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**Optima Bank OJSC**

**Financial Statements**

**for the year ended 31 December 2015**

## **Contents**

### **Independent Auditors' Report**

Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Cash Flows	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8-48



KPMG Bishkek LLC  
21 Erkindik Boulevard  
Orion Business Centre, Office 201  
Bishkek, Kyrgyz Republic 720040

Telephone +996 312 623 380  
Fax +996 312 623 856  
E-mail kpmg@kpmg.kg

## Independent Auditors' Report

To the Board of Directors of Optima Bank OJSC

We have audited the accompanying financial statements of Optima Bank OJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 about 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 the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Bishkek LLC  
KPMG Bishkek LLC  
25 February 2016

KPMG Bishkek LLC, a company incorporated under the Laws of the Kyrgyz Republic, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Optima Bank OJSC**  
*Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015*

	Note	2015 KGS'000	2014 KGS'000
Interest income	4	2,277,067	2,032,175
Interest expense	4	(834,192)	(558,253)
<b>Net interest income</b>		<b>1,442,875</b>	<b>1,473,922</b>
Fee and commission income	5	281,665	283,629
Fee and commission expense	6	(78,943)	(68,363)
<b>Net fee and commission income</b>		<b>202,722</b>	<b>215,266</b>
Net profit/(loss) on financial instruments at fair value through profit or loss		66,610	(66,976)
Net foreign exchange gain	7	294,312	360,029
Other operating income		6,768	3,293
<b>Operating income</b>		<b>2,013,287</b>	<b>1,985,534</b>
Impairment losses	8	(196,851)	(157,929)
Personnel expenses	9	(590,247)	(499,859)
Other general administrative expenses	10	(375,147)	(320,720)
<b>Profit before income tax</b>		<b>851,042</b>	<b>1,007,026</b>
Income tax expense	11	(93,723)	(103,605)
<b>Profit for the year</b>		<b>757,319</b>	<b>903,421</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
Net change in fair value		(79)	(2,306)
<b>Other comprehensive income for the year, net of income tax</b>		<b>(79)</b>	<b>(2,306)</b>
<b>Total comprehensive income for the year</b>		<b>757,240</b>	<b>901,115</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share, in KGS	22	54.09	64.53

The financial statements as set out on pages 4 to 48 were approved by the Management on 25 February 2016.

  
Mr. B. Kapyshev  
Chairman



  
Ms. A. Baryktabasova  
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 48.

**Optima Bank OJSC**  
Statement of Financial Position as at 31 December 2015

	Note	2015 KGS'000	2014 KGS'000
<b>ASSETS</b>			
Cash and cash equivalents	12	10,634,484	4,870,749
Available-for-sale financial assets			
- Held by the Bank		-	249,513
Loans and advances to banks and other financial institutions	13	15,802	47,933
Loans to customers	14	13,506,045	13,520,063
Property, equipment and intangible assets	15	464,188	497,469
Other assets	16	159,087	130,406
<b>Total assets</b>		<b>24,779,606</b>	<b>19,316,133</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss		-	87,756
Deposits and balances from banks and other financial institutions	17	220,272	129,962
Current accounts and deposits from customers	18	20,380,323	15,049,260
Other borrowed funds	19	350,002	658,875
Current tax liability		34,846	24,331
Deferred tax liability	11	7,908	8,265
Other liabilities	20	628,319	505,208
<b>Total liabilities</b>		<b>21,621,670</b>	<b>16,463,657</b>
<b>EQUITY</b>			
Share capital	21	700,000	700,000
Revaluation reserve for available-for-sale financial assets		(129)	(50)
Retained earnings		2,458,065	2,152,526
<b>Total equity</b>		<b>3,157,936</b>	<b>2,852,476</b>
<b>Total liabilities and equity</b>		<b>24,779,606</b>	<b>19,316,133</b>

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 48.

	<b>2015</b> <b>KGS'000</b>	<b>2014</b> <b>KGS'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	2,178,433	1,983,078
Interest payments	(822,798)	(513,815)
Fee and commission receipts	281,563	282,890
Fee and commission payments	(78,912)	(91,266)
Net receipts from financial instruments at fair value through profit or loss	95,170	31,123
Net receipts from foreign exchange	321,925	230,588
Other income receipts	7,010	3,087
General administrative expenses payments	(789,677)	(868,831)
<b>(Increase)/decrease in operating assets</b>		
Available-for-sale financial assets	249,576	856,869
Loans and advances to banks and other financial institutions	32,903	1,186,719
Loans to customers	2,174,751	(3,155,820)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks and other financial institutions	59,689	(1,435,804)
Current accounts and deposits from customers	1,950,934	3,192,806
<b>Net cash from operating activities before income tax paid</b>	<b>5,660,567</b>	<b>1,701,624</b>
Income tax paid	(83,565)	(93,429)
<b>Cash flows from operations</b>	<b>5,577,002</b>	<b>1,608,195</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and intangible assets	(55,776)	(150,048)
Sales of property and equipment and intangible assets	140	573
<b>Cash flows used in investing activities</b>	<b>(55,636)</b>	<b>(149,475)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of other borrowed funds	337,323	567,136
Repayment of other borrowed funds	(800,558)	(863,682)
Dividends paid	(382,520)	(382,756)
<b>Cash flows used in financing activities</b>	<b>(845,755)</b>	<b>(679,302)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,675,611</b>	<b>779,418</b>
Effect of changes in exchange rates on cash and cash equivalents	1,088,124	225,975
Cash and cash equivalents as at the beginning of the year	4,870,749	3,865,356
<b>Cash and cash equivalents as at the end of the year</b> (Note 12)	<b>10,634,484</b>	<b>4,870,749</b>

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 48.

**Optima Bank OJSC**  
Statement of Changes in Equity for the year ended 31 December 2015

KGS'000	Share capital	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
Balance as at 1 January 2014	700,000	2,256	1,629,905	2,332,161
<b>Total comprehensive income</b>				
Profit for the year	-	-	903,421	903,421
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	(2,306)	-	(2,306)
<b>Total comprehensive income for the year</b>	-	(2,306)	903,421	901,115
<b>Transactions with owners, recorded directly in equity</b>				
Dividends declared	-	-	(380,800)	(380,800)
<b>Total transactions with owners</b>	-	-	(380,800)	(380,800)
<b>Balance as at 31 December 2014</b>	<b>700,000</b>	<b>(50)</b>	<b>2,152,526</b>	<b>2,852,476</b>
Balance as at 1 January 2015	700,000	(50)	2,152,526	2,852,476
<b>Total comprehensive income</b>				
Profit for the year	-	-	757,319	757,319
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	(79)	-	(79)
<b>Total comprehensive income for the year</b>	-	(79)	757,319	757,240
<b>Transactions with owners, recorded directly in equity</b>				
Dividends declared	-	-	(451,780)	(451,780)
<b>Total transactions with owners</b>	-	-	(451,780)	(451,780)
<b>Balance as at 31 December 2015</b>	<b>700,000</b>	<b>(129)</b>	<b>2,458,065</b>	<b>3,157,936</b>

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 48.

## **1 Background**

### **(a) Organisation and operations**

Optima Bank OJSC (the “Bank”) was established in the Kyrgyz Republic as an open joint-stock company in 1992. The Bank was previously known as ATFBank-Kyrgyzstan OJSC and UniCredit Bank OJSC. In April 2013 due to changes in ultimate controlling party it was officially re-registered with the Ministry of Justice of the Kyrgyz Republic under the new name.

The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and transactions with securities and foreign exchange. The activities of the Bank are regulated by the National Bank of the Kyrgyz Republic (the “NBKR”). The Bank has a general banking license, and is a member of the state deposit insurance system in the Kyrgyz Republic.

