotes for similar financial instruments with a similar maturity.

Risk management is critical in insurance operations and is one of the main elements of the Company's business. The main risks inherent in the Company's activities are insurance risk, credit risk, market risk, operational risk and liquidity risk. The following is a description of the Company's policy regarding the management of these risks.

Insurance risk

The risk for any insurance contract is the possibility that, in the event of an insurance event, there will be an uncertainty in the amount of the insurance claim. Due to the different characteristics of insurance contracts, this risk is accidental and therefore unpredictable.

For the purposes of the portfolio of insurance contracts, where the probability theory is applied in relation to the cost and creation of reserves, the main risk to which the Group is exposed is the risk that the actual payments for claims will exceed the book value of insurance liabilities. This can happen if the frequency or severity of claims is higher than estimated. Insurance cases are an irregular event, and the actual number and amount of claims and benefits will differ from year to year from estimates made using statistical methods.

Factors that increase insurance risk include the inadequacy of risk diversification depending on the type and amount of risk, geographic location and type of coverage of the insured.

Experience shows that the larger the portfolio of similar insurance contracts, the less the relative variability of the result will be. In addition, a more diversified portfolio is less susceptible to changes in any subset of the portfolio.

The group has developed an insurance underwriting strategy that consists in diversifying the types of insurance and the geography of the risks taken in order to achieve sufficient occupancy in each of these categories and thereby reducing the variability of the expected result. The group included a significant margin in the cost of premiums.

The Group also has the right to refuse payment of a falsified claim or claim arising from a policy where the policyholder provided false information during the preparation of the policy statement and the insurance stage.

Insurance contracts are divided into five groups of risk: property and accidents, liability, political risks, construction and installation works, life insurance. Liability insurance includes general liability insurance and professional liability insurance. In addition, political risk insurance mainly includes insurance against confiscation, deprivation of property and nationalization, which are issued exclusively by the UIIC. During 2016, insurance risks for these groups were not concentrated on any of the individual currencies; In the total portfolio, there is a balance between customers who are legal entities and individuals.

Given these circumstances, the Group intends to achieve the required level of risk diversification and reinsurance in order to minimize risk.

Settlement of claims for the Group's policies occurs as they arise. The Group takes all reasonable steps to obtain the necessary information regarding risks and claims. However, if one takes into account the possibility of uncertainty in the creation of reserves for claims, the final result may differ significantly from the original obligation. Obligations under these contracts include IBNR.

Reinsurance

In the normal course of business, the Company enters into obligatory and facultative reinsurance agreements with Uzbek and foreign reinsurers. Contracts for reinsurance do not exempt the Company from its obligations to the insured. The Company assesses the financial position of its reinsurers and monitors the concentration of credit risk arising in similar geographic regions, activities or economic characteristics of reinsurers, in order to minimize the risks of significant losses due to insolvency of the reinsurer.

Investment risks

The Company's investment policy follows several principles based on the level of income and the level of acceptable risk at a certain point in time. The activity of insurance companies in Uzbekistan is under strict supervision. State Insurance Supervision and the Company are not allowed to be a professional participant in the securities market.

The investment portfolio of the Company consists of financial instruments that are selected according to the rates of return, maturity and the level of investment risk. The investment portfolio formed in this way provides an even return during the investment period. Investment income is usually reinvested to increase the volume of the investment portfolio.

Credit risk

The Group is exposed to credit risk, which is the risk that one of the parties to a transaction with a financial instrument will cause the other party to incur financial losses as a result of default on the contractual obligation. The main areas of activity where the Group is exposed to credit risk are:

- exposure to corporate bonds;
- the share of reinsurers in insurance liabilities;
- amounts receivable from reinsurers regarding previously paid claims;
- amounts receivable from holders of insurance contracts;
- amounts receivable from insurance intermediaries; and
- counterparty risk in relation to derivative transactions.

Reinsurance is used to manage insurance risk. However, this does not relieve the Group from being a primary insurer. In the event that the reinsurer is unable to pay claims for any reason, the Group remains responsible for payments to the policyholders. The creditworthiness of reinsurers is reviewed annually by reviewing their financial sustainability before each contract is drawn up. The Insurance Committee of the Group assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit ratings provided by rating agencies and other publicly available financial information. The Committee also receives details of the history of recent payments and the status of any negotiations between the Group and these third parties.

