

**JSC “NATIONAL BANK FOR FOREIGN ECONOMIC
ACTIVITY OF THE REPUBLIC OF UZBEKISTAN”**

**Consolidated Financial Statements and
Independent Auditor’s Report**
For the year ended 31 December 2019





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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 2019, and the consolidated statement of profit and loss, consolidated statement of other 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 2019 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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 the 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.

The 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 the 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.

Tashkent, Uzbekistan

29 July 2020

Audit company, Ernst & Young LLC

«Ernst & Young» Audit Organization LLC
Certificate authorizing audit of banks registered by
the Central Bank of the Republic of Uzbekistan under #11
dated 22 July 2019

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

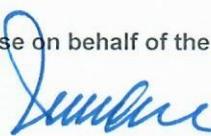
«Ernst & Young» Audit Organization LLC

Consolidated statement of financial position**as of 31 December 2019***(millions of Uzbek Soums)*

	Notes	2019	2018
Assets			
Cash and cash equivalents	5	7,001,599	6,614,154
Amounts due from credit institutions	6	1,777,507	1,892,000
Derivative financial assets	7	102,510	-
Loans to customers	8	54,174,008	46,025,482
Assets held for sale		10,262	20,755
Investment securities	9	218,342	47,762
Current income tax assets	12	23,590	10,993
Investments in associates	10	239,535	189,853
Property and equipment	11	1,383,471	912,565
Deferred income tax assets	12	244,136	244,351
Other assets	14	314,381	241,584
Total assets		65,489,341	56,199,499
Liabilities			
Amounts due to the CBU and the Government	15	1,695,207	497,688
Amounts due to credit institutions	16	1,139,442	950,879
Amounts due to customers	17	15,507,241	11,871,894
Debt securities issued	18	131,641	145,915
Other borrowed funds	19	33,115,228	37,439,050
Subordinated loans	20	1,459,376	-
Other liabilities	14	293,979	377,818
		53,342,114	51,283,244
Equity			
Share capital	21	11,582,700	4,320,970
Contribution from shareholders		126,096	126,096
Retained earnings		233,099	335,635
Other reserves		101,232	43,296
Total equity attributable to shareholders of the Group		12,043,127	4,825,997
Non-controlling interests		104,100	90,258
Total equity		12,147,227	4,916,255
Total equity and liabilities		65,489,341	56,199,499

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

Alisher Mirsoatov



Chairman of the Management Board

Bobir Imomov



Chief Accountant

9 July 2020



Consolidated statement of profit or loss**for the year ended 31 December 2019***(millions of Uzbek Soums)*

	<i>Notes</i>	2019	2018
Interest income	22	3,971,082	2,620,568
Interest expense	22	(2,138,230)	(1,358,970)
Net interest income		1,832,852	1,261,598
Credit loss (expense)/reversal	13	(271,645)	556,674
Initial recognition adjustment on interest bearing assets	8	(188,565)	(129,677)
Net interest income after credit loss expense and initial recognition of adjustment		1,372,642	1,688,595
Fee and commission income	23	446,791	391,131
Fee and commission expense	23	(83,073)	(74,928)
Net gain from financial instruments at fair value through profit or loss		28,263	-
<i>Net gains/(losses) from foreign currencies:</i>			
- dealing		44,598	69,664
- translation differences		(52,495)	(491,024)
Share of profit of associates	10	9,911	8,323
Dividend income		14,402	12,821
Other income	25	35,992	43,791
Other impairment and provisions		(21,727)	(45,761)
Personnel and operating expenses	24	(870,897)	(723,773)
Revenues of subsidiaries		365,723	76,086
Costs of subsidiaries		(292,496)	(106,503)
Net non-interest expense		(375,008)	(840,173)
Profit before income tax expense		997,634	848,422
Income tax expense	12	(207,545)	(59,473)
Profit for the year		790,089	788,949
Attributable to:			
- shareholders of the Group		815,070	802,947
- non-controlling interests		(24,981)	(13,998)
		790,089	788,949

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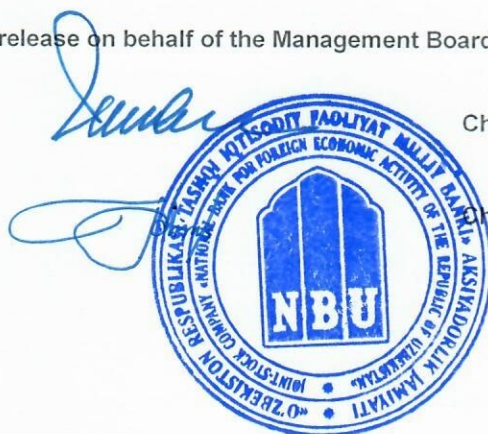
Alisher Mirsoatov

Chairman of the Management Board

Bobir Imomov

Chief Accountant

9 July 2020



The accompanying notes on pages 7 to 66 are an integral part of these consolidated financial statements.

