



NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

**Consolidated Financial Statements and
Independent Auditors' Report**
For the Year Ended 31 December 2018



Audit company
Ernst & Young MChJ
Inconel Business Center, 3rd floor
Mustaqillik Prospect, 75
Tashkent, 100000
Republic of Uzbekistan
Tel: +998 (78) 140 6482
Fax: +998 (78) 140 6483
www.ey.com/uz

MChJ "Ernst & Young" AT
O'zbekiston Respublikasi,
100000, Toshkent shahar,
Mustaqillik shox ko'chasi, 75
Inkonel Biznes Markazi,
3-qavat
Tel: +998 (78) 140 6482
Fax: +998 (78) 140 6483

АО «Ernst & Young» ООО
Республика Узбекистан
100000, Ташкент
Пр-т Мустакиллик, 75
Бизнес-центр «Инконель»,
3 этаж
Тел.: +998 (78) 140 6482
Факс: +998 (78) 140 6483

Independent auditor's report

To the Board of Directors of National Bank of Foreign Economic Activity of the Republic of Uzbekistan

Opinion

We have audited the consolidated financial statements of National Bank of Foreign Economic Activity of the Republic of Uzbekistan and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken 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 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ▶ 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 or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

30 April 2019
Tashkent, Uzbekistan.

Audit company «Ernst & Young LLC»



«Ernst & Young» Audit Organization LLC, registered by the Central Bank of the Republic of Uzbekistan Under #11 dated 23 August 2013

A. Azamov

Anvarkhon Azamov
Qualified auditor
Auditor qualification certificate authorizing audit of banks #11/4 dated 11 May 2017 issued by the Central Bank of the Republic of Uzbekistan

Head of Uzbekistan practice
«Ernst & Young» Audit Organization LLC

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of financial position

As of 31 December 2018

(Millions of Uzbek Soums)

	Notes	2018	2017
Assets			
Cash and cash equivalents	5	6,614,154	11,080,508
Amounts due from credit institutions	6	1,892,000	2,006,794
Loans to customers	7	46,025,482	34,521,563
Assets held for sale	8	20,755	195,858
Investment securities	9	47,762	60,437
Investments in associates	10	189,853	55,936
Property and equipment	11	912,565	233,913
Current income tax assets	12	10,993	8,616
Deferred income tax assets	12	244,351	198,715
Other assets	14	241,584	148,032
Total assets		56,199,499	48,510,372
Liabilities			
Amounts due to the CBU and the Government	15	497,688	571,014
Amounts due to credit institutions	16	950,879	1,909,557
Amounts due to customers	17	11,871,894	12,110,126
Debt securities issued	18	145,915	176,506
Liabilities directly associated with assets held for sale		-	18,024
Other borrowed funds	19	37,439,050	29,382,360
Other liabilities	14	377,818	71,022
Total liabilities		51,283,244	44,238,609
Equity			
	20		
Share capital		4,320,970	1,267,530
Contribution from shareholders		126,096	-
Retained earnings		335,635	2,918,224
Other reserves		43,296	60,748
Total equity attributable to shareholders of the Group		4,825,997	4,246,502
Non-controlling interests		90,258	25,261
Total equity		4,916,255	4,271,763
Total equity and liabilities		56,199,499	48,510,372

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

Alisher Mirsoatov

Chairman of the Management Board

Bobir Imomov

Chief Accountant

30 April 2019



The accompanying notes on pages 7 to 65 are an integral part of these consolidated financial statements.

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of profit and loss

As of 31 December 2018

(Millions of Uzbek Soums)

	Notes	2018	2017
Continuing operations			
Interest income	21	2,620,568	1,389,969
Interest expense	21	(1,358,970)	(712,702)
Net interest income	21	1,261,598	677,267
Credit loss reversal / (expense)	13	600,164	(1,219,770)
Initial recognition adjustment on interest bearing assets	7	(129,677)	(121,579)
Net interest income after allowance for loan impairment and initial recognition of adjustment		1,732,085	(664,082)
Fee and commission income	23	391,131	338,299
Fee and commission expense	23	(74,928)	(59,062)
Net (loss) / gain from foreign currencies	22	(421,360)	2,935,243
Share of profit of associates	10	8,323	8,540
Dividend income		12,821	4,638
Allowance on credit related commitments and other impairment and provisions	13	(89,251)	(27,832)
Other operating income	25	76,086	38,063
Other operating expenses	25	(106,503)	(25,301)
Other income	24	43,791	102,922
Net non-interest (expense) / income		(159,890)	3,315,510
Operating expenses	25	(723,773)	(562,697)
Non-interest expense		(723,773)	(562,697)
Profit before income tax expense		848,422	2,088,731
Income tax (expense) / benefit	12	(59,473)	61,876
Profit for the year from continuing operations		788,949	2,150,607
Discontinued operations			
Loss for the period from discontinued operations		-	(14,783)
Net profit for the year		788,949	2,135,824
Attributable to:			
- shareholders of the Group		802,947	2,130,957
- non-controlling interests		(13,998)	4,867
		788,949	2,135,824

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

Alisher Mirsoatov

Chairman of the Management Board

Bobir Imomov

Chief Accountant

30 April 2019



The accompanying notes on pages 7 to 65 are an integral part of these consolidated financial statements.

