STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

Financial Statements
and Independent Auditor's Report
for the Year Ended 31 December 2015

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STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Management is responsible for the preparation of the financial statements that present fairly the financial position of State Bank for Foreign Economic Affairs of Turkmenistan ("the Bank") as at 31 December 2015, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, Management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- Making an assessment of the Bank's ability to continue as a going concern

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Turkmenistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Bank for the year ended 31 December 2015 were approved by the Management Board on 31 May 2016.

On behalf of the Management Board of the Bank:

Jepbarov R.J.
Chairman of the Board

31 May 2016
Ashgabat, Turkmenistan

Khangeldyev Zh.
Chief Accountant

31 May 2016
Ashgabat, Turkmenistan

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of State Bank for Foreign Economic Affairs of Turkmenistan ("the Bank"), which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's 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 State Bank for Foreign Economic Affairs of Turkmenistan 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.

Deloitte, LLP

31 May 2016
Almaty, Kazakhstan

STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(in Turkmen manat and in thousands)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Interest income	4, 18	302,031	151,207
Interest expense	4, 18	(193,224)	(80,701)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	4	108,807	70,506
Provision for impairment losses on interest bearing assets	5, 18	(293)	-
NET INTEREST INCOME		108,514	70,506
Net gain on foreign exchange operations		7,139	13,123
Fee and commission income	6, 18	94,666	66,666
Fee and commission expense	6	(69,164)	(44,910)
Other expense, net		(17,923)	(805)
NET NON-INTEREST INCOME		14,718	34,074
OPERATING INCOME		123,232	104,580
OPERATING EXPENSES		(17,390)	(14,644)
PROFIT BEFORE INCOME TAX		105,842	89,936
Income tax expense	7	(26,788)	(21,343)
NET PROFIT		79,054	68,593
TOTAL COMPREHENSIVE INCOME		79,054	68,593

On behalf of the Management Board:

Jepbarov R.J.
Chairman of the Board

31 May 2016
Ashgabat, Turkmenistan

Khangeldyev Zh.
Chief Accountant

31 May 2016
Ashgabat, Turkmenistan

The notes on pages 9-46 form an integral part of these financial statements.

STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in Turkmen manat and in thousands)

	Notes	31 December 2015	31 December 2014
ASSETS:			
Cash and balances with the Central Bank of Turkmenistan	8, 18	4,262,186	688,411
Due from banks	9, 18	11,121,266	9,569,990
Loans to customers	10, 18	4,681,249	3,322,690
Held to maturity investments		45,000	-
Investments available-for-sale		3,872	2,854
Investments in associates		16,825	16,825
Investment property		12,524	12,795
Assets held for sale		7,834	23,124
Property, equipment and intangible assets		60,994	63,388
Premises built under a state program		64,923	13,162
Deferred tax asset	7	143	-
Other assets	11	806,995	542,179
TOTAL ASSETS		21,083,811	14,255,418
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	12, 18	273,584	211,278
Customer accounts	13, 18	16,620,548	11,197,158
Other borrowed funds	14	2,825,635	1,806,444
Current tax liabilities		10,909	6,102
Deferred tax liabilities	7	-	425
Other liabilities	15	773,222	533,152
Total liabilities		20,503,898	13,754,559
EQUITY:			
Share capital	16	417,659	376,747
Property revaluation reserve		22,481	26,087
Retained earnings		139,773	98,025
Total equity		579,913	500,859
TOTAL LIABILITIES AND EQUITY		21,083,811	14,255,418

On behalf of the Management Board:

Jepbarov R.J.
Chairman of the Board

31 May 2016
Ashgabat, Turkmenistan

Khangeldyev Zh.
Chief Accountant

31 May 2016
Ashgabat, Turkmenistan

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STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in Turkmen manat and in thousands)

	Note	Share capital	Property revaluation reserve	Retained earnings	Total equity
As at 31 December 2013		342,255	26,087	63,924	432,266
Distribution of profit	16	34,492	-	(34,492)	-
Total comprehensive income		-	-	68,593	68,593
As at 31 December 2014		376,747	26,087	98,025	500,859
Distribution of profit	16	40,912	-	(40,912)	-
Depreciation of property and equipment revaluation reserve		-	(3,606)	3,606	-
Total comprehensive income		-	-	79,054	79,054
As at 31 December 2015		417,659	22,481	139,773	579,913

On behalf of the Management Board:

Jepbarov R.J.
Chairman of the Board

31 May 2016
Ashgabat, Turkmenistan

Khangeldyev Zh.
Chief Accountant

31 May 2016
Ashgabat, Turkmenistan

The notes on pages 9-46 form an integral part of these financial statements.

STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in Turkmen manat and in thousands)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		105,842	89,936
Adjustment for:			
Depreciation and amortization		3,866	3,389
Provision for impairment losses	5	293	-
Loss on write off of property and equipment		37	1,301
Loss/(gain) on foreign exchange operations		2,133,557	(8,251)
Other expense, net		14,569	-
Change in interest accruals, net		(9,613)	11,746
Cash inflow from operating activity before changes in operating assets and liabilities		2,248,551	98,121
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the CBT		(21,793)	1,762
Due from banks		81,127	(11,948)
Loans to customers		(744,223)	(864,151)
Assets held for sale		721	(7,288)
Other assets		(149,947)	(526,664)
Increase in operating liabilities:			
Due to banks		62,306	44,477
Customer accounts		2,912,646	2,904,219
Other liabilities		122,328	526,374
Cash inflow from operating activities before taxation		4,511,716	2,164,902
Income tax paid		(22,549)	(21,655)
Net cash inflow from operating activities		4,489,167	2,143,247
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(1,018)	(288)
Purchase of held to maturity investments		(45,000)	-
Proceeds for investment property		271	271
Purchase of property, equipment and intangible assets		(565)	(5,679)
Payments for premises built under a state program		(51,761)	(14,771)
Proceeds on disposal of premises built under a state program		-	3,503
Net cash outflow from investing activities		(98,073)	(16,964)

STATE BANK FOR FOREIGN ECONOMIC ACITIVITY OF TURKMENISTAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)
(in Turkmen manat and in thousands)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of other borrowed funds		(299,735)	(243,780)
Receipt of other borrowed funds		949,099	117,743
Net cash inflow/(ouflow) from financing activities		649,364	(126,037)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,040,458	2,000,246
Effect of changes in exchange rates on cash and cash equivalents		143,772	-
CASH AND CASH EQUIVALENTS, beginning of the year	8	9,987,181	7,986,935
CASH AND CASH EQUIVALENTS, end of the year	8	15,171,411	9,987,181

Interest paid and received by the Bank during the year ended 31 December 2015 amounted to TMT 87,274 thousand and TMT 186,468 thousand, respectively.

Interest paid and received by the Bank during the year ended 31 December 2014 amounted to TMT 68,586 thousand and TMT 154,913 thousand, respectively.

On behalf of the Management Board:

Jepbarov R.J.
Chairman of the Board

31 May 2016
Ashgabat, Turkmenistan

Khangeldyev Zh.
Chief Accountant

31 May 2016
Ashgabat, Turkmenistan

The notes on pages 9-46 form an integral part of these financial statements.

1. ORGANIZATION

The State Bank for Foreign Economic Affairs of Turkmenistan ("the Bank") was established on 27 January 1992 in Turkmenistan as a state commercial bank by the Decree of the President of Turkmenistan. The Bank operates under general banking licence #97 and licence #32 for operations in foreign currencies. The principal activities of the Bank include operations on deposit taking and the maintenance of customer accounts, lending and issuing guarantees, cash and settlement operations and operations with securities and foreign exchange, and other commercial banking activities. The activities of the Bank are regulated by the Central Bank of Turkmenistan ("the CBT").

The registered office of the Bank is located at 32, Garashsyzlyk Street, Ashgabat, Turkmenistan, 744000.

As at 31 December 2015 and 2014, the Bank has two branches.

The Bank is entirely owned by the Government of Turkmenistan.

These financial statements were authorized for issue on 31 May 2016 by the Management Board of the Bank.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

These financial statements have been prepared under the historical cost convention.

