

Independent auditor's report

To the Board of Directors of JSC "National Bank of 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 Joint Stock Company "National Bank of Foreign Economic Activity of the Republic of Uzbekistan" (hereinafter, the "Bank") and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 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' (IESBA) 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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Expected credit losses on loans to customers

Assessment of expected credit losses ("ECL") on loans to customers based on the requirements of IFRS 9 Financial Instruments ("IFRS 9") is a key area of management's judgment.

The assessment of events that cause a significant increase in credit risk, the determination of probability of default, the distribution of assets into three stages of impairment, and the analysis of the criteria for transition between stages involve significant professional judgment and use of assumptions.

The calculation of the ECL involves the use of estimation methods with unobservable inputs, including the determination of the probability of default, the exposure at default and loss given default on the basis of available historical data, adjusted for forecast information, including forecast macroeconomic parameters.

The use of different models and assumptions can lead to significantly different estimates of the provision for ECL for loans to customers. Due to the significance of the carrying amount of loans to customers for the Group's consolidated financial position, as well as the complexities and judgments associated with the assessment of the ECL, we considered this area a key audit matter.

Information on the provision for ECL and the management's approach to assessing the provision and managing credit risk are disclosed in Notes 8 and 12 to the consolidated financial statements.

Our audit procedures included evaluating the methodology developed by the Group for calculating ECL on loans to customers, testing controls over the customer lending process, including testing controls on accounting for overdue debts, procedures for assessing events that cause a significant increase in credit risk for borrowers based on internal classification, and procedures for calculating the provision for ECL. We have analysed the consistency of judgments used by the Group's management in calculating the provision for ECL.

To test allowance calculated on a portfolio basis, we evaluated the underlying models, key inputs and assumptions used by the Group to calculate the ECL, as well as the allocation of loans to the stages. We assessed the reasonableness of the management's judgement in relation to the determination of whether significant increase in credit risk has occurred on an individual basis. For the selected credit impaired loans, we have checked the estimation of the expected cash flows from the sale of collateral and cash repayment. We recalculated the provision for ECL.

We also evaluated the disclosures in the notes to the consolidated financial statements on the provision for ECL on loans to customers.

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 Bank's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on findings from procedures performed in accordance with the requirements of Law No. ZRU-580 dated 5 November 2019 On Banks and Banking Activity

Management is responsible for the Bank's compliance with prudential ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Central Bank of the Republic of Uzbekistan.

In accordance with Article 74 of Law No. ZRU-580 dated 5 November 2019 *On Banks and Banking Activity* (the "Law"), we have performed procedures to determine:

- whether as at 31 December 2022 the Bank complied with prudential ratios established by the Central Bank of the Republic of Uzbekistan;
- whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Central Bank of the Republic of Uzbekistan, and recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

Based on our procedures with respect to the Bank's compliance with the prudential ratios established by the Central Bank of the Republic of Uzbekistan, we found that the Bank's prudential ratios, as at 31 December 2022, were within the limits established by the Central Bank of the Republic of Uzbekistan.

We have not performed any procedures on the accounting records maintained by the Group, other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS.

Based on our procedures with respect to the compliance of the elements of the Bank's internal control and organization of its risk management systems with the requirements established by the Central Bank of the Republic of Uzbekistan, we found that:

- as at 31 December 2022, the Bank's internal audit function was subordinated to, and reported to, those charged with governance, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks;
- the frequency of reports prepared by the Bank's internal audit function during 2022 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by those charged with governance and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2022, the Bank established Information security function, and the information security policy was approved by the Bank's management board. Information security function was subordinated to and reported directly to the Chairman of the management board;
- reports by the Bank's Information security function to the Chairman of the management board during 2022 included assessment and analysis of information security risks, and results of actions to manage such risks;
- the Bank's internal documentation, effective on 31 December 2022, establishing the procedures and methodologies for identifying and managing credit risk, market risk, liquidity risk, operational risk, country risk, legal risk, reputational risk, fraud risk (hereinafter "significant risks"), and for stress-testing, was approved by the authorized management bodies of the Bank;
- as at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;
- the frequency of reports prepared by the Bank's risk management and internal audit functions during 2022, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks and risk management system, and recommendations for improvement;
- as at 31 December 2022, those charged with governance and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2022, those charged with governance and executive management bodies of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Bank's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Law and as described above, comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

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

Address: Tashkent, Uzbekistan

28 April 2023

FE Audit Organization "Ernst & Young"

FE Audit Organization «Ernst & Young» 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
Engagement Partner/ Qualified auditor
Auditor qualification certificate authorizing audit of banks
#25 dated 29 March 2023 issued by the Central Bank of the
Republic of Uzbekistan