The Group monitors credit risk by setting limits on one counterparty or a group of counterparties, as well as by setting limits on geographical and industry segments. Such risks are monitored regularly, with limits being reviewed at least once a year. Limits of credit risk by category and territory are approved on a quarterly basis by the Board of Directors. Credit risk management is carried out through regular analysis of the ability of existing and potential borrowers to repay interest payments and principal amounts of debt, and, if necessary, by changing credit limits. Credit risk management is also carried out by obtaining collateral and guarantees of companies and individuals.

The most significant credit risk is a decrease in the creditworthiness of the Group's investment portfolio.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk can vary significantly, depending on the individual risks inherent in specific assets and on general market risks.

The following table presents the maximum exposure to credit risk for financial assets. For financial assets recorded on balance sheet accounts, the maximum exposure to credit risk is the book value of these assets, not including offsets of assets and liabilities and collateral.

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 RISK MANAGEMENT POLICY (Continuation)

	31 December 2016				
	Maximum Exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure
Cash and cash equivalents	7 225 149	-	7 225 149	-	7 225 149
Deposits in banks	144 099 346	-	144 099 346	-	144 099 346
Financial assets at fair value					
through profit or loss	163 222 342	-	163 222 342	-	163 222 342
Investments available for sale	38 563 324	-	38 563 324	-	38 563 324
Loans and receivables	1 632 150	-	1 632 150	-	1 632 150
Insurance and reinsurance receivable	3 825 367	-	3 825 367	-	3 825 367
Other financial assets	6 589 261	-	6 589 261	-	6 589 261

	31 December 2015				
	Maximum Exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure
Cash and cash equivalents	12 344 106	-	12 344 106	-	12 344 106
Deposits in banks	117 924 648	-	117 924 648	-	117 924 648
Financial assets at fair value					
Investments available for sale	34 125 598	-	34 125 598	-	34 125 598
Loans and receivables	3 592 000	-	3 592 000	-	3 592 000
Insurance and reinsurance receivable	1 976 153	-	1 976 153	-	1 976 153
Other financial assets	2 605 940	-	2 605 940	-	2 605 940

Financial assets are classified based on current credit ratings assigned by internationally recognized rating agencies. The highest possible rating is AAA. The investment level of financial assets corresponds to the ratings from AAA to BBB, assigned by international rating agencies. Financial assets with a rating lower than BBB refer to the speculative level.

	<AAA	<BBB	<CCC	Not rated	31 December 2016 Total
Cash and cash equivalents	668 218	6 556 931	-	-	7 225 149
Deposits in banks	-	143 519 724	579 622	-	144 099 346
Financial assets at fair value					
through profit or loss	163 222 342	-	-	-	163 222 342
Investments available for sale				38 563 324	38 563 324
Loans and receivables	-	800 000	-	832 150	1 632 150
Insurance and reinsurance receivable	-	-	-	3 825 367	3 825 367
Other financial assets	96 282	571 179	-	2 245 301	2 912 762

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 RISK MANAGEMENT POLICY (Continuation)

	<AAA	<BBB	<CCC	Not rated	31 December 2015 Total
Cash and cash equivalents	2 385 774	9 958 332	-	-	12 344 106
Deposits in banks	-	89 318 598	300 000	28 306 050	117 924 648
Financial assets at fair value through profit or loss	134 657 858	4 210 839	-	1 407 539	138 868 697
Investments available for sale	-	8 803 903	-	25 321 695	34 125 598
Loans and receivables	-	2 800 000	-	792 000	3 592 000
Insurance and reinsurance receivable	-	-	-	1 976 153	1 976 153
Other financial assets	346 994	13 645	-	2 245 301	2 605 940

The Group's credit risk is mainly concentrated in the Republic of Uzbekistan and the United Kingdom. The degree of credit risk is constantly monitored to ensure compliance with limits and creditworthiness in accordance with the Company's approved risk management policy.

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»**27 RISK MANAGEMENT POLICY (Continuation)**

	Neither past due nor impaired	Financial assets 0-3 months Greater than one year	Financial assets past due Greater than one year	Financial assets that have been impaired	Impair- ment provision	Total as at 31 December 2016
Cash and cash equivalents	7 225 149	-	-	-	-	7 225 149
Deposits in banks	144 039 346	-	-	(579 622)	579 622	144 039 346
Financial assets at fair value through profit or loss	163 222 342	-	-	-	-	163 222 342
Investments available for sale	38 563 324	-	-	-	-	38 563 324
Loans and receivables	1 632 150	-	-	493 083	-	2 125 233
Insurance and reinsurance receivable	3 825 367	-	-	-	-	3 825 367
Other financial assets	6 589 261	-	-	-	-	6 589 261