The Bank’s registered office is 493, Zhibek Zholu avenue, Bishkek, 720070, the Kyrgyz Republic.

The Bank has 18 branches (2014: 18 branches) from which it conducts business throughout the Kyrgyz Republic. The majority of the assets and liabilities are located in the Kyrgyz Republic.

The Bank is a subsidiary of ATF Bank JSC (the “Parent”). On 2 May 2013, control over the Parent changed from UniCredit Bank Austria AG (the “Group”) to “KNG Finance” LLC and the ultimate controlling party changed from UniCredit S.p.A. to Mr. Galimzhan Yessenov. At 31 December 2015 the Parent owned 97.14% of the outstanding shares (2014: 97.14%). Related party transactions are detailed in Note 27.

### **(b) Business environment**

The Bank’s operations are primarily located in Kyrgyzstan. Consequently, the Bank is exposed to the economic and financial markets of Kyrgyzstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kyrgyzstan. The financial statements reflect management’s assessment of the impact of the Kyrgyzstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment.

## **2 Basis of preparation**

### **(a) Statement of compliance**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

### **(b) Basis of measurement**

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

### **(c) Functional and presentation currency**

The functional currency of the Bank is the Kyrgyz som (“KGS”) as, being the national currency of the Kyrgyz Republic, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KGS is also the presentation currency for the purposes of these financial statements.

Financial information presented in KGS is rounded to the nearest thousand.



## **2 Basis of preparation, continued**

### **(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- loan impairment estimates - note 14
- estimates of fair values of financial assets and liabilities – note 28.

## **3 Significant accounting policies**

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Bank.

### **(a) Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

### **(b) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, nostro accounts with the NBKR and other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

### 3 Significant accounting policies, continued

#### (c) Financial instruments

##### (i) Classification

*Financial instruments at fair value through profit or loss* are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of the fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Available-for-sale financial assets* are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

##### (ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

### **3 Significant accounting policies, continued**

#### **(c) Financial instruments, continued**

##### **(iii) Measurement**

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

##### **(iv) Amortised cost**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

##### **(v) Fair value measurement principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

### **3 Significant accounting policies, continued**

#### **(c) Financial instruments, continued**

##### **(vi) *Gains and losses on subsequent measurement***

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss

- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

##### **(vii) *Derecognition***

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank writes off assets deemed to be uncollectible.

##### **(viii) *Repurchase and reverse repurchase agreements***

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans and advances to banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

### **3 Significant accounting policies, continued**

#### **(c) Financial instruments, continued**

##### **(ix) Derivative financial instruments**

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

##### **(x) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **(d) Property and equipment**

##### **(i) Owned assets**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

##### **(ii) Depreciation**

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years;
Fixtures and fittings	3 to 7 years;
Equipment	5 years;
Motor vehicles	7 years.

#### **(e) Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 3 to 7 years.

### **3 Significant accounting policies, continued**

#### **(f) Foreclosed property**

Foreclosed assets are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **(g) Impairment**

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Bank determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### **(i) Financial assets carried at amortised cost**

Financial assets carried at amortised cost consist principally of loans to customers, loans to other financial institutions, cash equivalents and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

### **3 Significant accounting policies, continued**

#### **(g) Impairment, continued**

##### **(i) *Financial assets carried at amortised cost, continued***

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

##### **(ii) *Available-for-sale financial assets***

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

##### **(iii) *Non financial assets***

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(h) Provisions**

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 3 Significant accounting policies, continued

#### (i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the following:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

#### (j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### *Dividends*

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Kyrgyz legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

#### (k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



### **3 Significant accounting policies, continued**

#### **(l) Income and expense recognition**

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### **(m) Analysis by segment**

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Bank's assets are concentrated in Kyrgyzstan, and revenues are derived from operations in, and connected with, Kyrgyzstan. The chief operating decision maker, in the case of the Bank, the Chairman, only receives and reviews the information on the Bank as a whole.

#### **(n) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of the new standards on its financial position or performance.

- IFRS 9 *Financial Instruments* was issued in phases and replaces International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The Bank has not analysed the impact of these changes yet. The Bank does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

## 4 Net interest income

	2015 KGS'000	2014 KGS'000
<b>Interest income</b>		
Loans to customers	2,224,035	1,965,233
Available-for-sale financial assets	25,747	35,662
Cash and cash equivalents	21,463	4,819
Loans and advances to banks and other financial institutions	5,822	26,461
	<b>2,277,067</b>	<b>2,032,175</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	778,644	492,696
Other borrowed funds	53,711	65,245
Deposits and balances from banks and other financial institutions	1,837	312
	<b>834,192</b>	<b>558,253</b>
<b>Net interest income</b>	<b>1,442,875</b>	<b>1,473,922</b>

Included within various line items under interest income for the year ended 31 December 2015 is a total of KGS 53,850 thousand (2014: KGS 26,880 thousand) accrued on impaired financial assets, which mainly comprise loans to customers including the amount on past due retail loans.

## 5 Fee and commission income

	2015 KGS'000	2014 KGS'000
Cash withdrawal	97,085	117,807
Money transfers	88,192	76,457
Annual credit card maintenance	54,286	46,625
Guarantee and letter of credit issuance	14,202	9,617
Foreign exchange	10,944	19,772
Safe custody fees	3,127	2,422
Other	13,829	10,929
	<b>281,665</b>	<b>283,629</b>

## 6 Fee and commission expense

	2015 KGS'000	2014 KGS'000
Payment card maintenance fees	36,944	31,119
Settlement fees	27,163	25,347
Foreign exchange fees	9,049	6,799
Cash transaction fees	4,524	4,092
Other	1,263	1,006
	<b>78,943</b>	<b>68,363</b>

## 7 Net foreign exchange gain

	2015	2014
	KGS'000	KGS'000
Gain on spot transactions	321,925	230,588
Gain (loss) from revaluation of financial assets and liabilities	(27,613)	129,441
	<b>294,312</b>	<b>360,029</b>

## 8 Impairment losses

	2015	2014
	KGS'000	KGS'000
Loans to customers	(241,880)	(151,711)
Other assets	(6,431)	(5,698)
Loans and advances to banks and other financial institutions	3	548
Credit related commitments	51,457	(1,068)
	<b>(196,851)</b>	<b>(157,929)</b>

## 9 Personnel expenses

	2015	2014
	KGS'000	KGS'000
Employee compensation	523,417	432,018
Social taxes paid by the employer	66,830	67,841
	<b>590,247</b>	<b>499,859</b>

## 10 Other general administrative expenses

	2015	2014
	KGS'000	KGS'000
Depreciation and amortisation	88,661	77,111
Operating lease expense	64,986	46,512
Repairs and maintenance	52,147	44,146
Security	37,456	31,135
Professional services	32,357	29,994
Payments to Deposits Insurance Fund	30,971	22,954
Advertising and marketing	19,360	20,685
Office supplies	13,478	13,968
Communications and information services	9,056	8,950
Travel expenses	5,473	3,661
Insurance	4,385	4,325
Representation	2,474	2,335
Taxes other than on income	2,464	2,504
Other	11,879	12,440
	<b>375,147</b>	<b>320,720</b>

The Bank leases a number of premises under operating leases. None of them is non-cancellable. The leases typically run for an initial period of one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. No contingent rents are charged.

## 11 Income tax expense

	2015 KGS'000	2014 KGS'000
<b>Current tax expense</b>		
Current year	94,083	103,033
Current tax expense (over)/underprovided in prior years	(3)	395
	<b>94,080</b>	<b>103,428</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(357)	177
<b>Total income tax expense</b>	<b>93,723</b>	<b>103,605</b>

The Bank's applicable tax rate for current and deferred tax is 10% (2014: 10%).

