

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 2022

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" LLC

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)

	Notes	2022	2021
Assets			
Cash and cash equivalents	5	24,446,019	10,185,391
Amounts due from credit institutions	6	6,528,713	2,680,960
Derivative financial assets	7	92,385	-
Loans to customers	8	86,475,664	72,089,675
Investment securities	9	1,746,759	1,112,917
Investments in associates	34	229,403	345,610
Property and equipment	10	1,072,656	924,455
Current income tax assets		19,955	-
Deferred income tax assets	11	280,785	421,268
Other assets	13	385,110	471,937
Total assets		121,277,449	88,232,213
Liabilities			
Amounts due to the CBU	14	725,946	708,828
Amounts due to credit institutions	15	16,487,592	3,083,328
Amounts due to customers	16	38,951,852	22,243,551
Derivative financial liabilities		-	41,491
Other borrowed funds	18	43,286,779	43,376,477
Subordinated loans	19	1,648,202	1,612,487
Debt securities issued	17	3,409,313	3,334,500
Current income tax liabilities		-	8,571
Other liabilities	13	347,485	327,224
		104,857,169	74,736,457
Equity			
Share capital	20	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		16,395,952	13,340,854
Non-controlling interests		24,328	154,902
Total equity		16,420,280	13,495,756
Total equity and liabilities		121,277,449	88,232,213

Signed and authorised 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

Consolidated statement of profit or loss
for the year ended 31 December 2022
(millions of Uzbek Soums)

	Notes	2022	2021
Interest income	22	8,714,331	5,443,092
Interest expense	22	(3,450,852)	(2,138,839)
Net interest income		5,263,479	3,304,253
Credit loss expense	12	(2,210,248)	(1,241,528)
Initial recognition adjustment on interest bearing assets	8	(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	23	585,470	422,783
Fee and commission expense	23	(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	34	59,428	(38,194)
Dividend income		90,580	34,761
Other income	24	73,995	120,934
Impairment of investments in associates	34	(138,667)	(18,784)
Provision for impairment losses on other operations		(64,453)	(24,295)
Personnel and other operating expenses	25	(1,497,931)	(1,200,325)
Revenue from non-banking activities	26	144,998	338,933
Costs of sales from non-banking activities	27	(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	11	(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

Bokhodir Rikhsiev

28 April 2023



Chairman of the Management Board

Chief Accountant

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

(millions of Uzbek Soums)

	2022	2021
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

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

Consolidated statement of changes in equity

for the year ended 31 December 2022

(millions of Uzbek Soums)

Notes	Attributable to shareholders of the Bank					Non- controlling interests	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	131,776	12,430,160
Net profit for the year	-	-	1,109,956	-	1,109,956	84,105	1,194,061
Other comprehensive income	-	-	-	2,057	2,057	88	2,145
Total Comprehensive income for the year	-	-	1,109,956	2,057	1,112,013	84,193	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)	(61,067)	(83,591)
Balance at 31 December, 2021	12,209,351	126,096	904,616	100,791	13,340,854	154,902	13,495,756
Net profit for the year	-	-	3,358,527	-	3,358,527	43,520	3,402,047
Other comprehensive income/(loss)	-	-	-	108,694	108,694	(620)	108,074
Total Comprehensive income for the year	-	-	3,358,527	108,694	3,467,221	42,900	3,510,121
Dividends to shareholders of the Bank:	2,209,055	-	(2,267,198)	-	(58,143)	-	(58,143)
Capitalization of dividends	20 2,209,055	-	(2,209,055)	-	-	-	-
Paid dividends	20 -	-	(58,143)	-	(58,143)	-	(58,143)
Tax paid on Capitalization of Dividends	20 -	-	(116,266)	-	(116,266)	-	(116,266)
Other distributions to the shareholders of the Bank	20 (68,121)	-	(168,973)	-	(237,094)	-	(237,094)
Disposal of subsidiaries	33 -	-	-	(620)	(620)	(173,474)	(174,094)
Balance at 31 December, 2022	14,350,285	126,096	1,710,706	208,865	16,395,952	24,328	16,420,280

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

The accompanying notes on pages 13 to 15 are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows
for the year ended 31 December 2022***(millions of Uzbek Soums)*

	<i>Notes</i>	2022	2021
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	12	2,210,248	1,241,528
Other impairment and provisions		64,453	24,295
Impairment of investments in associates	34	138,667	18,784
Initial recognition adjustment on interest bearing assets	8	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	10	162,536	151,406
Dividends received		-	(34,761)
Share of profit or loss from associates	34	(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)

Consolidated statement of cash flows (continued)

	Notes	2022	2021
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	-	35,008
Redemption of debt securities issued	35	(44,754)	-
Proceeds from other borrowed funds	35	22,189,144	12,721,095
Repayment of other borrowed funds	35	(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	12	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	5	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