**Consolidated statement of financial position
for the year ended 31 December 2022**

(millions of Uzbek Soums)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	24 446 019	10 185 391
Amounts due from credit institutions	6 528 713	2 680 960
Derivative financial assets	92 385	-
Loans to customers	86 475 664	72 089 675
Investment securities	1 746 759	1 112 917
Investments in associates	229 403	345 610
Property and equipment	1 072 656	924 455
Current income tax assets	19 955	-
Deferred income tax assets	280 785	421 268
Other assets	385 110	471 937
Total assets	<u>121 277 449</u>	<u>88 232 213</u>
Liabilities		
Amounts due to the CBU	725 946	708 828
Amounts due to credit institutions	16 487 592	3 083 328
Amounts due to customers	38 951 852	22 243 551
Derivative financial liabilities	-	41 491
Other borrowed funds	43 286 779	43 376 477
Subordinated loans	1 648 202	1 612 487
Debt securities issued	3 409 313	3 334 500
Current income tax liabilities	-	8 571
Other liabilities	347 485	327 224
	<u>104 857 169</u>	<u>74 736 457</u>
Equity		
Share capital	14 350 285	12 209 351
Contribution from shareholders	126 096	126 096
Retained earnings	1 710 706	904 616
Other reserves	208 865	100 791
Total equity attributable to shareholders of the Group	<u>16 395 952</u>	<u>13 340 854</u>
Non-controlling interests	24 328	154 902
Total equity	<u>16 420 280</u>	<u>13 495 756</u>
Total equity and liabilities	<u>121 277 449</u>	<u>88 232 213</u>

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

Alisher Mirsoatov



Chairman of the Management Board

Bokhodir Rikhsiev

Chief Accountant

28 April 2023

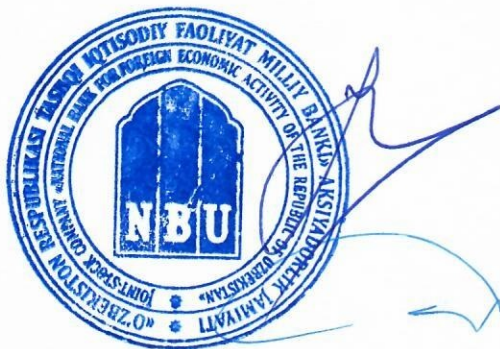
**Consolidated statement of profit or loss
for the year ended 31 December 2022**

(millions of Uzbek Soums)

	<u>2022</u>	<u>2021</u>
Interest income	8 714 331	5 443 092
Interest expense	(3 450 852)	(2 138 839)
Net interest income	5 263 479	3 304 253
Credit loss expense	(2 210 248)	(1 241 528)
Initial recognition adjustment on interest bearing assets	(166 632)	(110 930)
Net interest income after credit loss expense and initial recognition of adjustment	2 886 599	1 951 795
Fee and commission income	585 470	422 783
Fee and commission expense	(156 696)	(80 491)
Net gain/(loss) from financial instruments at fair value through profit or loss	133 876	(154 291)
<i>Net (losses)/gains from foreign currencies:</i>		
- dealing	2 425 387	190 211
- translation differences	(95 958)	27 325
Share of gain/(loss) of associates	59 428	(38 194)
Dividend income	90 580	34 761
Other income	73 995	120 934
Impairment of investments in associates	(138 667)	(18 784)
Provision for impairment losses on other operations	(64 453)	(24 295)
Personnel and other operating expenses	(1 497 931)	(1 200 325)
Revenue from non-banking activities	144 998	338 933
Costs of sales from non-banking activities	(57 409)	(124 928)
Net non-interest income/(expense)	1 502 620	(506 361)
Profit before income tax expense	4 389 219	1 445 434
Income tax expense	(987 172)	(251 373)
Profit for the year	3 402 047	1 194 061
Attributable to:		
- shareholders of the Group	3 358 527	1 109 956
- non-controlling interests	43 520	84 105
	3 402 047	1 194 061

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

Alisher Mirsoatov



Chairman of the Management Board

Bokhodir Rikhsiev

Chief Accountant

28 April 2023

**Consolidated statement of other comprehensive income
for the year ended 31 December 2022**

(millions of Uzbek Soums)

	<u>2022</u>	<u>2021</u>
Profit for the year	3 402 047	1 194 061
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	(15 116)	2 145
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(15 116)	2 145
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		
Revaluation reserve of financial assets measured at FVTOCI	153 988	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(30 798)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	123 190	
Other comprehensive income for the year, net of tax	108 074	2 145
Total comprehensive income for the year	3 510 121	1 196 206
Attributable to:		
- shareholders of the Bank	3 467 221	1 112 013
- non-controlling interests	42 900	84 193
	3 510 121	1 196 206

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Alisher Mirsoatov



Chairman of the Management Board

Bokhodir Rikhsiev

Chief Accountant

28 April 2023

Consolidated statement of changes in equity for the year ended 31 December 2022

(millions of Uzbek Soums)