### Reconciliation of effective tax rate:

	2015 KGS'000	%	2014 KGS'000	%
<b>Profit before income tax</b>	<b>851,042</b>	<b>100.0</b>	<b>1,007,026</b>	<b>100.0</b>
Income tax at the applicable tax rate	85,104	10.0	100,703	10.0
Non-deductible costs	8,619	1.0	2,902	0.3
	<b>93,723</b>	<b>11.0</b>	<b>103,605</b>	<b>10.3</b>

### Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax liability as at 31 December 2015 and 2014. This deferred tax liability has been recognised in these financial statements. These deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2015 and 2014 are presented as follows:

KGS'000	Balance 1 January 2015	Recognised in profit or loss	Balance 31 December 2015
Property, equipment and intangible assets	8,265	(357)	7,908
KGS'000	Balance 1 January 2014	Recognised in profit or loss	Balance 31 December 2014
Property, equipment and intangible assets	8,088	177	8,265

## 12 Cash and cash equivalents

	2015 KGS'000	2014 KGS'000
<b>Cash on hand</b>	<b>1,172,604</b>	<b>1,217,576</b>
<b>Nostro accounts with the NBKR</b>	<b>2,642,296</b>	<b>1,603,671</b>
<b>Nostro accounts with other banks</b>		
- rated A- to A+	2,664,451	1,391,375
- rated BBB	3,556,732	118,574
- rated from BB- to BB+	63,514	46,948
- rated below B+	82,681	468,709
- not rated	53,624	23,896
<b>Total nostro accounts with other banks</b>	<b>6,421,002</b>	<b>2,049,502</b>
<b>Cash equivalents</b>		
- Notes of the National Bank of the Kyrgyz Republic with original maturity less than three months	398,582	-
<b>Total cash equivalents</b>	<b>398,582</b>	<b>-</b>
<b>Total cash and cash equivalents</b>	<b>10,634,484</b>	<b>4,870,749</b>

Credit ratings are presented in accordance with Standard&Poor's credit agency scale or in scale of other agencies transferred to Standard&Poor's scale.

None of the cash equivalents are impaired or past due.

As at 31 December 2015 the Bank has three banks (2014: three banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is KGS 8,438,544 thousand (2014: KGS 3,309,973 thousand).

## 13 Loans and advances to banks and other financial institutions

	2015 KGS'000	2014 KGS'000
<b>Loans and deposits</b>		
Kyrgyz financial institutions	15,660	15,611
The Parent	389	302
CIS financial institutions	-	32,270
<b>Total loans and deposits</b>	<b>16,049</b>	<b>48,183</b>
Impairment allowance	(247)	(250)
<b>Net loans and advances to banks and other financial institutions</b>	<b>15,802</b>	<b>47,933</b>

None of the loans and advances to banks and other financial institutions are past due.

### (a) Concentration of loans and advances to banks

As at 31 December 2015 the Bank has no financial institutions (2014: nil), whose balances exceed 10% of equity.

### (b) Analysis of movements in the impairment allowance

	2015 KGS'000	2014 KGS'000
Balance at the beginning of the year	250	798
Net recovery	(3)	(548)
<b>Balance at the end of the year</b>	<b>247</b>	<b>250</b>

## 14 Loans to customers

	2015 KGS'000	2014 KGS'000
<b>Loans to corporate customers</b>	<b>4,812,825</b>	<b>3,226,179</b>
<b>Loans to retail customers</b>		
Small business loans	6,708,872	7,449,197
Mortgage loans	2,394,247	2,590,114
Consumer loans	672,081	916,859
Credit cards	21,489	4,415
<b>Total loans to retail customers</b>	<b>9,796,689</b>	<b>10,960,585</b>
<b>Gross loans to customers</b>	<b>14,609,514</b>	<b>14,186,764</b>
Impairment allowance	(1,103,469)	(666,701)
<b>Net loans to customers</b>	<b>13,506,045</b>	<b>13,520,063</b>

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2015 are as follows:

	Loans to corporate customers KGS'000	Loans to retail customers KGS'000	Total KGS'000
Balance at the beginning of the year	134,644	532,057	666,701
Net charge	164,502	77,378	241,880
Write-offs	-	(845)	(845)
Recovery of write-offs	12	3,436	3,448
Effect of foreign currency translation	63,477	128,808	192,285
<b>Balance at the end of the year</b>	<b>362,635</b>	<b>740,834</b>	<b>1,103,469</b>

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2014 are as follows:

	Loans to corporate customers KGS'000	Loans to retail customers KGS'000	Total KGS'000
Balance at the beginning of the year	66,831	367,860	434,691
Net charge	52,419	99,292	151,711
Write-offs	-	(598)	(598)
Recovery of write-offs	532	6,774	7,306
Effect of foreign currency translation	14,862	58,729	73,591
<b>Balance at the end of the year</b>	<b>134,644</b>	<b>532,057</b>	<b>666,701</b>

## 14 Loans to customers, continued

### (a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2015 and 2014:

	31 December 2015 KGS'000	31 December 2014 KGS'000
<b>Loans to corporate customers</b>		
Loans without individual signs of impairment	4,280,693	3,072,460
Impaired loans:		
- not overdue	422,973	128,293
- overdue more than 90 days and less than 1 year	78,460	6,405
- overdue more than 1 year	30,699	19,021
<b>Total impaired loans</b>	<b>532,132</b>	<b>153,719</b>
<b>Total loans to corporate customers</b>	<b>4,812,825</b>	<b>3,226,179</b>
Impairment allowance on loans to corporate customers	(362,635)	(134,644)
<b>Net loans to corporate customers</b>	<b>4,450,190</b>	<b>3,091,535</b>
<b>Loans to retail customers</b>		
<b>Small business loans</b>		
- not overdue	6,361,690	7,158,228
- overdue less than 30 days	74,898	81,972
- overdue 30-89 days	21,914	70,135
- overdue 90-179 days	33,542	33,974
- overdue more than 180 days	216,828	104,888
<b>Total small business loans</b>	<b>6,708,872</b>	<b>7,449,197</b>
Impairment allowance on small business loans	(531,950)	(376,626)
<b>Net small business loans</b>	<b>6,176,922</b>	<b>7,072,571</b>
<b>Mortgage loans</b>		
- not overdue	2,275,573	2,533,871
- overdue less than 30 days	27,291	13,155
- overdue 30-89 days	39,600	12,911
- overdue 90-179 days	6,684	10,756
- overdue more than 180 days	45,099	19,421
<b>Total mortgage loans</b>	<b>2,394,247</b>	<b>2,590,114</b>
Impairment allowance on mortgage loans	(177,773)	(126,122)
<b>Net mortgage loans</b>	<b>2,216,474</b>	<b>2,463,992</b>
<b>Consumer loans</b>		
- not overdue	660,860	908,523
- overdue less than 30 days	966	1,211
- overdue 30-89 days	2,521	1,727
- overdue 90-179 days	2,905	695
- overdue more than 180 days	4,829	4,703
<b>Total consumer loans</b>	<b>672,081</b>	<b>916,859</b>
Impairment allowance on consumer loans	(29,920)	(28,730)
<b>Net consumer loans</b>	<b>642,161</b>	<b>888,129</b>

**14 Loans to customers, continued****(a) Credit quality of loans to customers, continued**

	<b>31 December 2015 KGS'000</b>	<b>31 December 2014 KGS'000</b>
<b>Credit cards</b>		
- not overdue	16,255	2,253
- overdue less than 30 days	4,311	1,621
- overdue 30-89 days	255	152
- overdue more than 90 days	668	389
<b>Total credit cards</b>	<b>21,489</b>	<b>4,415</b>
Impairment allowance on credit cards	(1,191)	(579)
<b>Net credit cards</b>	<b>20,298</b>	<b>3,836</b>
<b>Total loans to retail customers</b>	<b>9,796,689</b>	<b>10,960,585</b>
Impairment allowance on loans to retail customers	(740,834)	(532,057)
<b>Net loans to retail customers</b>	<b>9,055,855</b>	<b>10,428,528</b>
<b>Total loans to customers</b>	<b>14,609,514</b>	<b>14,186,764</b>
Impairment allowance on loans to customers	(1,103,469)	(666,701)
<b>Net loans to customers</b>	<b>13,506,045</b>	<b>13,520,063</b>

