



# **NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN**

**Consolidated Financial Statements and  
Independent Auditors' Report**  
For the Year Ended 31 December 2016



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## Independent auditor's report

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

### Report on the audit of the consolidated financial statements

#### **Opinion**

We have audited the consolidated financial statements of National Bank for 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 2016, 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 financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **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 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 those charged with governance 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.

Those charged with governance are 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 those charged with governance 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 Bakhtiyor Eshonkulov.



*A. Azamov*

«Ernst & Young» Audit Organization LLC  
Certificate authorizing audit of banks registered  
by the Central Bank of the Republic of Uzbekistan  
Under #11 dated 23 august 2013

Anvarkhon Azamov  
Qualified auditor  
Auditor qualification certificate authorizing audit of  
banks #11/4 dated 10 May 2012 issued by the  
Central Bank of the Republic of Uzbekistan

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

28 April 2017

Tashkent, Uzbekistan

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of financial position

As of 31 December 2016

(Millions of Uzbekistan Soums)

	Notes	2016	2015
<b>Assets</b>			
Cash and cash equivalents	5	5,336,109	3,292,862
Amounts due from credit institutions	6	973,393	1,325,367
Loans to customers	7	13,566,996	10,237,935
Assets held for sale	8	119,741	183,278
Investment securities:	9		
- available-for-sale		47,970	48,540
- held-to-maturity		655	458
Investments in associates	10	36,721	32,545
Property and equipment	11	221,279	450,661
Current income tax assets	12	4,081	5,909
Deferred income tax assets	12	57,267	37,130
Other assets	13	62,120	139,755
<b>Total assets</b>		<b>20,426,332</b>	<b>15,754,440</b>
<b>Liabilities</b>			
Amounts due to the Central bank of the Republic of Uzbekistan and Government	14	289,352	51,553
Amounts due to credit institutions	15	1,867,661	546,509
Amounts due to customers	16	6,406,873	6,014,985
Debt securities issued	17	96,847	95,004
Liabilities directly associated with assets held for sale	8	7,132	3,534
Other borrowed funds	18	10,169,015	7,671,750
Other liabilities	13	114,310	96,961
<b>Total liabilities</b>		<b>18,951,190</b>	<b>14,480,296</b>
<b>Equity</b>			
Share capital	19	698,867	658,867
Investments available-for-sale fair value reserve		8,915	8,915
Retained earnings		787,267	615,406
Other reserves		(20,712)	(10,805)
<b>Total equity attributable to shareholders of the Group</b>		<b>1,474,336</b>	<b>1,272,383</b>
Non-controlling interests		806	1,761
<b>Total equity</b>		<b>1,475,142</b>	<b>1,274,144</b>
<b>Total equity and liabilities</b>		<b>20,426,332</b>	<b>15,754,440</b>

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

Sukhrob Kholmurodov

Chairman of the Management Board

Guzal Rakhimova

Chief Accountant

28 April 2017

The accompanying notes on pages 7 to 73 are an integral part of these consolidated financial statements.

NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of profit or loss

As of 31 December 2016

(Millions of Uzbekistan Soums)

Continuing operations	Notes	2016	2015
Interest income	20	763,467	590,296
Interest expense	20	(406,859)	(318,779)
<b>Net interest income before provision for impairment losses and initial recognition adjustment on interest bearing assets</b>	20	<b>356,609</b>	<b>271,517</b>
Allowance for loan impairment	7	(132,648)	(164,258)
Initial recognition adjustment on interest bearing assets		(108)	(6,627)
<b>Net interest income after allowance for loan impairment</b>		<b>223,852</b>	<b>100,632</b>
Fee and commission income	22	240,271	218,229
Fee and commission expense	22	(44,142)	(41,653)
Net gains from foreign currencies:	21	164,799	182,180
Share of profit of associates	10	8,464	5,296
Dividend income		2,089	6,597
Provisions for impairment losses		(2,258)	(1,596)
Other operating income	25	36,348	64,555
Other operating expenses	25	(34,181)	(56,838)
Other income	23	23,872	23,641
<b>Net non-interest income</b>		<b>395,262</b>	<b>400,411</b>
Operating expenses	24	(379,608)	(316,349)
<b>Non-interest expense</b>		<b>(379,608)</b>	<b>(316,349)</b>
<b>Profit before income tax expense</b>		<b>239,505</b>	<b>184,694</b>
Income tax expense	12	(29,354)	(23,735)
<b>Profit for the year from continuing operations</b>		<b>210,151</b>	<b>160,820</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	26	(37,341)	(20,735)
		<b>172,810</b>	<b>140,085</b>
<b>Attributable to:</b>			
- shareholders of the Group		171,860	144,047
- non-controlling interests		950	(3,962)
		<b>172,810</b>	<b>140,085</b>

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NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of comprehensive income

As of 31 December 2016

(Millions of Uzbekistan Soums)

	Note	2016	2015
<b>Profit for the year</b>		171,810	140,085
<b>Other comprehensive income</b>			
<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		(12,703)	(5,561)
<b>Other comprehensive loss after income tax</b>		<u>(12,703)</u>	<u>(5,561)</u>
<b>Total comprehensive income for the year</b>		<u>160,107</u>	<u>134,524</u>
<b>Attributable to:</b>			
- shareholders of the Bank		161,062	139,288
- non-controlling interests		(955)	(4,764)
		<u>160,107</u>	<u>134,524</u>