	Neither past due nor impaired	Financial assets 0-3 months Greater than one year	Financial assets past due Greater than one year	Financial assets that have been impaired	Impair- ment provision	Total as at 31 December 2015
Cash and cash equivalents	12 344 106	-	-	-	-	12 344 106
Deposits in banks	117 924 648	-	-	(560 000)	560 000	117 924 648
Financial assets at fair value through profit or loss	138 868 697	-	-	-	-	138 868 697
Investments available for sale	34 125 598	-	-	-	-	34 125 598
Loans and receivables	3 592 000	-	-	493 083	-	4 085 083
Insurance and reinsurance receivable	1 976 153	-	-	-	-	1 976 153
Other financial assets	2 605 940	-	-	-	(19 622)	2 586 318

Geographical concentration

Management monitors risk associated with changes in legislation and assesses its impact on the Group's operations. This approach allows the Group to minimize possible losses from changes in the investment climate in the Republic of Uzbekistan.

Information on the geographical concentration of assets and liabilities is presented in the following tables:

	Republic of Uzbekistan	Non-OECD countries	OECD countries	31 December 2016 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	5 447 648	-	1 777 501	7 225 149
Deposits in banks	115 999 546	28 099 800	-	144 099 346
Financial assets at fair value through profit or loss	-	-	163 222 342	163 222 342
Investments available for sale	37 178 643	1 384 681	-	38 563 324
Loans and receivables	1 632 150	-	-	1 632 150
Insurance and reinsurance receivable	2 946 908	-	878 458	3 825 367
Other financial assets	6 492 979	-	96 282	6 589 261
TOTAL FINANCIAL ASSETS	169 697 875	29 484 481	165 974 584	365 156 940
FINANCIAL LIABILITIES:				
Insurance and reinsurance payable	2 464 382	-	555 466	3 019 848
Other financial liabilities	903 883	-	1 569 317	2 473 200
TOTAL FINANCIAL LIABILITIES	3 368 265	-	2 124 782	5 493 047
OPEN BALANCE SHEET POSITION	166 329 610	29 484 481	163 849 802	359 663 893

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 **RISK MANAGEMENT POLICY (Continuation)**

	Republic of Uzbekistan	Non-OECD countries	OECD countries	31 December 2016 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	9 290 113	-	3 053 992	12 344 106
Deposits in banks	89 824 848	28 099 800	-	117 924 648
Financial assets at fair value through profit or loss	-	-	138 868 697	138 868 697
Investments available for sale	32 740 917	1 384 681	-	34 125 598
Loans and receivables	3 592 000	-	-	3 592 000
Insurance and reinsurance receivable	274 283	-	1 701 870	1 976 153
Other financial assets	1 684 806	-	921 134	2 605 940
TOTAL FINANCIAL ASSETS	137 406 968	29 484 481	144 545 693	311 437 143
FINANCIAL LIABILITIES:				
Insurance and reinsurance payable	8 534 715	-	416 006	8 950 721
Other financial liabilities	521 460	-	1 951 739	2 473 200
TOTAL FINANCIAL LIABILITIES	9 056 175	-	2 367 745	11 423 921
OPEN BALANCE SHEET POSITION	128 350 793	29 484 481	142 177 948	300 013 222

Liquidity risk

Liquidity risk is the risk that an enterprise may have difficulty in attracting funds needed to meet all requirements for obligations associated with financial instruments. Liquidity risk may arise as a result of the inability to quickly realize assets at their fair value; or the inability of the counterparty to pay off its contractual obligations; or earlier than expected, the time for payment of insurance obligations; or inability to generate cash flows as expected.

The main liquidity risk facing the Group is the daily cash requirements for its available cash resources in respect of payments arising from insurance contracts.

The Group manages liquidity risk through the Group's separate policy to manage this risk, which determines what is the liquidity risk; Establishes the minimum ratio of funds to meet emergency payment requirements; Establishes contingency financing plans; Determines the sources of funding and the events that will bring the plan into action; Concentrates funding sources; Reports on the exposure to liquidity risk and violations to the supervisory authorities; Monitors compliance with liquidity risk policies and reviews liquidity risk management policies for relevance and compliance with changes in the operating environment.