As at 31 December 2015 included in the loan portfolio are renegotiated loans to corporate and retail customers that would otherwise be past due of KGS 1,070,594 thousand and KGS 780,825 thousand, respectively (2014: KGS 49,610 thousand and KGS 177,605 thousand, respectively). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

**(b) Key assumptions and judgments for estimating the loan impairment****(i) Loans to corporate customers**

The Bank estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment have been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- historic annual loss rate of about 1.1%, which was additionally adjusted upward by 3.5% to reflect the current period conditions, such as devaluation of KGS against USD, that did not affect the period on which the historical loss experience is based;
- a discount of between 50% and 70% to the originally appraised value of the property pledged;
- a delay of 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2015 would be KGS 44,502 thousand lower/higher (2014: KGS 30,915 thousand lower/higher).



## 14 Loans to customers, continued

### (b) Key assumptions and judgments for estimating the loan impairment, continued

#### (ii) Loans to retail customers

The Bank estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past twelve months;
- historic annual loss rate was adjusted upward by 3.5% to reflect the current period conditions that did not affect the period on which the historical loss experience is based.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the impairment allowance on loans to retail customers as at 31 December 2015 would be KGS 90,559 thousand lower/higher (2014: KGS 104,285 thousand).

### (c) Analysis of collateral

#### (i) Loans to corporate customers

Because of the Bank's focus on corporate customers' creditworthiness, an updated valuation of collateral is generally not carried out unless the credit risk of a loan deteriorates significantly and the loan is monitored more closely.

Accordingly, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. For impaired loans, the Bank usually obtains appraisals of collateral as the current value of the collateral may be an input to the impairment measurement. At 31 December 2015, the net carrying amount of impaired loans to corporate customers amounts to KGS 318,724 thousand (2014: KGS 88,904 thousand) and the value of identifiable collateral held against those loans amounts to KGS 318,724 thousand (2014: KGS 88,904 thousand) excluding effect of overcollateralisation.

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

KGS'000	31 December 2015	31 December 2014
Commercial real estate	2,857,385	2,608,580
Residential real estate	472,781	327,962
Movable assets	154,204	128,656
Cash collateral	857,662	3,034
Other collateral	108,158	23,303
<b>Total loans to corporate customers</b>	<b>4,450,190</b>	<b>3,091,535</b>

**14 Loans to customers, continued****(c) Analysis of collateral, continued****(i) Loans to corporate customers, continued**

The table above excludes overcollateralisation.

The recoverability of loans which are neither past due nor impaired primarily depends on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

**(ii) Loans to retail customers**

Mortgage loans are secured by the underlying housing real estate. Other retail loans are secured by housing real estate, equipment, and other collateral. The Bank's policy is to issue retail loans with a loan-to-value ratio of maximum 83.3%.

The following table provides information on collateral and other credit enhancements securing loans to small and medium businesses, net of impairment, by types of collateral:

KGS'000	31 December 2015	31 December 2014
Commercial real estate	2,431,890	2,792,957
Residential real estate	3,170,719	3,616,198
Movable assets	440,776	532,054
Cash collateral	70,670	58,939
Other collateral	62,867	72,423
<b>Total loans to small and medium businesses</b>	<b>6,176,922</b>	<b>7,072,571</b>

The history of obtaining and selling real estate collateral in the event of a failure by the retail customer to meet obligations to the Bank when due demonstrates that the Bank has low practical ability to enforce the charge and successfully be paid through sale of collateral. Often, in case of defaults, the Bank's rights to collateral have been diminished significantly because of additional requirements to force current inhabitants to leave the pledged apartment, and as a result the net realisable value of collateral is estimated by the Bank significantly below market value of the apartment. Therefore in many cases, the Bank believes that the values of collaterals should not be taken into consideration in impairment testing and assumes that the collateral value has no significant financial effect in mitigating credit risk.

**(iii) Repossessed collateral**

During the year ended 31 December 2015, the Bank obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KGS 11,608 thousand (2014: KGS 577 thousand). As at 31 December 2015 and 2014, the repossessed collateral comprises:

	2015 KGS'000	2014 KGS'000
Real estate	8,994	432
<b>Total repossessed collateral</b>	<b>8,994</b>	<b>432</b>

The Bank's policy is to sell these assets as soon as it is practicable.

**14 Loans to customers, continued****(d) Industry and geographical analysis of the loan portfolio**

Loans to customers were issued primarily to customers located within the Kyrgyz Republic who operate in the following economic sectors:

	2015	2014
	KGS'000	KGS'000
<b>Corporate and small business loans</b>		
Trade	6,156,782	5,762,661
Manufacturing	1,953,254	1,726,115
Services	708,549	502,742
Real estate	524,725	293,910
Agriculture	384,590	638,706
Transportation	248,743	199,137
Other	1,545,054	1,552,105
<b>Loans to others</b>		
Mortgage loans	2,394,247	2,590,114
Consumer loans	672,081	916,859
Credit cards	21,489	4,415
	<b>14,609,514</b>	<b>14,186,764</b>
Impairment allowance	(1,103,469)	(666,701)
	<b>13,506,045</b>	<b>13,520,063</b>

**Significant credit exposures**

As at 31 December 2015 the Bank has four borrowers or groups of connected borrowers (2014: three), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2015 was KGS 1,921,733 thousand (2014: KGS 994,032 thousand).

**Loan maturities**

The maturity of the loan portfolio is presented in Note 23 (e), which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the contractually agreed terms.

## 15 Property, equipment and intangible assets

KGS'000	Buildings	Fixtures and fittings	Equipment	Motor vehicles	Construction in progress	Computer software and licenses	Total
<i>Cost</i>							
Balance at 1 January 2015	225,165	254,593	89,343	35,285	66,119	191,635	862,140
Additions	3,198	3,068	846	319	26,249	22,232	55,912
Disposals	(700)	(2,482)	(993)	(901)	(397)	(754)	(6,227)
Transfers	2,228	50,980	29,904	-	(83,566)	454	-
<b>At 31 December 2015</b>	<b>229,891</b>	<b>306,159</b>	<b>119,100</b>	<b>34,703</b>	<b>8,405</b>	<b>213,567</b>	<b>911,825</b>
<i>Depreciation and amortisation</i>							
Balance at 1 January 2015	(38,720)	(147,330)	(59,540)	(29,330)	-	(89,751)	(364,671)
Depreciation and amortisation for the year	(8,192)	(36,372)	(13,492)	(2,690)	-	(27,915)	(88,661)
Disposals	700	2,482	993	766	-	754	5,695
<b>Balance at 31 December 2015</b>	<b>(46,212)</b>	<b>(181,220)</b>	<b>(72,039)</b>	<b>(31,254)</b>	<b>-</b>	<b>(116,912)</b>	<b>(447,637)</b>
<i>Carrying amounts</i>							
<b>At 31 December 2015</b>	<b>183,679</b>	<b>124,939</b>	<b>47,061</b>	<b>3,449</b>	<b>8,405</b>	<b>96,655</b>	<b>464,188</b>
<i>Cost</i>							
Balance at 1 January 2014	213,831	203,978	78,030	33,595	14,661	203,557	747,652
Additions	11,854	15,673	688	2,622	104,287	15,025	150,149
Disposals	(959)	(3,800)	(3,023)	(932)	-	(26,947)	(35,661)
Transfers	439	38,742	13,648	-	(52,829)	-	-
<b>At 31 December 2014</b>	<b>225,165</b>	<b>254,593</b>	<b>89,343</b>	<b>35,285</b>	<b>66,119</b>	<b>191,635</b>	<b>862,140</b>
<i>Depreciation and amortisation</i>							
Balance at 1 January 2014	(32,743)	(121,339)	(51,144)	(27,495)	-	(90,239)	(322,960)
Depreciation and amortisation for the year	(6,936)	(29,791)	(11,244)	(2,681)	-	(26,459)	(77,111)
Disposals	959	3,800	2,848	846	-	26,947	35,400
<b>Balance at 31 December 2014</b>	<b>(38,720)</b>	<b>(147,330)</b>	<b>(59,540)</b>	<b>(29,330)</b>	<b>-</b>	<b>(89,751)</b>	<b>(364,671)</b>
<i>Carrying amounts</i>							
<b>At 31 December 2014</b>	<b>186,445</b>	<b>107,263</b>	<b>29,803</b>	<b>5,955</b>	<b>66,119</b>	<b>101,884</b>	<b>497,469</b>

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2015 (2014: nil).

