

**National Bank for Foreign Economic
Activity of the Republic of Uzbekistan
Consolidated Financial Statements**

Year ended 31 December 2010

Together with Independent Auditors' Report

Independent auditors' report

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

We have audited the accompanying consolidated financial statements of National Bank for Foreign Economic Activity of the Republic of Uzbekistan and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young MChJ

24 May 2011

Consolidated statement of financial position**As at 31 December 2010***(Millions of Uzbekistan soums)*

	Notes	2010	2009 (restated)	2008 (restated)
Assets				
Cash and cash equivalents	6	1,917,724	1,076,405	1,017,662
Amounts due from credit institutions	7	317,325	201,206	432,640
Loans to customers	8	3,973,005	2,565,966	2,075,731
Assets held for sale	9	154,567	128,002	-
Investment securities:				
- available-for-sale	10	22,864	35,528	35,611
- held-to-maturity		2,412	1,408	1,928
Investments in associates	11	15,299	5,220	3,753
Property and equipment	12	441,960	300,684	178,014
Deferred income tax assets	13	18,313	16,016	15,085
Other assets	15	87,997	222,245	201,204
Total assets		6,951,466	4,552,680	3,961,628
Liabilities				
Amounts due to the Central Bank and the Government	16	279,480	242,391	644,340
Borrowings	17	1,291,060	957,486	926,952
Amounts due to credit institutions	18	254,965	151,708	78,661
Amounts due to customers	19	3,087,384	1,863,022	1,604,694
Other borrowed funds	20	1,142,916	574,965	77,278
Debt securities issued	21	161,087	103,828	47,032
Liabilities directly associated with assets held for sale	9	9,418	11,661	-
Current income tax liabilities		160	352	756
Other liabilities	15	23,388	14,101	22,831
Total liabilities		6,249,858	3,919,514	3,402,544
Equity				
Share capital	22	623,867	520,306	520,306
Retained earnings		62,427	102,211	36,168
Other reserves		11,173	7,740	495
Total equity attributable to shareholder of the Bank		697,467	630,257	556,969
Non-controlling interests		4,141	2,909	2,115
Total equity		701,608	633,166	559,084
Total liabilities and equity		6,951,466	4,552,680	3,961,628

Signed and authorised for release on behalf of the Management Board of the Bank

Saidakhmad Rakhimov



Chairman of the Management Board

Dilshod Rakhimov



Chief Accountant

24 May 2011

Consolidated income statement**For the year ended 31 December 2010***(Millions of Uzbekistan soums)*

	<i>Notes</i>	<i>2010</i>	<i>2009 (restated)</i>
Interest income			
Loans to customers, excluding finance lease receivables		188,114	164,220
Amounts due from credit institutions		6,464	9,422
Finance lease receivables		5,969	5,629
		<u>200,547</u>	<u>179,271</u>
Interest expense			
Amounts due to customers		(54,284)	(46,021)
Borrowings		(28,112)	(25,320)
Other borrowed funds		(22,727)	(6,228)
Amounts due to credit institutions		(16,090)	(21,574)
Debt securities issued		(10,236)	(4,134)
Amounts due to the Central Bank and the Government		(2,609)	(2,214)
		<u>(134,058)</u>	<u>(105,491)</u>
Net interest income		66,489	73,780
Initial loss recognition on interest bearing assets		(8,346)	(735)
Loan impairment charge	8	(8,669)	(49,351)
Net interest income after loan impairment charge		<u>49,474</u>	<u>23,694</u>
Net fee and commission income	24	96,247	85,014
Net gains from foreign currencies:			
- translation differences		38,423	44,221
- dealing		11,715	17,753
Dividend income		3,178	1,527
Share of profit of associates	11	1,075	566
Other operating income	25	54,235	5,740
Other income		10,503	8,902
Non-interest income		<u>215,376</u>	<u>163,723</u>
Personnel expenses	26	(51,215)	(44,239)
Depreciation and amortization		(22,923)	(22,541)
General and other administrative expenses	27	(70,144)	(49,912)
Other operating expenses	28	(39,117)	(4,143)
Other (impairment and provisions)/ reversal	14	(4,731)	10,053
Non-interest expenses		<u>(188,130)</u>	<u>(110,782)</u>
Profit before income tax expense		76,720	76,635
Income tax expense	13	(5,911)	(3,285)
Profit for the year		<u>70,809</u>	<u>73,350</u>
Attributable to:			
- shareholder of the Bank		69,577	72,556
- non-controlling interests		1,232	794
		<u>70,809</u>	<u>73,350</u>