**Consolidated statement of other comprehensive income
for the year ended 31 December 2019**

(millions of Uzbek Soums)

	2019	2018
Profit for the year	790,089	788,949
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of foreign operations, net of tax	42,318	(20,532)
Other comprehensive income/(loss) for the year, net of tax	42,318	(20,532)
Total comprehensive income for the year	832,407	768,417
Attributable to:		
- shareholders of the Bank	851,040	785,495
- non-controlling interests	(18,633)	(17,078)
	832,407	768,417

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Chairman of the Management Board

Bobir Imomov

Chief Accountant

9 July 2020



Consolidated statement of changes in equity

for the year ended 31 December 2019

(millions of Uzbek Soums)

	Attributable to shareholders of the Bank						Total equity	
	Notes	Share capital	Contribution from shareholders	Retained earnings	Other reserves	Total		Non-controlling interests
1 January 2018		1,267,530	-	2,586,128	60,748	3,914,406	25,261	3,939,667
Net profit/(loss) for the year		-	-	802,947	-	802,947	(13,998)	788,949
Other comprehensive loss for the year		-	-	-	(17,452)	(17,452)	(3,080)	(20,532)
Total comprehensive income for the year		-	-	802,947	(17,452)	785,495	(17,078)	768,417
Capitalization of retained earnings		3,053,440	-	(3,053,440)	-	-	-	-
Issuance of share capital		-	-	-	-	-	82,075	82,075
Gain on initial recognition of borrowings received from Government		-	126,096	-	-	126,096	-	126,096
31 December 2018		4,320,970	126,096	335,635	43,296	4,825,997	90,258	4,916,255
Net profit/(loss) for the year		-	-	815,070	-	815,070	(24,981)	790,089
Other comprehensive income for the year		-	-	-	35,970	35,970	6,348	42,318
Total comprehensive income for the year		-	-	815,070	35,970	851,040	(18,633)	832,407
Capitalization of retained earnings	21	906,352	-	(906,352)	-	-	-	-
Issuance of share capital	21	6,355,378	-	-	-	6,355,378	9,927	6,365,305
Other movement		-	-	(11,254)	21,966	10,712	22,548	33,260
31 December 2019		11,582,700	126,096	233,099	101,232	12,043,127	104,100	12,147,227

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Bobir Imomov

9 July 2020



Chairman of the Management Board

Chief Accountant

The accompanying notes on pages 7 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow
for the year ended 31 December 2019

(millions of Uzbek Soums)

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
Cash flows from operating activities			
Profit before income tax		997,634	848,422
<i>Adjustments for:</i>			
Provision for impairment losses on interest bearing assets	13	276,356	(556,260)
Other impairment and provisions		21,727	45,759
Initial recognition adjustment on interest bearing assets	8	188,565	129,677
Net unrealized loss on foreign exchange operations		327,365	103,261
Net gain from financial instruments at fair value through profit or loss		(28,263)	
Depreciation and amortization	11	90,469	45,545
Share of profit from associates		(9,911)	(8,323)
Change in interest income accrual		(543,819)	502,350
Change in interest expenses accrual		146,953	13,205
Other non-cash accruals		98,592	5,103
Cash flows from operating activities before changes in operating assets and liabilities		1,565,668	1,128,739
<i>Net (increase)/decrease in operating assets</i>			
Due from banks		231,715	116,468
Loans to customers		(19,532,606)	(10,728,287)
Derivative financial assets		(74,247)	-
Non-current assets held for sale		10,493	175,103
Other assets		(108,130)	17,416
<i>Net (increase)/decrease in operating liabilities</i>			
Amounts due to the CBU and the Government		1,135,846	(324,266)
Amounts due to credit institutions		106,973	(958,536)
Amounts due to customers		3,092,009	(271,562)
Liabilities directly associated with assets held for sale		-	(18,024)
Other liabilities		(45,960)	181,918
Net cash flows used in operating activities before income tax		(13,618,239)	(10,681,031)
Income tax paid		(219,927)	(107,486)
Net cash used in operating activities		(13,838,166)	(10,788,517)

The accompanying notes on pages 7 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow
for the year ended 31 December 2019

(millions of Uzbek Soums)

	Notes	2019	2018
Cash flows from investing activities			
Acquisition of investment securities		(171,531)	-
Proceeds from sale of investment securities		-	13,100
Purchase of investments in associates		(39,771)	(125,594)
Dividends received from associates and investments securities		14,402	12,821
Purchase of property and equipment		(841,984)	(745,231)
Proceeds from sale of property and equipment		280,609	21,034
Net cash used in investing activities		(758,275)	(823,870)
Cash flows from financing activities			
Redemption of debt securities issued	26	(14,274)	(29,243)
Proceeds from other borrowed funds	26	18,778,808	8,419,596
Repayment of other borrowed funds	26	(4,923,235)	(846,805)
Proceeds from subordinated loans	26	1,346,861	-
Change in non-controlling interests		13,842	51,001
Net cash from financing activities		15,202,002	7,594,549
Effect of changes in foreign exchange rates on cash and cash equivalents		(213,405)	(448,104)
Effect of expected credit losses on cash and cash equivalents	13	(4,711)	(412)
Net increase in cash and cash equivalents		387,445	(4,466,354)
Cash and cash equivalents, beginning		6,614,154	11,080,508
Cash and cash equivalents, ending	5	7,001,599	6,614,154
Interest received		3,427,263	2,947,515
Interest paid		(1,991,277)	(1,696,011)

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Chief Accountant

9 July 2020