	Attributable to shareholders of the Bank					Total equity
	Share capital	Contribution from shareholders	Retained earnings	Other reserves	Total	
Balance at January 1, 2021	11 978 074	126 096	72 956	121 258	12 298 384	12 430 160
Net profit for the year	-	-	1 109 956	-	1 109 956	1 194 061
Other comprehensive income	-	-	-	2 057	2 057	2 145
Total Comprehensive income for the year	-	-	1 109 956	2 057	1 112 013	1 196 206
Dividends to shareholders of the Bank:	231 277	-	(278 296)	-	(47 019)	(47 019)
Capitalization of retained earnings	231 277	-	(231 277)	-	-	-
Paid Dividends	-	-	(47 019)	-	(47 019)	(47 019)
Disposal of subsidiary	-	-	-	(22 524)	(22 524)	(83 591)
Balance at 31 December, 2021	12 209 351	126 096	904 616	100 791	13 340 854	13 495 756
Net profit for the year	-	-	3 358 527	-	3 358 527	3 402 047
Other comprehensive income	-	-	-	108 694	108 694	108 074
Total Comprehensive (loss) for the year	-	-	3 358 527	108 694	3 467 221	3 510 121
Dividends to shareholders of the Bank:	2 209 055	-	(2 267 198)	-	(58 143)	(58 143)
Capitalization of dividends	2 209 055	-	(2 209 055)	-	-	-
Paid dividends	-	-	(58 143)	-	(58 143)	(58 143)
Tax paid on Capitalization of Dividends	-	-	(116 266)	-	(116 266)	(116 266)
Other distributions to the shareholders of the Bank	(68 121)	-	(168 973)	-	(237 094)	(237 094)
Disposal of subsidiaries	-	-	-	(620)	(620)	(174 094)
Balance at 31 December, 2022	14 350 285	126 096	1 710 706	208 865	16 395 952	16 420 280

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Alisher Mirsoatov

Bokhodir Rikhsiev

28 April 2023

Chairman of the Management Board

Chief Accountant



**Consolidated statement of cash flows
for the year ended 31 December 2022**

(millions of Uzbek Soums)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Profit before income tax	4 389 219	1 445 434
<i>Adjustments for:</i>		
Provision for impairment losses on interest bearing assets	2 210 248	1 241 528
Other impairment and provisions	64 453	24 295
Impairment of investments in associates	138 667	18 784
Initial recognition adjustment on interest bearing assets	166 632	110 930
Net unrealized loss on foreign exchange operations	(174 243)	196 381
Net gains from financial instruments at FVTPL	(133 876)	154 291
Depreciation and amortization	162 536	151 406
Dividends received	-	(34 761)
Share of profit or loss from associates	(59 428)	38 194
Change in interest income accrual	(1 460 678)	(527 922)
Change in interest expenses accrual	281 694	98 380
Other non-cash accruals	-	2 659
Cash flows from operating activities before changes in operating assets and liabilities	5 585 224	2 919 599
<i>Net (increase)/decrease in operating assets</i>		
Amounts due from credit institutions	(3 832 385)	(797 277)
Loans to customers	(14 435 714)	(7 950 033)
Other assets	27 005	(23 425)
<i>Net (increase)/decrease in operating liabilities</i>		
Amounts due to the CBU and the Government	17 118	(695 551)
Amounts due to credit institutions	13 326 859	564 297
Amounts due to customers	16 663 138	4 417 484
Derivative financial liabilities	-	(112 800)
Other liabilities	(19 789)	(15 306)
Net cash flows used in operating activities before income tax	17 331 456	(1 693 012)
Income tax paid	(906 013)	(270 863)
Net cash used in operating activities	16 425 443	(1 963 875)

(millions of Uzbek Soums)

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities		
Purchase of investment securities	(1 528 340)	(953 452)
Proceeds from sale and redemption of investment securities	1 041 969	377 160
Proceeds from sale of associates	30 283	-
Purchase of investments in associates	(55 000)	(34 192)
Dividends received from associates and investments securities	-	32 559
Purchase of property and equipment	(560 426)	(212 089)
Proceeds from sale of property and equipment	17 513	191 689
Net cash used in investing activities	(1 054 001)	(598 325)
Cash flows from financing activities		
Proceeds from issue of debt securities	-	35 008
Redemption of debt securities issued	(44 754)	-
Proceeds from other borrowed funds	22 189 144	12 721 095
Repayment of other borrowed funds	(23 068 072)	(9 333 730)
Dividends paid, including attributable taxes	(174 409)	(47 019)
Net cash from financing activities	(1 098 091)	3 375 354
Effect of changes in foreign exchange rates on cash and cash equivalents	(15 913)	(2 113)
Effect of expected credit losses on cash and cash equivalents	3 190	(4 697)
Net increase in cash and cash equivalents	14 260 628	806 344
Cash and cash equivalents, beginning	10 185 391	9 379 047
Cash and cash equivalents, ending	24 446 019	10 185 391
Interest received	7 250 190	4 915 170
Interest paid	(3 165 695)	(2 040 459)

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

Alisher Mirsoatov

Bokhodir Rikhsiev

28 April 2023



Chairman of the Management Board

Chief Accountant