The accompanying notes on pages 6 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income**For the year ended 31 December 2010***(Millions of Uzbekistan soums)*

	<u>Notes</u>	<u>2010</u>	<u>2009</u> <u>(restated)</u>
Profit for the year		70,809	73,350
Other comprehensive income			
Exchange differences on translation of foreign operations		786	732
Other comprehensive income for the year, net of tax		<u>786</u>	<u>732</u>
Total comprehensive income for the year		<u><u>71,595</u></u>	<u><u>74,082</u></u>
Attributable to:			
- shareholder of the Bank		70,363	73,288
- non-controlling interests		<u>1,232</u>	<u>794</u>
		<u><u>71,595</u></u>	<u><u>74,082</u></u>

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Consolidated statement of changes in equity**For the year ended 31 December 2010***(Millions of Uzbekistan soums)*

	<u>Attributable to the shareholder of the Bank</u>			<i>Non-controlling interests</i>	<i>Total</i>
	<i>Share capital</i>	<i>Retained earnings</i>	<i>Other reserves</i>		
31 December 2008 (previously reported)	520,306	130,426	-	2,115	652,847
Correction of errors (Note 3)	-	(93,763)	-	-	(93,763)
Reclassification (Note 3)	-	(495)	495	-	-
31 December 2008 (restated)	520,306	36,168	495	2,115	559,084
Total comprehensive income for the year (restated)	-	72,556	-	794	73,350
Special purpose tax privileges granted (restated) (Note 22)	-	(6,513)	6,513	-	-
Exchange difference on translation of foreign operations	-	-	732	-	732
31 December 2009 (restated)	520,306	102,211	7,740	2,909	633,166
Total comprehensive income for the year	-	69,577	-	1,232	70,809
Issue of share capital through capitalization of retained earnings (Note 6)	103,561	(103,561)	-	-	-
Dividends paid (Note 22)	-	(3,153)	-	-	(3,153)
Special purpose tax privileges granted	-	(2,647)	2,647	-	-
Exchange difference on translation of foreign operations	-	-	786	-	786
31 December 2010	623,867	62,427	11,173	4,141	701,608

The accompanying notes on pages 6 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows**For the year ended 31 December 2010***(Millions of Uzbekistan soums)*

	<i>Notes</i>	2010	2009 <i>(restated)</i>
Cash flows from operating activities			
Profit before tax		76,720	76,635
Loan impairment charge		8,669	49,351
Other impairment and provisions (reversal)		4,731	(10,053)
Initial loss recognition on interest bearing assets		8,346	735
Net translation gains on foreign exchange operations		(38,423)	(44,221)
Depreciation and amortization		22,923	22,541
Share of profit from associates	11	(1,075)	(566)
Other non-cash accruals		17,772	24,480
Cash flows from operating activities before changes in operating assets and liabilities		99,663	118,902
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(56,642)	231,434
Loans to customers		(1,192,955)	(675,423)
Other assets		(61,329)	(12,193)
Assets held for sale		(26,565)	(128,002)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to the Central Bank and the Government		26,434	(401,949)
Borrowings		242,244	30,534
Amounts due to credit institutions		99,323	73,047
Amounts due to customers		1,155,157	258,328
Other borrowed funds		516,629	497,687
Current income tax liabilities		-	(404)
Liabilities directly associated with assets held for sale		(2,243)	11,661
Other liabilities		5,616	(8,730)
Net cash flows from operating activities before income tax		805,332	(5,108)
Income tax paid		(8,400)	(4,216)
Net cash from/(used in) operating activities		796,932	(9,324)
Cash flows from investing activities			
Proceeds on sale of investment securities available-for-sale		-	83
Purchase of investment securities held-to-maturity		(1,004)	-
Proceeds on sale of investments held-to-maturity		-	520
Purchase of investments in associates	11	(9,254)	(901)
Purchase of property and equipment		(19,878)	(14,906)
Proceeds on sale of property and equipment		125	1,017
Net cash used in investing activities		(30,011)	(14,187)
Cash flows from financing activities			
Proceeds from debt securities issued		95,618	56,796
Redemption of debt securities issued		(38,359)	-
Net cash from financing activities		57,259	56,796
Effect of exchange rates changes on cash and cash equivalents		17,139	25,458
Net increase/(decrease) in cash and cash equivalents		841,319	58,743
Cash and cash equivalents, beginning		1,076,405	1,017,662
Cash and cash equivalents, ending	6	1,917,724	1,076,405
Interest received		209,559	202,589
Interest paid		137,096	89,661

The accompanying notes on pages 6 to 48 are an integral part of these consolidated financial statements.