Key assumptions

These financial statements have been prepared according to the Turkmenistan statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

The preparation of the financial statements in accordance with IFRS requires management of the Bank to make estimates and assumptions that affect the reported amounts. Such estimates and assumptions are based on the information available to the Bank's management as of the date of the financial statements. Therefore, actual results could differ from those estimates and assumptions. Estimates that are particularly susceptible to change relate to the allowance for doubtful accounts and provisions for impairment losses.

Functional currency

Items included in the financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that Bank ("the functional currency"). The functional currency of these financial statements is the Turkmen manat ("TMT").

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains in the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Cash and balances with the Central Bank of Turkmenistan

Cash and cash equivalents consist of cash on hand and unrestricted balances on correspondent accounts with the Central Bank of Turkmenistan. For the purposes of determining cash flows, correspondent accounts with other banks with an original maturity within three months are included to cash and cash equivalents and minimum reserve deposit with the CBT is not considered to be a cash equivalent due to the restrictions on its usage.

Due from banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of allowance for impairment losses, if any.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and receivables

Loans and receivables are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss and other comprehensive income in the period of recovery.

Allowance for impairment losses

The Bank accounts for impairment of financial assets not recorded at fair value when there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into profits using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). Assets recorded in the statement of financial position are reduced by the amount of the impairment. The factors the Bank evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Bank believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is probable that in certain periods the Bank can incur losses greater than recorded impairment.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Investments available-for-sale

Investments available-for-sale are represented by equity investments that are intended to be held for an indefinite period. Non-marketable equity securities are stated at cost less impairment losses, if any, unless the fair value can be reliably measured.

Investment in associate

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. The financial statements include the Bank's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Bank's share of losses exceeds the Bank's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank has incurred obligations in respect of the associate.

Investment property

Investment property is property held to earn rental income or for capital appreciation or for both, but not for sale in the normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost.

Assets held for sale

Assets held for sale 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.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation. Management conducted a revaluation of property, plant and equipment in 2012 in accordance with coefficients developed by the Ministry of Finance of Turkmenistan using Turkmenistan statistical data. Further details of property revaluation reserve are disclosed in Note 16. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and intangible assets is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	2-5%
Furniture and equipment	5-50%
Vehicles	10-20%
Intangible assets	10-50%

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount; impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Premises built under a state program

Premises built under a state program are properties held to earn rentals and/or to be transferred to the Government (including property under construction for such purposes). Premises built under state program are measured initially at cost, including transaction costs. Subsequent to initial recognition, premises built under state program is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis over the useful life of the assets, which varies from 20 to 50 years. Management conducted a revaluation of property, plant and equipment in 2012 in accordance with coefficients developed by the Ministry of Finance of Turkmenistan using Turkmenistan statistical data.

The carrying amounts of premises built under a state program are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount; impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for premises built under state program is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Premises built under a state program are derecognized upon disposal or when the premises built under state program are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Taxation

The Bank is subject to income tax per local requirements and also subject to municipal charges and contributions to agricultural development, which are computed based on net income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to statement of profit or loss and other comprehensive income, in which case the deferred tax is also dealt with in statement of profit or loss and other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Turkmenistan where the Bank operates also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Due to banks, customer accounts and other borrowed funds

Due to banks, customer accounts and other borrowed funds are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the statement of profit and loss and other comprehensive income over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Recorded amounts as of the reporting date represent the Bank's best estimate of the expenditure required to settle the liability.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital

Contributions to share capital made before 1 January 2009 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2009 are recognized at cost.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Foreign currency translation

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates. In preparing the financial statements monetary assets and liabilities denominated in currencies other than the Bank's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at year end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2015	31 December 2014
TMT/1 US Dollar	3.5000	2.8500
TMT/1 Euro	3.8287	3.4670
TMT/1 Japan Yen	0.0291	0.0238
TMT/1 Chinese Yuan	0.5393	0.4596

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Allowance for impairment of loans

The Bank regularly reviews its loans to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans. The Bank considers accounting estimates related to allowance for impairment of loans a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Bank uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in country and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Bank has adopted all new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ended on 31 December 2015. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

These amendments do not have a significant effect on the financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The application of these amendments does not have a significant effect on the financial statements.