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 RISK MANAGEMENT POLICY (Continuation)

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2016 Total
FINANCIAL ASSETS:								
Deposits in banks	5,55%	81 411	875 853	36 046 413	107 271 328	-	-	144 099 346
Financial assets at fair value through profit or loss	0,49%	92 214	992 085	40 830 025	121 308 018	-	-	163 222 342
Loans and receivables	10,0%	-	-	-	800 000	-	-	800 000
Total interest bearing financial assets		173 625	1 867 938	76 876 438	229 379 346	-	-	308 121 689
Cash and cash equivalents		7 225 149	-	-	-	-	-	7 225 149
Investments available for sale		38 563 324	-	-	-	-	-	38 563 324
Insurance and reinsurance receivable		3 825 367	-	-	-	-	-	3 825 367
Loans and receivables		832 150	-	-	-	-	-	832 150
Other financial assets		6 589 261	-	-	-	-	-	6 589 261
TOTAL FINANCIAL ASSETS		57 208 876	1 867 938	76 876 438	229 379 346	-	-	57 035 251
FINANCIAL LIABILITIES:								
Insurance and reinsurance payable		3 019 848	-	-	-	-	-	3 019 848
Other financial liabilities		10 227 833	-	-	-	-	-	10 227 833
TOTAL FINANCIAL LIABILITIES		13 247 681	-	-	-	-	-	13 247 681
Liquidity gap		43 961 195	1 867 938	76 876 438	229 379 346	-	-	351 909 259

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 RISK MANAGEMENT POLICY (Continuation)

Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Interest sensitivity gap	173 625	1 867 938	76 876 438	229 379 346	-
Cumulative interest sensitivity gap	173 625	2 041 563	78 918 000	308 297 346	-
Cumulative interest sensitivity gap as a percentage of total financial assets	0.3%	3.9%	152.2%	594.7%	-

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 RISK MANAGEMENT POLICY (Continuation)

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2015 Total
FINANCIAL ASSETS:								
Deposits in banks	5,55%	66 623	716 760	29 498 819	87 786 197	-	-	117 924 648
Financial assets at fair value through profit or loss	0,49%	1 095 892	2 810 120	16 840 840	118 121 845	-	-	138 868 697
Loans and receivables	10,0%	-	-	-	2 800 000	-	-	2 800 000
Total interest bearing financial assets		1 162 515	3 526 880	46 339 659	208 708 042	-	-	259 593 346
Cash and cash equivalents		12 344 106	-	-	-	-	-	12 344 106
Investments available for sale		34 125 598	-	-	-	-	-	34 125 598
Insurance and reinsurance receivable		1 976 153	-	-	-	-	-	1 976 153
Loans and receivables		792 000	-	-	-	-	-	792 000
Other financial assets		2 605 940	-	-	-	-	-	2 605 940
TOTAL FINANCIAL ASSETS		53 006 312	3 526 880	46 339 659	208 708 042	-	-	51 843 797
FINANCIAL LIABILITIES:								
Insurance and reinsurance payable		8 950 721	-	-	-	-	-	8 950 721
Other financial liabilities		2 473 200	-	-	-	-	-	2 473 200
TOTAL FINANCIAL LIABILITIES		11 423 921	-	-	-	-	-	11 423 921
Liquidity gap		41 582 391	3 526 880	46 339 659	208 708 042	-	-	300 013 222

NATIONAL EXPORT-IMPORT INSURANCE COMPANY «UZBEKINVEST»

27 RISK MANAGEMENT POLICY (Continuation)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Weighted average effective interest rate	1 162 515	3 526 880	46 339 659	208 708 042	-
Interest sensitivity gap	1 162 515	4 689 395	51 029 054	259 737 096	-
Cumulative interest sensitivity gap					
Cumulative interest sensitivity gap as a percentage of total financial assets	2,2%	9,0%	98,4%	501,0%	

27 RISK MANAGEMENT POLICY (Continuation)

The Group does not include insurance reserves in the liquidity analysis, including amounts from reinsurers, classified as reinsurance assets, since reserves do not have a certain maturity. In addition, actual liabilities may differ from the reserve amounts and are not included in the table above.

Discounted liabilities presented in the previous tables coincide with the amounts of undiscounted obligations due to the fact that all liabilities are short-term.

Available-for-sale financial assets are represented by maturity dates, although they are fairly liquid and can be sold at fair value for three months if necessary.

Market risk

The company is also exposed to market risks associated with the presence of open positions in interest rates and currencies subject to general and specific market fluctuations. The Group manages market risk by periodically evaluating potential losses as a result of negative changes in the market environment, and by establishing and maintaining adequate limits on the amount of allowable losses and the requirements for the rate of return.

