



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

**Consolidated Financial Statements and  
Independent Auditors' Report**  
For the Year Ended 31 December 2017



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## Independent auditor's report

To the Board of Directors of 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 2017, 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 Company the Group as at 31 December 2017 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 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 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 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.

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



«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 11 May 2017 issued by the  
Central Bank of the Republic of Uzbekistan

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

25 April 2018  
Tashkent, Uzbekistan

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

**Consolidated statement of financial position**

**As of 31 December 2017**

*(Millions of Uzbek Soums)*

|  | <b>Notes</b> | <b>2017</b>              | <b>2016</b>              |
|--|--------------|--------------------------|--------------------------|
| <b>Assets</b>  |              |                          |                          |
| Cash and cash equivalents  | 5            | 11,080,508               | 5,336,109                |
| Amounts due from credit institutions   | 6            | 2,006,794                | 973,393                  |
| Loans to customers   | 7            | 34,521,563               | 13,566,996               |
| Assets held for sale   | 8            | 195,858                  | 119,741                  |
| Investment securities:   |              |                          |                          |
| - available-for-sale   | 9            | 58,624                   | 47,970                   |
| - held-to-maturity   |              | 1,813                    | 655                      |
| Investments in associates  | 10           | 55,936                   | 36,721                   |
| Property and equipment   | 11           | 233,913                  | 221,279                  |
| Current income tax assets  | 12           | 8,616                    | 4,081                    |
| Deferred income tax assets   | 12           | 198,715                  | 57,267                   |
| Other assets   | 13           | 148,032                  | 62,120                   |
| <b>Total assets</b>  |              | <b><u>48,510,372</u></b> | <b><u>20,426,332</u></b> |
| <b>Liabilities</b>   |              |                          |                          |
| Amounts due to the Central bank of the Republic of Uzbekistan and Government | 14           | 571,014                  | 289,352                  |
| Amounts due to credit institutions   | 15           | 1,909,557                | 1,867,661                |
| Amounts due to customers   | 16           | 12,110,126               | 6,406,873                |
| Debt securities issued   | 17           | 176,506                  | 96,847                   |
| Liabilities directly associated with assets held for sale                    | 8            | 18,024                   | 7,132                    |
| Other borrowed funds   | 18           | 29,382,360               | 10,169,015               |
| Other liabilities  | 13           | 71,022                   | 114,310                  |
| <b>Total liabilities</b>   |              | <b><u>44,238,609</u></b> | <b><u>18,951,190</u></b> |
| <b>Equity</b>  |              |                          |                          |
| Share capital  | 19           | 1,267,530                | 698,867                  |
| Investments available-for-sale fair value reserve                            |              | 8,915                    | 8,915                    |
| Retained earnings  |              | 2,918,224                | 787,266                  |
| Other reserves   |              | 51,833                   | (20,712)                 |
| <b>Total equity attributable to shareholders of the Group</b>                |              | <b><u>4,246,502</u></b>  | <b><u>1,474,336</u></b>  |
| Non-controlling interests  |              | 25,261                   | 806                      |
| <b>Total equity</b>  |              | <b><u>4,271,763</u></b>  | <b><u>1,475,142</u></b>  |
| <b>Total equity and liabilities</b>  |              | <b><u>48,510,372</u></b> | <b><u>20,426,332</u></b> |

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

Alisher Mirsoatov

Chairman of the Management Board

Guzal Rakhimova

Chief Accountant

25 April 2018



NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Consolidated statement of profit or loss

As of 31 December 2017

(Millions of Uzbek Soums)