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of other comprehensive income

As of 31 December 2018

(Millions of Uzbek Soums)

	<i>Note</i>	2018	2017
Profit for the year		788,949	2,135,824
Other comprehensive income			
<i>Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Exchange differences on translation of foreign operations		(20,532)	88,542
Other comprehensive loss after income tax		(20,532)	88,542
Total comprehensive income for the year		768,417	2,224,366
Attributable to:			
- shareholders of the Bank		785,495	2,206,501
- non-controlling interests		(17,078)	17,865
Total comprehensive income for the year		768,417	2,224,366

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

Alisher Mirsoatov

Bobir Imomov

30 April 2019



Chairman of the Management Board

Chief Accountant

The accompanying notes on pages 7 to 65 are an integral part of these consolidated financial statements.

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of changes in equity

As of 31 December 2018

(Millions of Uzbek Soums)

	Attributable to shareholders of the Bank					Total	Non-controlling interests	Total equity
	Notes	Share capital	Contribution from shareholders	Retained earnings	Other reserves			
31-Dec-16		698,867	-	787,266	(11,797)	1,474,336	806	1,475,142
Contribution made by government in its capacity as shareholder		568,663	-	-	-	568,663	-	568,663
Issuance of share capital		-	-	-	-	-	7,581	7,581
Dividends paid		-	-	-	-	-	(991)	(991)
Special purpose tax privileges		-	-	-	(2,998)	(2,998)	-	(2,998)
Total comprehensive income for the year		-	-	2,130,958	75,543	2,206,501	17,865	2,224,366
31-Dec-17		1,267,530	-	2,918,224	60,748	4,246,502	25,261	4,271,763
Impact of adopting IFRS 9		-	-	(332,096)	-	(332,096)	-	(332,096)
Restated opening balance under IFRS 9		1,267,530	-	2,586,128	60,748	3,914,406	25,261	3,939,667
Capitalization of retained earnings	20	3,053,440	-	(3,053,440)	-	-	-	-
Issuance of share capital		-	-	-	-	-	82,075	82,075
Gain on initial recognition of borrowings received from Government	20	-	126,096	-	-	126,096	-	126,096
Total comprehensive income for the year		-	-	802,947	(17,452)	785,495	(17,078)	768,417
31-Dec-18		4,320,970	126,096	335,635	43,296	4,825,997	90,258	4,916,255

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

Alisher Mirsoatov

Bobir Imomov

30 April 2019



Chairman of the Management Board

Chief Accountant

The accompanying notes on pages 7 to 65 are an integral part of these consolidated financial statements.

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of cash flow

As of 31 December 2018

(Millions of Uzbek Soums)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax from continuing operations		848,422	2,088,731
(Loss) from discontinued operations	26	-	(14,783)
Credit loss (reversal) / expense	13	(600,164)	1,219,770
Allowance on credit related commitments and other impairment and provisions	13	89,663	27,832
Initial recognition adjustment on interest bearing assets	7	129,677	121,579
Net unrealized loss / (gain) on foreign exchange operations		103,261	(2,494,017)
Depreciation and amortization	11	45,545	26,623
Share of profit from associates		(8,323)	(8,540)
Change in interest income accrual		502,350	(358,223)
Change in interest expenses accrual		13,205	79,145
Other non-cash accruals		5,103	79,052
Cash flows from operating activities before changes in operating assets and liabilities		1,128,739	767,169
<i>Net (increase)/decrease in operating assets</i>			
Due from banks	6	116,468	(119,963)
Loans to customers	7	(10,728,287)	(9,258,333)
Non-current assets held for sale	8	175,103	(76,117)
Other assets	14	17,416	(56,216)
<i>Net (increase)/decrease in operating liabilities</i>			
Amounts due to CBU and the Government	15	(324,266)	(338,089)
Due to banks	16	(958,536)	(582,582)
Customer accounts	17	(271,562)	3,467,822
Liabilities directly associated with assets held for sale	8	(18,024)	10,892
Other liabilities	14	181,918	(58,353)
Net cash flows used in operating activities before income tax		(10,681,031)	(6,243,770)
Income tax paid	12	(107,486)	(84,107)
Net cash used in operating activities		(10,788,517)	(6,327,877)

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of cash flow (continued)

As of 31 December 2018

(Millions of Uzbek Soums)

	Note	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:			
Realisation / (Purchase) of investments available-for-sale		11,287	(10,425)
Purchase of investments in associates	10	(125,594)	(6,948)
Dividends received from associates and investments available-for-sale		12,821	4,638
Purchase of property, equipment and intangible assets	11	(724,197)	(119,310)
Proceeds from sale of investment securities held-to-maturity		1,813	(1,158)
Net cash flow from disposal of subsidiary		-	9,696
Net cash used in investing activities		(823,870)	(123,507)
Proceeds from debt securities issued		-	110,000
Redemption of debt securities issued	28	(29,243)	(30,401)
Contribution made by government	20	-	568,663
Net proceeds from other borrowed funds	28	7,572,791	6,517,818
Minority interest		51,001	24,455
Net cash from financing activities		7,594,549	7,190,535
Effect of changes in foreign exchange rate on cash and cash equivalents		(448,104)	5,005,248
Effect of expected credit losses on cash and cash equivalents		(412)	-
Net increase in cash and cash equivalents		(4,466,354)	5,744,399
CASH AND CASH EQUIVALENTS, beginning of year		11,080,508	5,336,109
CASH AND CASH EQUIVALENTS, end of year		6,614,154	11,080,508
Interest received		2,947,515	958,778
Interest paid		(1,696,011)	(795,049)
Non-Cash transactions:			
Non-cash increase in property and equipment		-	(17,107)

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

Alisher Mirsoatov

Chairman of the Management Board

Bobir Imomov

Chief Accountant

30 April 2019



The accompanying notes on pages 7 to 65 are an integral part of these consolidated financial statements.