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Sukhrob Kholmurodov



*[Handwritten signature of Sukhrob Kholmurodov]*

Chairman of the Management Board

Guzal Rakhimova

*[Handwritten signature of Guzal Rakhimova]*

Chief Accountant

28 April 2017

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NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of changes in equity

As of 31 December 2016

(Millions of Uzbekistan Soums)

	Attributable to shareholders of the Bank				Total	Non-controlling interests	Total equity
	Share capital	Investments available-for-sale fair value reserve	Retained earnings	Other reserves			
<b>31 December 2014</b>	623,867	8,915	471,359	(6,046)	1,098,095	6,626	1,104,721
Contribution made by government							
In its capacity as shareholder (Note 19)	35,000	-	-	-	35,000	-	35,000
Dividends to non-controlling interest	-	-	-	-	-	(101)	(101)
<b>Total comprehensive income for the year</b>	-	-	144,047	(4,759)	139,288	(4,764)	134,524
<b>31 December 2015</b>	<u>658,867</u>	<u>8,915</u>	<u>615,406</u>	<u>(10,805)</u>	<u>1,272,383</u>	<u>1,761</u>	<u>1,274,144</u>
Contribution made by government in its capacity as shareholder (Note 19)	40,000	-	-	-	40,000	-	40,000
Dividends to non-controlling interests	-	-	-	891	891	-	891
<b>Total comprehensive income</b>	-	-	171,860	(10,798)	161,062	(955)	160,107
<b>31 December 2016</b>	<u>698,867</u>	<u>8,915</u>	<u>787,266</u>	<u>(20,712)</u>	<u>1,474,336</u>	<u>806</u>	<u>1,475,142</u>

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*[Handwritten signature of Sukhrob Kholmurodov]*

Chairman of the Management Board

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Chief Accountant

28 April 2017

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NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of cash flow

As of 31 December 2016

(Millions of Uzbekistan Soums)

	Note	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax from continuing operations		239,505	184,694
Loss from discontinued operations	26	(47,751)	-
Provision for impairment losses on interest bearing assets	7	132,648	164,258
Provision for impairment losses on other operations		2,258	1,596
Initial recognition adjustment on interest bearing assets		108	6,627
Net unrealized gain on foreign exchange operations		(136,138)	(172,829)
Depreciation and amortization		22,650	33,794
Loss on disposal of property and equipment		-	640
Share of profit from associates	10	(8,464)	(5,296)
Change in interest income accrual		(99,847)	(32,259)
Change in interest expenses accrual		23,113	24,829
Other non-cash accruals		42,379	-
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>170,461</b>	<b>206,054</b>
<i>Net (increase)/decrease in operating assets</i>			
Due from banks	6	351,491	(6,200)
Loans to customers	7	(3,281,326)	(1,130,689)
Non-current assets held for sale	8	63,537	(108,434)
Other assets	13	217,686	111,825
<i>Net (increase)/decrease in operating liabilities</i>			
Amounts due to Central Bank of the Republic of Uzbekistan and the Government	14	238,713	(7,627)
Due to banks	15	1,321,152	(164,806)
Customer accounts	16	384,352	912,256
Liabilities directly associated with assets held for sale	8	(3,598)	(733)
Other liabilities	26	(47,490)	(20,414)
<b>Net cash flows used in operating activities before income tax</b>		<b>(585,022)</b>	<b>(208,768)</b>
Income tax paid		(37,253)	(31,970)
<b>Net cash used in operating activities</b>		<b>(622,275)</b>	<b>(240,738)</b>

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NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of cash flow (continued)

For the year ended 31 December 2016

(Millions of Uzbekistan Soums)

	Note	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments available-for-sale		570	(19)
Purchase of investments in associates		(4,176)	(13,478)
Dividends received from associates and investments available-for-sale		3,079	2,858
Dividend contribution to non-controlling interest		-	(101)
Purchase of property, equipment and intangible assets	11	(36,814)	(52,295)
Proceeds on sale of property, plant and equipment		-	5,026
Proceeds from sale of investment securities held-to-maturity		(197)	-
Proceeds from sale of associates		2,753	-
Net cash flow from disposal of subsidiary	26	43,575	30,861
<b>Net cash used in investing activities</b>		<b>8,790</b>	<b>(27,148)</b>
Proceeds from debt securities issued		2,623	768
Contribution made by government		40,000	35,000
Net proceeds from other borrowed funds		2,477,971	1,021,157
<b>Net cash from financing activities</b>		<b>2,520,594</b>	<b>1,056,925</b>
Effect of changes in foreign exchange rate on cash and cash equivalents		136,138	74,315
<b>Net increase in cash and cash equivalents</b>		<b>2,043,247</b>	<b>863,354</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>		<b>3,292,862</b>	<b>2,429,508</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>		<b>5,336,109</b>	<b>3,292,862</b>
Interest received		792,402	558,037
Interest paid		(353,210)	(293,950)
<b>Non-Cash transactions:</b>			
Non-cash increase in property and equipment		-	16,078
Non-cash increase in investments available-for-sale		-	2,774

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

Sukhrob Kholmurodov

Guzal Rakhimova



*[Handwritten signature of Sukhrob Kholmurodov]*

Chairman of the Management Board

*[Handwritten signature of Guzal Rakhimova]*

Chief Accountant

28 April 2017

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