Currency risk

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

	UZS	USD USD 1 = 3,231.48 UZS	EUR EUR 1 = 3,419.23 UZS	Other	31 December 2016 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	4 426 021	2 729 452	3 820	65 856	7 225 149
Deposits in banks	30 674 912	113 028 698	395 736	-	144 099 346
Financial assets at fair value through profit or loss	-	163 222 342	-	-	163 222 342
Investments available for sale	-	38 563 324	-	-	38 563 324
Loans and receivables	1 632 150	-	-	-	1 632 150
Insurance and reinsurance receivable	2 940 268	885 099	-	-	3 825 367
Other financial assets	6 589 261	-	-	-	6 589 261
TOTAL FINANCIAL ASSETS	46 262 612	318 428 915	399 556	65 856	365 156 939
FINANCIAL LIABILITIES:					
Insurance and reinsurance payable	737 909	2 281 939	-	-	3 019 848
Other financial liabilities	10 170 675	43 230	13 211	717	10 227 833
TOTAL FINANCIAL LIABILITIES	10 908 584	2 325 168	13 211	717	13 247 681
OPEN BALANCE SHEET POSITION	35 354 028	316 103 747	386 345	65 139	351 909 259

27 RISK MANAGEMENT POLICY (Continuation)

	UZS	USD USD 1 = 2,809.98 UZS	EUR EUR 1 = 3,074.19 UZS	Other	31 December 2015 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	5 716 635	6 569 142	2 057	56 272	12 344 106
Deposits in banks	18 588 249	98 967 496	368 903	-	117 924 648
Financial assets at fair value through profit or loss	-	138 868 697	-	-	138 868 697
Investments available for sale	32 740 917	1 384 681	-	-	34 125 598
Loans and receivables	3 592 000	-	-	-	3 592 000
Insurance and reinsurance receivable	274 283	1 701 870	-	-	1 976 153
Other financial assets	1 435 669	1 170 271	-	-	2 605 940
TOTAL FINANCIAL ASSETS	62 347 753	248 662 158	370 960	56 272	311 437 142
FINANCIAL LIABILITIES:					
Insurance and reinsurance payable	3 038 476	5 912 209	36	-	8 950 721
Other financial liabilities	443 814	2 029 386	-	-	2 473 200
TOTAL FINANCIAL LIABILITIES	3 482 290	7 941 595	36	-	11 423 921
OPEN BALANCE SHEET POSITION	58 865 463	240 720 563	370 924	56 272	300 013 222

Analysis of sensitivity to foreign exchange risk

The table below summarizes the sensitivity of the Group to 15% and 16% of the increase and decrease in the sum to the US dollar and euro as of 31 December 2016 and 2015, 11% and 3.8%, respectively. The Group's management believes that, given the current economic situation in the Republic of Uzbekistan, it is possible for the sum to fluctuate against the US dollar and euro at a rate of up to 25%. This level of sensitivity is used internally in the preparation of foreign exchange risk reports for key management personnel of the Company and represents management's assessment of possible changes in exchange rates. The sensitivity analysis includes only foreign currency amounts available at the end of the period, when converted at the end of the year, rates that are changed by 25% are used as compared to those effective as of 31 December 2016 and 2015, respectively.

	As at 31 December 2016		As at 31 December 2015	
	+15%	-15%	+16%	-16%
Impact on net profit and equity	47 415 562	(47 415 562)	38 515 290	(38 515 290)

	As at 31 December 2016		As at 31 December 2015	
	+11%	-11%	+3.8%	-3.8%
Impact on net profit and equity	42 498	(42 498)	14 095	(14 095)

27 RISK MANAGEMENT POLICY (Continuation)

Limitations of sensitivity analysis

The above tables reflect the effect of a change in the main assumption, while other assumptions remain unchanged. In fact, there is a connection between assumptions and other factors. It should also be noted that the sensitivity is nonlinear, so interpolation or extrapolation of the results should not be performed.

The sensitivity analysis does not take into account that the Group actively manages assets and liabilities. In addition to this, the financial position of the Company may vary depending on the changes taking place in the market. For example, the Group's strategy in the area of financial risk management is aimed at managing the risk of market volatility. In the event of sharp negative price fluctuations in the securities market, management can resort to such methods as selling investments, changing the composition of the investment portfolio, and also to other methods of protection. Consequently, the change in assumptions may not have an impact on liabilities and significantly affect the assets recorded on the balance sheet at the market price. In this situation, different methods of valuation of assets and liabilities can lead to significant fluctuations in the amount of capital.

Other limitations in the above sensitivity analysis include the use (with the aim of disclosing the potential risk) of hypothetical market movements, which are just the Company's forecast of forthcoming market changes that can not be predicted with any degree of certainty. Also a limitation is the assumption that all interest rates change in an identical way.

28 SUBSEQUENT EVENTS AFTER REPORTING DATE

The Company's management does not have information on significant events after the reporting date