| Continuing operations   | Notes | 2017             | 2016             |
|---|-------|------------------|------------------|
| Interest income   | 20    | 1,389,969        | 763,467          |
| Interest expense  | 20    | (712,702)        | (406,858)        |
| <b>Net interest income before allowance for impairment losses and initial recognition adjustment on interest bearing assets</b> | 20    | <b>677,267</b>   | <b>356,609</b>   |
| Allowance for loan impairment   | 7     | (1,219,770)      | (132,649)        |
| Initial recognition adjustment on interest bearing assets   |       | (121,579)        | (108)            |
| <b>Net interest income after allowance for loan impairment and initial recognition of adjustment</b>                            |       | <b>(664,082)</b> | <b>223,852</b>   |
| Fee and commission income   | 22    | 338,299          | 240,271          |
| Fee and commission expense  | 22    | (59,062)         | (44,142)         |
| Net gains from foreign currencies:  | 21    | 2,935,243        | 164,799          |
| Share of profit of associates   | 10    | 8,540            | 8,464            |
| Dividend income   |       | 4,638            | 2,089            |
| Provisions for impairment losses  |       | (27,832)         | (2,258)          |
| Other operating income  | 25    | 38,063           | 36,348           |
| Other operating expenses  | 25    | (25,301)         | (34,181)         |
| Other income  | 23    | 102,922          | 23,872           |
| <b>Net non-interest income</b>  |       | <b>3,315,510</b> | <b>395,262</b>   |
| Operating expenses  | 24    | (562,697)        | (379,609)        |
| <b>Non-interest expense</b>   |       | <b>(562,697)</b> | <b>(379,609)</b> |
| <b>Profit before income tax expense</b>   |       | <b>2,088,731</b> | <b>239,505</b>   |
| Income tax benefit/(expense)  | 12    | 61,876           | (29,354)         |
| <b>Profit for the year from continuing operations</b>   |       | <b>2,150,607</b> | <b>210,151</b>   |
| <b>Discontinued operations</b>  |       |                  |                  |
| Loss for the period from discontinued operations  | 26    | (14,783)         | (37,341)         |
|   |       | <b>2,135,824</b> | <b>172,810</b>   |
| <b>Attributable to:</b>   |       |                  |                  |
| - shareholders of the Group   |       | 2,130,957        | 171,860          |
| - non-controlling interests   |       | 4,867            | 950              |
|   |       | <b>2,135,824</b> | <b>172,810</b>   |

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

Alisher Mirsoatov

Chairman of the Management Board

Guzal Rakhimova

Chief Accountant

25 April 2018



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 other comprehensive income**

**As of 31 December 2017**

*(Millions of Uzbek Soums)*

|   | <u>Note</u> | <u>2017</u>      | <u>2016</u>     |
|---|-------------|------------------|-----------------|
| <b>Profit for the year</b>  |             | <b>2,135,824</b> | <b>171,810</b>  |
| <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   |             | 88,542           | (12,703)        |
| <b>Other comprehensive loss after income tax</b>  |             | <b>88,542</b>    | <b>(12,703)</b> |
| <b>Total comprehensive income for the year</b>  |             | <b>2,224,366</b> | <b>160,107</b>  |
| <b>Attributable to:</b>   |             |                  |                 |
| - shareholders of the Bank  |             | 2,206,501        | 161,062         |
| - non-controlling interests   |             | 17,865           | (955)           |
|   |             | <b>2,224,366</b> | <b>160,107</b>  |

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

Alisher Mirsoatov

Chairman of the Management Board

Guzal Rakhimova

 Chief Accountant

25 April 2018



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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 2017

(Millions of Uzbek Soums)

|  | Notes | Share capital    | Attributable to shareholders of the Bank  |                   |                 |                  | Non-controlling interests | Total equity     |
|--|-------|------------------|---|-------------------|-----------------|------------------|---------------------------|------------------|
|  |       |                  | Investments available-for-sale fair value | Retained earnings | Other reserves  | Total            |                           |                  |
| <b>31 December 2015</b>  |       | 658,867          | 8,915                                     | 615,406           | (10,805)        | 1,272,383        | 1,761                     | 1,274,144        |
| Contribution made by government in its capacity as shareholder | 14    | 40,000           | -   | -                 | -               | 40,000           | -                         | 40,000           |
| Dividends to non-controlling interest                          | 14    | -                | -   | -                 | 891             | 891              | -                         | 891              |
| Total comprehensive income for the year                        |       | -                | -   | 171,860           | (10,798)        | 161,062          | (955)                     | 160,107          |
| <b>31 December 2016</b>  |       | <b>698,867</b>   | <b>8,915</b>                              | <b>787,266</b>    | <b>(20,712)</b> | <b>1,474,336</b> | <b>806</b>                | <b>1,475,142</b> |
| 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                        | 14    | -                | -   | 2,130,958         | 75,543          | 2,206,501        | 17,865                    | 2,224,366        |
| <b>31 December 2017</b>  |       | <b>1,267,530</b> | <b>8,915</b>                              | <b>2,918,224</b>  | <b>51,833</b>   | <b>4,246,502</b> | <b>25,261</b>             | <b>4,271,763</b> |

