

REPORT ARCHIVE COPY

**STATE BANK FOR FOREIGN
ECONOMIC AFFAIRS OF
TURKMENISTAN**

Financial Statements
For the Year Ended 31 December 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management Board of State Bank for Foreign Economic Affairs of Turkmenistan:

Report on the Financial Statements

We have audited the accompanying financial statements of State Bank for Foreign Economic Affairs of Turkmenistan ("the Bank"), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of State Bank for Foreign Economic Affairs of Turkmenistan as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte, LLP

Deloitte, LLP

30 May 2012
Almaty, Kazakhstan

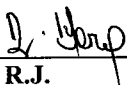
STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(in Turkmen manat and in thousands)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Interest income	4, 21	74,819	62,437
Interest expense	4, 21	(55,140)	(37,924)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		19,679	24,513
Recovery/(provision) of provision for impairment losses on interest bearing assets	5	10,193	(2,684)
NET INTEREST INCOME		29,872	21,829
Net gain on foreign exchange operations	6	14,262	5,055
Fee and commission income	7, 21	25,788	20,013
Fee and commission expense	7	(10,019)	(8,239)
Recovery of provision/(provision) for impairment losses on other operations	5	1,968	(901)
Other expense, net		(4,856)	(1,657)
NET NON-INTEREST INCOME		27,143	14,271
OPERATING INCOME		57,015	36,100
OPERATING EXPENSES	8	(18,336)	(15,292)
PROFIT BEFORE INCOME TAX		38,679	20,808
Income tax expense	9	(2,918)	(1,503)
NET PROFIT		35,761	19,305
TOTAL COMPREHENSIVE INCOME		35,761	19,305

On behalf of the Management Board:


Jepbarov R.J.
Chairman of the Board

30 May 2012
Ashkhabad, Turkmenistan


Khangeldyev Zh.
Chief Accountant

30 May 2012
Ashkhabad, Turkmenistan

The notes on pages 9-41 form an integral part of these financial statements.

STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(in Turkmen manat and in thousands)

	Notes	31 December 2011	31 December 2010
ASSETS:			
Cash and balances with the Central Bank of Turkmenistan	10	251,873	139,596
Due from banks	11	3,126,839	1,634,956
Loans to customers	12, 21	2,680,697	1,424,069
Investments available-for-sale		2,051	2,054
Property, equipment and intangible assets	13	33,341	33,160
Deferred tax assets	9	7,548	2,887
Other assets	14	114,296	122,271
TOTAL ASSETS		6,216,645	3,358,993
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	15, 21	30,309	60,872
Customer accounts	16, 21	3,452,904	1,810,170
Other borrowed funds	17	2,379,911	1,177,509
Other liabilities	18	53,766	46,448
Total liabilities		5,916,890	3,094,999
EQUITY:			
Share capital	19	119,978	98,980
Retained earnings		179,777	165,014
Total equity		299,755	263,994
TOTAL LIABILITIES AND EQUITY		6,216,645	3,358,993

On behalf of the Management Board:

Jepbarov R.J.
Chairman of the Board

30 May 2012
Ashkhabad, Turkmenistan

Khangeldyev Zh.
Chief Accountant

30 May 2012
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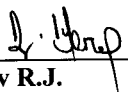
STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(in Turkmen manat and in thousands)

	Share capital	Retained earnings	Total equity
As at 31 December 2009	84,235	160,454	244,689
Issue of ordinary share capital	14,745	(14,745)	-
Total comprehensive income	-	19,305	19,305
As at 31 December 2010	98,980	165,014	263,994
Issue of ordinary share capital	20,998	(20,998)	-
Total comprehensive income	-	35,761	35,761
As at 31 December 2011	119,978	179,777	299,755

On behalf of the Management Board:



Jepbarov R.J.
Chairman of the Board

30 May 2012
Ashkhabad, Turkmenistan



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30 May 2012
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STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

(in Turkmen manat and in thousands)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		38,679	20,808
Adjustment for:			
Depreciation and amortization	8, 13	1,744	1,811
(Recovery of provision)/provision for impairment losses on interest bearing assets	5	(10,193)	2,684
(Recovery of provision)/provision for impairment losses on other operations	5	(1,968)	901
Loss on disposal of property and equipment		2	
Gain on foreign exchange operations	6	(1,286)	1,183
Change in interest accruals, net		11,947	(5,199)
Other adjustments		-	9,060
		<hr/>	<hr/>
Cash inflow from operating activity before changes in operating assets and liabilities		38,925	31,248
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit		7,948	(4,668)
Due from banks		132,234	(42,535)
Loans to customers		(1,251,816)	96,529
Other assets		11,228	(98,773)
Increase/(decrease) in operating liabilities:			
Due to banks		(30,563)	24,774
Customer accounts		1,642,906	1,188,394
Other liabilities		7,318	45,727
		<hr/>	<hr/>
Cash inflow from operating activities before taxation		558,180	1,240,696
Income taxes paid		(7,579)	(1,788)
		<hr/>	<hr/>
Net cash inflow from operating activities		550,601	1,238,908
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	13	(1,927)	(1,070)
Redemption of investments held-to-maturity on maturity		-	26,510
		<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities		(1,927)	25,440

STATE BANK FOR FOREIGN ECONOMIC ACITIVITY OF TURKMENISTAN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

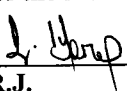
(in Turkmen manat and in thousands)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of other borrowed funds		(858,464)	(913,571)
Receipt of other borrowed funds		2,054,123	694,047
Net cash inflow/(outflow) from financing activities		1,195,659	(219,524)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		1,744,333	1,044,824
<i>Effect of changes in exchange rates on cash and cash equivalents</i>		17	2,731
CASH AND CASH EQUIVALENTS, beginning of year	10	1,591,933	544,378
CASH AND CASH EQUIVALENTS, end of year	10	3,336,283	1,591,933

Interest paid and received by the Bank during the year ended 31 December 2011 amounted to TMM 61,711 thousand and TMM 69,443 thousand, respectively.

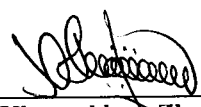
Interest paid and received by the Bank during the year ended 31 December 2010 amounted to TMM 28,891 thousand and TMM 58,603 thousand, respectively.

On behalf of the Management Board:



Jepbarov R.J.
Chairman of the Board

30 May 2012
Ashkhabad, Turkmenistan



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30 May 2012
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