## 16 Other assets

	2015 KGS'000	2014 KGS'000
Money transfer receivables	59,047	37,126
Other receivables	39,840	50,948
Impairment allowance	(7,141)	(6,948)
<b>Total other financial assets</b>	<b>91,746</b>	<b>81,126</b>
Prepayments	48,155	37,894
Foreclosed property	17,250	6,544
Materials and supplies	10,192	10,954
Impairment allowance	(8,256)	(6,112)
<b>Total other non-financial assets</b>	<b>67,341</b>	<b>49,280</b>
<b>Total other assets</b>	<b>159,087</b>	<b>130,406</b>

### Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2015 are as follows:

	Other financial assets KGS'000	Other non- financial assets KGS'000	Total KGS'000
Balance at the beginning of the year	6,948	6,112	13,060
Net charge	4,287	2,144	6,431
Write-offs	(6,081)	-	(6,081)
Effect of foreign currency translation	1,987	-	1,987
<b>Balance at the end of the year</b>	<b>7,141</b>	<b>8,256</b>	<b>15,397</b>

Movements in the impairment allowance for the year ended 31 December 2014 are as follows:

	Other financial assets KGS'000	Other non- financial assets KGS'000	Total KGS'000
Balance at the beginning of the year	4,461	2,014	6,475
Net charge	1,600	4,098	5,698
Effect of foreign currency translation	887	-	887
<b>Balance at the end of the year</b>	<b>6,948</b>	<b>6,112</b>	<b>13,060</b>

As at 31 December 2015, included in other assets are overdue receivables of KGS 7,141 thousand (2014: KGS 6,948 thousand), of which KGS 2,813 thousand (2014: KGS 4,555 thousand) are overdue for more than 90 days but less than one year and KGS 4,328 thousand (2014: KGS 2,393 thousand) are overdue for more than one year. These receivables are fully impaired as at 31 December 2015 and 2014.

## 17 Deposits and balances from banks and other financial institutions

	2015 KGS'000	2014 KGS'000
Current accounts and term deposits from banks and other financial institutions	198,552	123,190
Vostro accounts	21,720	6,772
	<b>220,272</b>	<b>129,962</b>

As at 31 December 2015 the Bank has no banks and financial institutions (2014: nil), whose balances exceed 10% of equity.

## 18 Current accounts and deposits from customers

	2015 KGS'000	2014 KGS'000
Current accounts and demand deposits		
- Retail	1,728,112	1,153,776
- Corporate	7,874,531	6,702,604
Term deposits		
- Retail	7,073,867	5,282,451
- Corporate	3,703,813	1,910,429
	<b>20,380,323</b>	<b>15,049,260</b>

As at 31 December 2015, the Bank maintained customer deposit balances of KGS 1,265,177 thousand (2014: KGS 136,308 thousand) that serve as collateral for loans to customers and KGS 160,711 thousand (2014: KGS 31,116 thousand) that serve as collateral for off-balance sheet credit instruments granted by the Bank.

As at 31 December 2015, the Bank has eleven customers (2014: eight customers), whose balances exceed 10% of equity. These balances as at 31 December 2015 are KGS 8,335,234 thousand (2014: KGS 5,845,775 thousand).

## 19 Other borrowed funds

	2015 KGS'000	2014 KGS'000
Loan from EBRD	350,002	-
Loans from the Parent	-	605,877
Loan from other bank	-	52,998
	<b>350,002</b>	<b>658,875</b>

## 20 Other liabilities

	2015 KGS'000	2014 KGS'000
Dividends payable	440,174	370,914
Other financial liabilities	151,808	53,787
<b>Total other financial liabilities</b>	<b>591,982</b>	<b>424,701</b>
Other taxes payable	25,929	25,868
Provision for guarantees and letters of credit issued	10,408	54,639
<b>Total other non-financial liabilities</b>	<b>36,337</b>	<b>80,507</b>
<b>Total other liabilities</b>	<b>628,319</b>	<b>505,208</b>

## 21 Share capital and reserves

### (a) Issued capital

The authorised, issued and outstanding share capital comprises 14,000 thousand ordinary shares (2014: 14,000 thousand). All shares have a nominal value of KGS 50.

### (b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Kyrgyz Republic. In accordance with the legislation of the Kyrgyz Republic, as at the reporting date, reserves available for distribution amounted to KGS 2,458,065 thousand (2014: KGS 2,152,526 thousand).

## 21 Share capital and reserves, continued

### (b) Dividends, continued

At the reporting date dividends were declared as follows:

	2015 KGS'000	2014 KGS'000
KGS 32.27 per ordinary share (2014: KGS 27.20)	451,780	380,800

## 22 Earnings per share

The calculation of earnings per share is based on the profit, and a weighted average number of ordinary shares outstanding during the year, calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2015 KGS'000	2014 KGS'000
Profit for the year	757,319	903,421
Weighted average number of ordinary shares	14,000,000	14,000,000
<b>Basic and diluted earnings per share, in KGS</b>	<b>54.09</b>	<b>64.53</b>

## 23 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

### (a) Risk management policies and procedures

The Bank risk management policies aim to identify, measure, control, analyze, monitor, and develop preventive measures to minimise the risks faced by the Bank, to set risk limits, and to continuously measure risk levels and monitor adherence to the limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and regulative requirements.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Head of the Risk Department is responsible for the overall risk management and compliance with requirements of the current legislation, and ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. The Head of the Risk Department reports directly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees with strictly defined powers depending on the type and amount of the risk and credit quality.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in certain areas, and carrying out unannounced inspections, taking part in various commissions, and holding training workshops.

## 23 Risk management, continued

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Bank Management Board Chairman. Market risk limits are approved by ALCO based on recommendations of the Risk Department and the Parent bank.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board.

### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

#### *Interest rate gap analysis*

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

KGS'000	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
<b>31 December 2015</b>						
<b>ASSETS</b>						
Cash and cash equivalents	948,628	-	-	-	9,685,856	10,634,484
Loans and advances to banks and other financial institutions	4,966	10,362	85	-	389	15,802
Loans to customers	1,458,670	3,561,115	7,929,805	556,455	-	13,506,045
	<u>2,412,264</u>	<u>3,571,477</u>	<u>7,929,890</u>	<u>556,455</u>	<u>9,686,245</u>	<u>24,156,331</u>
<b>LIABILITIES</b>						
Deposits and balances from banks and other financial institutions	161,978	378	-	-	57,916	220,272
Current accounts and deposits from customers	3,160,279	4,377,016	3,236,342	4,043	9,602,643	20,380,323
Other borrowed funds	-	350,002	-	-	-	350,002
	<u>3,322,257</u>	<u>4,727,396</u>	<u>3,236,342</u>	<u>4,043</u>	<u>9,660,559</u>	<u>20,950,597</u>
	<u>(909,993)</u>	<u>(1,155,919)</u>	<u>4,693,548</u>	<u>552,412</u>	<u>25,686</u>	<u>3,205,734</u>



## 23 Risk management, continued

### (b) Market risk, continued

#### (i) Interest rate risk, continued

##### *Interest rate gap analysis, continued*

KGS'000	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
<b>31 December 2014</b>						
<b>ASSETS</b>						
Cash and cash equivalents	350,000	-	-	-	4,520,749	4,870,749
Available-for-sale financial assets	249,513	-	-	-	-	249,513
Loans and advances to banks and other financial institutions	32,153	125	15,353	-	302	47,933
Loans to customers	1,285,342	3,420,363	8,102,249	712,109	-	13,520,063
	<u>1,917,008</u>	<u>3,420,488</u>	<u>8,117,602</u>	<u>712,109</u>	<u>4,521,051</u>	<u>18,688,258</u>
<b>LIABILITIES</b>						
Deposits and balances from banks and other financial institutions	239	453	-	-	129,270	129,962
Current accounts and deposits from customers	2,121,316	2,594,437	2,471,932	5,195	7,856,380	15,049,260
Other borrowed funds	-	52,998	605,877	-	-	658,875
	<u>2,121,555</u>	<u>2,647,888</u>	<u>3,077,809</u>	<u>5,195</u>	<u>7,985,650</u>	<u>15,838,097</u>
	<u>(204,547)</u>	<u>772,600</u>	<u>5,039,793</u>	<u>706,914</u>	<u>(3,464,599)</u>	<u>2,850,161</u>

Other borrowed funds which have variable interest rates were presented at the earliest repricing dates.

##### *Average interest rates*

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2015 and 2014.

	2015 Average effective interest rate, %		2014 Average effective interest rate, %	
	KGS	USD	KGS	USD
<b>Interest bearing assets</b>				
Cash and cash equivalents	6.53	-	4.50	-
Available-for-sale financial assets	-	-	6.50	-
Loans and advances to banks and other financial institutions	14.95	-	11.97	-
Loans to customers	20.64	13.63	19.44	15.16
<b>Interest bearing liabilities</b>				
Deposits and balances from banks				
- Term deposits	13.99	-	9.96	-
Current accounts and deposits from customers				
- Term deposits	11.99	6.18	12.69	7.66
Other borrowed funds	16.11	-	-	6.62

## 23 Risk management, continued

### (b) Market risk, continued

#### (i) Interest rate risk, continued

##### *Interest rate sensitivity analysis*

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 2014 is as follows:

	2015		2014	
	Profit or loss KGS'000	Equity KGS'000	Profit or loss KGS'000	Equity KGS'000
100 bp parallel fall	11,344	11,344	(2,329)	(2,329)
100 bp parallel rise	(11,344)	(11,344)	2,329	2,329

#### (ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2015:

	KGS KGS'000	USD KGS'000	Other currencies KGS'000	Total KGS'000
<b>ASSETS</b>				
Cash and cash equivalents	3,580,625	6,509,031	544,828	10,634,484
Loans and advances to banks and other financial institutions	15,413	389	-	15,802
Loans to customers	3,984,402	9,521,643	-	13,506,045
Other financial assets	29,702	60,090	1,954	91,746
	<b>7,610,142</b>	<b>16,091,153</b>	<b>546,782</b>	<b>24,248,077</b>
<b>LIABILITIES</b>				
Deposits and balances from banks and other financial institutions	188,146	25,757	6,369	220,272
Current accounts and deposits from customers	3,896,348	15,884,081	599,894	20,380,323
Other borrowed funds	350,002	-	-	350,002
Other financial liabilities	477,973	114,009	-	591,982
	<b>4,912,469</b>	<b>16,023,847</b>	<b>606,263</b>	<b>21,542,579</b>
<b>Net position as at 31 December 2015</b>	<b>2,697,673</b>	<b>67,306</b>	<b>(59,481)</b>	<b>2,705,498</b>

## 23 Risk management, continued

### (b) Market risk, continued

#### (ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2014:

	KGS KGS'000	USD KGS'000	Other currencies KGS'000	Total KGS'000
<b>ASSETS</b>				
Cash and cash equivalents	2,200,781	2,351,204	318,764	4,870,749
Available-for-sale financial assets	249,513	-	-	249,513
Loans and advances to banks and other financial institutions	15,361	302	32,270	47,933
Loans to customers	4,057,592	9,462,471	-	13,520,063
Other financial assets	36,076	40,981	4,069	81,126
	<b>6,559,323</b>	<b>11,854,958</b>	<b>355,103</b>	<b>18,769,384</b>
<b>LIABILITIES</b>				
Deposits and balances from banks and other financial institutions	67,128	62,733	101	129,962
Current accounts and deposits from customers	4,414,721	10,246,020	388,519	15,049,260
Other borrowed funds	-	658,875	-	658,875
Other financial liabilities	423,141	1,560	-	424,701
	<b>4,904,990</b>	<b>10,969,188</b>	<b>388,620</b>	<b>16,262,798</b>
<b>Net position</b>	<b>1,654,333</b>	<b>885,770</b>	<b>(33,517)</b>	<b>2,506,586</b>
<b>Total effect of derivatives held for risk management</b>				
-outflow	-	(884,196)	-	(884,196)
-inflow	796,440	-	-	796,440
<b>Net position as at 31 December 2014</b>	<b>2,450,773</b>	<b>1,574</b>	<b>(33,517)</b>	<b>2,418,830</b>

A weakening of the KGS, as indicated below, against the following currencies at 31 December 2015 and 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2015		2014	
	Profit or loss KGS'000	Equity KGS'000	Profit or loss KGS'000	Equity KGS'000
30% appreciation of USD against KGS	18,173	18,173	425	425
30% appreciation of other currencies against KGS	(16,060)	(16,060)	(9,050)	(9,050)

A strengthening of the KGS against the above currencies at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee/Risk Management Committee, which actively monitor credit risk. The credit policy is reviewed and approved by the Management Board.

## 23 Risk management, continued

### (c) Credit risk, continued

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Credit reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal and Accounting departments depending on the specific risks and pending final approval of the Credit Committee/Risk Management Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2015 KGS'000	2014 KGS'000
<b>ASSETS</b>		
Nostro accounts and cash equivalents	9,461,880	3,653,173
Available-for-sale financial assets	-	249,513
Loans and advances to banks and other financial institutions	15,802	47,933
Loans to customers	13,506,045	13,520,063
Other financial assets	91,746	81,126
<b>Total maximum exposure</b>	<b>23,075,473</b>	<b>17,551,808</b>

For the analysis of concentrations of credit risk in respect of loans to customers refer to Note 14.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 25.

As at 31 December 2015 and 2014 the Bank does not have debtors or groups of connected debtors, except for National Bank of the Kyrgyz Republic, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

## 23 Risk management, continued

### (d) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The Bank receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- issue of loans to banks and other financial institutions and loans to customers and
- repurchase, and reverse repurchase agreements.

The securities received/given as collateral under repurchase, and reverse repurchase agreements can be pledged during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015 and 2014:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount
31 December 2015						
Loans to customers	871,718	-	871,718	-	(871,718)	-
Total financial assets	871,718	-	871,718	-	(871,718)	-
Current accounts and deposits from customers	(871,718)	-	(871,718)	-	871,718	-
Total financial liabilities	(871,718)	-	(871,718)	-	871,718	-
31 December 2014						
Loans to customers	71,868	-	71,868	-	(71,868)	-
Total financial assets	71,868	-	71,868	-	(71,868)	-
Current accounts and deposits from customers	(71,868)	-	(71,868)	-	71,868	-
Total financial liabilities	(71,868)	-	(71,868)	-	71,868	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position at amortised cost.