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

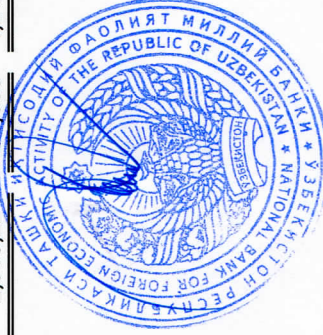
Alisher Mirsoatov

Guzal Rakhimova

25 April 2018

Chairman of the Management Board

Chief Accountant



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 cash flow

As of 31 December 2017

(Millions of Uzbek Soums)

|  | Note | 2017               | 2016             |
|--|------|--------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |      |                    |                  |
| Profit before income tax from continuing operations  |      | 2,088,731          | 239,505          |
| Loss from discontinued operations  | 26   | (14,783)           | (47,751)         |
| Provision for impairment losses on interest bearing assets                                     | 7    | 1,219,770          | 132,648          |
| Provision for impairment losses on other operations  |      | 27,832             | 2,258            |
| Initial recognition adjustment on interest bearing assets                                      |      | 121,579            | 108              |
| Net unrealized gain on foreign exchange operations   |      | (2,494,017)        | (136,138)        |
| Depreciation and amortization  |      | 26,623             | 22,650           |
| Share of profit from associates  | 10   | (8,540)            | (8,464)          |
| Change in interest income accrual  |      | (358,223)          | (99,847)         |
| Change in interest expenses accrual  |      | 79,145             | 23,113           |
| Other non-cash accruals  |      | 79,052             | 42,379           |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |      | <b>767,169</b>     | <b>170,461</b>   |
| <i>Net (increase)/decrease in operating assets</i>   |      |                    |                  |
| Due from banks   | 6    | (119,963)          | 351,491          |
| Loans to customers   | 7    | (9,258,333)        | (3,281,326)      |
| Non-current assets held for sale   | 8    | (76,117)           | 63,537           |
| Other assets   | 13   | (56,216)           | 217,686          |
| <i>Net (increase)/decrease in operating liabilities</i>  |      |                    |                  |
| Amounts due to Central Bank of the Republic of Uzbekistan and the Government                   | 14   | (338,089)          | 238,713          |
| Due to banks   | 15   | (582,582)          | 1,321,152        |
| Customer accounts  | 16   | 3,467,822          | 384,352          |
| Liabilities directly associated with assets held for sale                                      | 8    | 10,892             | (3,598)          |
| Other liabilities  | 26   | (58,353)           | (47,490)         |
| <b>Net cash flows used in operating activities before income tax</b>                           |      | <b>(6,243,770)</b> | <b>(585,022)</b> |
| Income tax paid  |      | (84,107)           | (37,253)         |
| <b>Net cash used in operating activities</b>   |      | <b>(6,327,877)</b> | <b>(622,275)</b> |

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 cash flow (continued)

For the year ended 31 December 2017

(Millions of Uzbek Soums)

|   | Note | 2017              | 2016             |
|---|------|-------------------|------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                            |      |                   |                  |
| Purchase of investments available-for-sale                              |      | (10,425)          | 570              |
| Purchase of investments in associates                                   |      | (6,948)           | (4,176)          |
| Dividends received from associates and investments available-for-sale   |      | 4,638             | 3,079            |
| Dividend contribution to non-controlling interest                       |      | -                 | -                |
| Purchase of property, equipment and intangible assets                   | 11   | (119,310)         | (36,814)         |
| Proceeds on sale of property, plant and equipment                       |      | -                 | -                |
| Proceeds from sale of investment securities held-to-maturity            |      | (1,158)           | (197)            |
| Proceeds from sale of associates  |      | -                 | 2,753            |
| Net cash flow from disposal of subsidiary                               | 26   | 9,696             | 43,575           |
| <b>Net cash used in investing activities</b>                            |      | <b>(123,507)</b>  | <b>8,790</b>     |
| Proceeds from debt securities issued                                    |      | 110,000           | 2,623            |
| Redemption of debt securities issued                                    |      | (30,401)          | -                |
| Contribution made by government   |      | 568,663           | 40,000           |
| Net proceeds from other borrowed funds                                  |      | 6,517,818         | 2,477,971        |
| Minority interest   |      | 24,455            | -                |
| <b>Net cash from financing activities</b>                               |      | <b>7,190,535</b>  | <b>2,520,594</b> |
| Effect of changes in foreign exchange rate on cash and cash equivalents |      | 5,005,248         | 136,138          |
| <b>Net increase in cash and cash equivalents</b>                        |      | <b>5,744,399</b>  | <b>2,043,247</b> |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>                     |      | <b>5,336,109</b>  | <b>3,292,862</b> |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                           |      | <b>11,080,508</b> | <b>5,336,109</b> |
| Interest received   |      | 958,778           | 792,402          |
| Interest paid   |      | (795,049)         | (353,210)        |
| <b>Non-Cash transactions:</b>   |      |                   |                  |
| Non-cash increase in property and equipment                             |      | (17,107)          | -                |

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

Alisher Mirsoatov



Chairman of the Management Board

Guzal Rakhimova

 Chief Accountant

25 April 2018

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