## 23 Risk management, continued

### (e) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board and the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the Management Board, approved by the Board of Directors and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial assets and liabilities and credit-related commitments on the basis of their remaining contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

## 23 Risk management, continued

### (e) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2015 is as follows:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
<b>Non-derivative liabilities</b>						
Deposits and balances from banks and other financial institutions	61,566	162,173	394	-	224,133	220,272
Current accounts and deposits from customers	11,222,895	1,557,720	4,538,897	3,732,467	21,051,979	20,380,323
Other borrowed funds	-	-	51,241	470,806	522,047	350,002
Other financial liabilities	591,982	-	-	-	591,982	591,982
<b>Total liabilities</b>	<b>11,876,443</b>	<b>1,719,893</b>	<b>4,590,532</b>	<b>4,203,273</b>	<b>22,390,141</b>	<b>21,542,579</b>
<b>Credit related commitments</b>	<b>698,646</b>				<b>698,646</b>	<b>698,646</b>

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
<b>Non-derivative liabilities</b>						
Deposits and balances from banks and other financial institutions	129,281	231	481	-	129,993	129,962
Current accounts and deposits from customers	8,349,666	1,648,184	2,767,029	3,017,278	15,782,157	15,049,260
Other borrowed funds	17,012	-	56,099	648,849	721,960	658,875
Other financial liabilities	424,701	-	-	-	424,701	424,701
<b>Derivative liabilities</b>						
-inflow	(301,082)	(391,920)	(114,119)	-	(807,121)	-
-outflow	324,464	433,777	125,955	-	884,196	87,756
<b>Total liabilities</b>	<b>8,944,042</b>	<b>1,690,272</b>	<b>2,835,445</b>	<b>3,666,127</b>	<b>17,135,886</b>	<b>16,350,554</b>
<b>Credit related commitments</b>	<b>2,678,662</b>	-	-	-	<b>2,678,662</b>	<b>2,678,662</b>

In accordance with Kyrgyz legislation, depositors can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contractual maturity dates. The amount of such deposits, excluding collateralised deposits by each time band, is as follows:

- demand and less than 1 month: KGS 533,413 thousand (2014: KGS 437,337 thousand);
- from 1 to 3 months: KGS 1,531,625 thousand (2014: KGS 1,618,334 thousand);
- from 3 to 12 months: KGS 4,236,193 thousand (2014: KGS 2,525,926 thousand);
- more than 1 year: KGS 2,951,950 thousand (2014: KGS 2,443,859 thousand).

## 23 Risk management, continued

### (e) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2015:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<b>KGS'000</b>								
<b>Non-derivative assets</b>								
Cash and cash equivalents	10,634,484	-	-	-	-	-	-	10,634,484
Loans and advances to banks and other financial institutions	522	4,833	10,362	85	-	-	-	15,802
Loans to customers	605,282	850,715	3,561,115	7,929,805	556,455	-	2,673	13,506,045
Property, equipment and intangible assets	-	-	-	-	-	464,188	-	464,188
Other assets	150,093	-	-	8,994	-	-	-	159,087
<b>Total assets</b>	<b>11,390,381</b>	<b>855,548</b>	<b>3,571,4773</b>	<b>7,938,884</b>	<b>556,455</b>	<b>464,188</b>	<b>2,673</b>	<b>24,779,606</b>
<b>Non-derivative liabilities</b>								
Deposits and balances from banks and other financial institutions	59,694	160,200	378	-	-	-	-	220,272
Current accounts and deposits from customers	11,221,658	1,541,264	4,377,016	3,236,342	4,043	-	-	20,380,323
Other borrowed funds	-	-	10,718	339,284	-	-	-	350,002
Current tax liability	34,846	-	-	-	-	-	-	34,846
Deferred tax liability	-	-	-	7,908	-	-	-	7,908
Other liabilities	628,319	-	-	-	-	-	-	628,319
<b>Total liabilities</b>	<b>11,944,517</b>	<b>1,701,464</b>	<b>4,388,112</b>	<b>3,583,534</b>	<b>4,043</b>	<b>-</b>	<b>-</b>	<b>21,621,670</b>
<b>Net position</b>	<b>(554,136)</b>	<b>(845,916)</b>	<b>(816,635)</b>	<b>4,355,350</b>	<b>552,412</b>	<b>464,188</b>	<b>2,673</b>	<b>3,157,936</b>



## 23 Risk management, continued

### (e) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2014:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<b>Non-derivative assets</b>								
Cash and cash equivalents	4,870,749	-	-	-	-	-	-	4,870,749
Available-for-sale financial assets	249,513	-	-	-	-	-	-	249,513
Loans and advances to banks and other financial institutions	752	31,401	125	15,353	-	302	-	47,933
Loans to customers	492,494	787,393	3,420,363	8,102,249	712,109	-	5,455	13,520,063
Property, equipment and intangible assets	-	-	-	-	-	497,469	-	497,469
Other assets	129,974	-	-	432	-	-	-	130,406
<b>Total assets</b>	<b>5,743,482</b>	<b>818,794</b>	<b>3,420,488</b>	<b>8,118,034</b>	<b>712,109</b>	<b>497,771</b>	<b>5,455</b>	<b>19,316,133</b>
<b>Non-derivative liabilities</b>								
Deposits and balances from banks and other financial institutions	129,281	228	453	-	-	-	-	129,962
Current accounts and deposits from customers	8,348,635	1,629,061	2,594,437	2,471,932	5,195	-	-	15,049,260
Other borrowed funds	-	-	52,998	605,877	-	-	-	658,875
Current tax liability	24,331	-	-	-	-	-	-	24,331
Deferred tax liability	-	-	-	8,265	-	-	-	8,265
Other liabilities	505,208	-	-	-	-	-	-	505,208
<b>Total liabilities</b>	<b>9,007,455</b>	<b>1,629,289</b>	<b>2,647,888</b>	<b>3,086,074</b>	<b>5,195</b>	<b>-</b>	<b>-</b>	<b>16,375,901</b>
<b>Net position</b>	<b>(3,263,973)</b>	<b>(810,495)</b>	<b>772,600</b>	<b>5,031,960</b>	<b>706,914</b>	<b>497,771</b>	<b>5,455</b>	<b>2,940,232</b>

## 23 Risk management, continued

### (e) Liquidity risk, continued

The Bank calculates the mandatory liquidity ratio (K3) on a daily basis in accordance with the requirements of the NBKR. The ratio is calculated as the ratio of the weekly average highly liquid assets to the weekly average liabilities payable on demand and should be at least 30%.

The Bank is in compliance with this statutory ratio as at 31 December 2015 and 2014. As at 31 December 2015 the K3 ratio is 93.15% (2014: 42.57%).

## 24 Capital management

The NBKR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBKR, banks have to maintain a ratio of total capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level of 12% and a ratio of tier 1 capital to risk weighted assets above the prescribed minimum level of 6%. The Bank was in compliance with the statutory capital ratios as at 31 December 2015 and 2014.

The following table shows the composition of the capital position calculated in accordance with the requirements of the NBKR, as at 31 December:

	2015 KGS'000	2014 KGS'000
<b>Tier 1 capital</b>		
Share capital	700,000	700,000
Retained statutory income of prior years	1,700,746	1,249,105
Less: Intangible assets	(96,655)	(101,884)
<b>Total tier 1 capital</b>	<b>2,304,091</b>	<b>1,847,221</b>
<b>Tier 2 capital</b>		
Current year profit	757,319	903,421
Asset revaluation reserve	(129)	(50)
General provisions (up to 1.25% of risk-weighted assets)	200,832	211,655
<b>Total tier 2 capital</b>	<b>958,022</b>	<b>1,115,026</b>
<b>Total capital</b>	<b>3,262,113</b>	<b>2,962,247</b>
<b>Risk-weighted assets</b>		
Banking book	15,137,811	16,409,415
<b>Total risk weighted assets</b>	<b>15,137,811</b>	<b>16,409,415</b>
<b>Total capital expressed as a percentage of risk-weighted assets (total capital ratio)</b>	<b>21.5%</b>	<b>18.1%</b>
<b>Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)</b>	<b>15.2%</b>	<b>11.3%</b>

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

## 25 Credit related commitments

The Bank has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2015 KGS'000	2014 KGS'000
<b>Contracted amount</b>		
Loan and credit line commitments	244,173	2,412,453
Guarantees and letters of credit	454,281	266,012
Other	192	197
	<b>698,646</b>	<b>2,678,662</b>

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

As at 31 December 2015 and 2014 the Bank did not have significant credit concentrations related to credit related commitments.

## 26 Contingencies

### (a) Insurance

The insurance industry in the Kyrgyz Republic is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

### (b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

### (c) Taxation contingencies

The taxation system in the Kyrgyz Republic continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges.

## 26 Contingencies, continued

### (c) Taxation contingencies, continued

These circumstances may create tax risks in the Kyrgyz Republic that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kyrgyz tax legislation, official pronouncements of court decisions. However, the interpretations of the relevant authorities could differ and the effect on financial position of the Bank, if the authorities were successful in enforcing their interpretations, could be significant.

## 27 Related party transactions

### (a) Control relationships

The Bank's parent is ATF Bank JSC (the "Group"). As at 31 December 2015 and 2014, the ultimate controlling owner of the Group is Mr. Galimzhan Yessenov.

The Group's parents ATF Bank JSC and KNG Finance LLP (Note 1) produce publicly available financial statements.

### (b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2015 KGS'000	2014 KGS'000
Members of the Board of Directors	1,397	1,161
Members of the Management Board	159,906	69,130
	<b>161,303</b>	<b>70,291</b>

All compensation is in the form of short-term benefits.

The outstanding balances and average interest rates as at 31 December 2015 and 2014 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2015 KGS'000	Average interest rate, %	2014 KGS'000	Average interest rate, %
<b>Statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	3,782	17.0	11,425	17.0
<b>LIABILITIES</b>				
Current accounts and deposits from customers	35,942	5.7	27,329	3.7

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	2015 KGS'000	2014 KGS'000
<b>Statement of Profit or loss and other comprehensive income</b>		
Interest income	1,665	588
Interest expense	1,786	529

## 27 Related party transactions, continued

### (c) Transactions with the Parent

The outstanding balances and the related average interest rates as at 31 December 2015 and 2014 and related profit or loss amounts of transactions for the year ended 31 December 2015 and 2014 with the Bank's parent company are as follows:

	2015		2014	
	KGS'000	Average interest rate, %	KGS'000	Average interest rate, %
<b>Statement of financial position</b>				
<b>ASSETS</b>				
Cash and cash equivalents				
- in USD	76,547	-	446,845	-
- other currencies	6,134	-	2,516	-
Loans and deposits to banks and other financial institutions				
- in USD	389	-	302	-
<b>LIABILITIES</b>				
Deposits and balances from banks and other financial institutions				
- in KGS	563	-	98	-
Other borrowed funds				
- in USD	-	-	605,877	6.5
<b>Statement of Profit or loss and other comprehensive income</b>				
Interest expense	(37,742)	-	(64,134)	-
Fee and commission expense	(18,284)	-	(15,480)	-

## 28 Financial assets and liabilities: fair values and accounting classifications

### (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

KGS'000	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	10,634,484	-	10,634,484	10,634,484
Loans and advances to banks and other financial institutions	15,802	-	15,802	15,802
Loans to customers	13,506,045	-	13,506,045	13,811,287
Other financial assets	91,746	-	91,746	91,746
	<b>24,248,077</b>	<b>-</b>	<b>24,248,077</b>	<b>24,553,319</b>
Deposits and balances from banks and other financial institutions	-	220,272	220,272	220,272
Current accounts and deposits from customers	-	20,380,323	20,380,323	20,586,981
Other borrowed funds	-	350,002	350,002	350,002
Other financial liabilities	-	591,982	591,982	591,982
	<b>-</b>	<b>21,542,579</b>	<b>21,542,579</b>	<b>21,749,237</b>

## 28 Financial assets and liabilities: fair values and accounting classifications, continued

### (a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

KGS'000	Designated at fair value	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	4,870,749	-	-	4,870,749	4,870,749
Available-for-sale financial assets	-	-	249,513	-	249,513	249,513
Loans and advances to banks and other financial institutions	-	47,933	-	-	47,933	47,933
Loans to customers	-	13,520,063	-	-	13,520,063	13,553,802
Other financial assets	-	81,126	-	-	81,126	81,126
	-	<b>18,519,871</b>	<b>249,513</b>	-	<b>18,769,384</b>	<b>18,803,123</b>
Financial instruments at fair value through profit or loss	87,756	-	-	-	87,756	87,756
Deposits and balances from banks and other financial institutions	-	-	-	129,962	129,962	129,962
Current accounts and deposits from customers	-	-	-	15,049,260	15,049,260	15,085,689
Other borrowed funds	-	-	-	658,875	658,875	658,875
Other financial liabilities	-	-	-	424,701	424,701	424,701
	<b>87,756</b>	-	-	<b>16,262,798</b>	<b>16,350,554</b>	<b>16,386,983</b>

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The estimated fair values of all financial assets and liabilities, except for available-for-sale financial assets are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

## 28 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of available-for-sale financial assets and financial instruments at fair value through profit or loss has been determined by using market observable inputs (Level 2).

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2015:

KGS'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>Assets</b>					
Cash and cash equivalents	-	10,634,484	-	10,634,484	10,634,484
Loans and advances to banks and other financial institutions	-	15,802	-	15,802	15,802
Loans to customers	-	13,492,563	318,724	13,811,287	13,506,045
Other financial assets	-	91,746	-	91,746	91,746
	<u>-</u>	<u>24,234,595</u>	<u>318,724</u>	<u>24,553,319</u>	<u>24,248,077</u>
<b>Liabilities</b>					
Deposits and balances from banks and other financial institutions	-	220,272	-	220,272	220,272
Current accounts and deposits from customers	-	20,586,981	-	20,586,981	20,380,323
Other borrowed funds	-	350,002	-	350,002	350,002
Other financial liabilities	-	591,982	-	591,982	591,982
	<u>-</u>	<u>21,749,237</u>	<u>-</u>	<u>21,749,237</u>	<u>21,542,579</u>

## 28 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2014:

KGS'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>Assets</b>					
Cash and cash equivalents	-	4,870,749	-	4,870,749	4,870,749
Available-for-sale financial assets	-	249,513	-	249,513	249,513
Loans and advances to banks and other financial institutions	-	47,933	-	47,933	47,933
Loans to customers	-	13,464,898	88,904	13,553,802	13,520,063
Other financial assets	-	81,126	-	81,126	81,126
	<u>-</u>	<u>18,714,219</u>	<u>88,904</u>	<u>18,803,123</u>	<u>18,769,384</u>
<b>Liabilities</b>					
Financial instruments at fair value through profit or loss	-	87,756	-	87,756	87,756
Deposits and balances from banks and other financial institutions	-	129,962	-	129,962	129,962
Current accounts and deposits from customers	-	15,085,689	-	15,085,689	15,049,260
Other borrowed funds	-	658,875	-	658,875	658,875
Other financial liabilities	-	424,701	-	424,701	424,701
	<u>-</u>	<u>16,386,983</u>	<u>-</u>	<u>16,386,983</u>	<u>16,350,554</u>