The Bank did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

New and revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[2];
- IFRS 15 *Revenue from Contracts with Customers*[2];
- Amendments to IAS 1 – Disclosure initiative project[1];
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[1];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[1];

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model

under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Bank anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. Furthermore, extensive disclosures are required by IFRS 15

The management of the Bank anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IAS 1 – Disclosure initiative project

The amendments clarify the principles of disclosing information. The definition of materiality is expanded. It specifies the requirements of aggregation and disaggregation of data, clarifies that materiality applies to all parts of financial statements and even in those cases when the standards require specific disclosures materiality criteria do apply. The standard also provides more guidance on presenting the information in the statement of financial position and statement of comprehensive income as well as on the order of the notes in the financial statements.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The management of the Bank does not anticipate that the application of these amendments to IAS 1 will have a material impact on the Bank's financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or
b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Bank uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The management of the Bank believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The management of the Bank anticipates that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Bank's financial statements in future periods should such transactions arise.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The Management of the Bank does not anticipate that the application of these amendments will have a significant effect on the financial statements.

4. NET INTEREST INCOME

	Year ended 31 December 2015	Year ended 31 December 2014
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Interest income on unimpaired financial assets	302,031	151,207
Total interest income	302,031	151,207
Interest income on financial assets recorded at amortized cost comprises:		
Interest income on loans to customers	262,600	128,202
Interest income on due from banks	39,431	23,005
Total interest income on financial assets recorded at amortized cost	302,031	151,207
Total interest income	302,031	151,207
Interest expense comprises:		
Interest expense on financial liabilities recorded at amortized cost	(193,224)	(80,701)
Total interest expense	(193,224)	(80,701)
Interest expense on financial liabilities recorded at amortized cost comprises:		
Interest expense on other borrowed funds	(171,742)	(70,222)
Interest expense on customer accounts	(15,110)	(5,465)
Interest expense on due to banks	(6,372)	(5,014)
Total interest expense on financial liabilities recorded at amortized cost	(193,224)	(80,701)
Net interest income before provision for impairment losses on interest bearing assets	108,807	70,506

5. ALLOWANCE FOR IMPAIRMENT LOSSES

The movements in allowance for impairment losses on loans to customers and other operations were as follows:

	Loans to customers	Other assets	Total
As at 31 December 2013	-	107	107
Provision	-	-	-
As at 31 December 2014	-	107	107
Provision	293	-	293
Write-off of assets	-	(107)	(107)
As at 31 December 2015	293	-	293

6. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2015	Year ended 31 December 2014
Fee and commission income:		
Commission for unused credit lines	67,044	36,799
Settlements	10,669	16,116
Cash operations	9,886	10,029
Plastic cards operations	5,948	3,053
Encashment operations	520	233
Guarantees	70	184
Other	529	252
Total fee and commission income	94,666	66,666
Fee and commission expense:		
Commission for unused credit lines	(63,922)	(36,653)
Settlements	(2,511)	(3,467)
Plastic cards services	(1,894)	(4,315)
Other	(837)	(475)
Total fee and commission expense	(69,164)	(44,910)

7. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of Turkmenistan where the Bank operates, which may differ from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2015 and 2014 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book base differences for certain assets.

Deferred tax assets and liabilities as at 31 December 2015 and 2014 comprise:

	31 December 2015	31 December 2014
Deferred tax assets/(liabilities) in relation to :		
Loans to customers	(3,326)	4,178
Assets held for sale	2,467	-
Other assets	(188,337)	(127,091)
Other borrowed funds	1,002	(1,944)
Other liabilities	188,337	124,432
Net deferred income tax assets/(liabilities)	143	(425)

Relationships between tax expenses and accounting profit for the years ended 31 December 2015 and 2014 are explained as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Profit before income tax	105,842	89,936
Tax at the statutory tax rate (2015: 24.6%; 2014: 24.5%)	26,037	22,034
Non-taxable income	(3,925)	(2,164)
Other non-deductible expenses	4,676	1,473
Income tax expense	26,788	21,343
Current income tax expense	27,356	21,150
Deferred tax (income)/expense related to the origination and reversal of temporary differences	(568)	193
Income tax expense	26,788	21,343

Deferred income tax assets/(liabilities)	**2015**	**2014**
Beginning of the year	(425)	(232)
Change in deferred tax recognized in profit or loss	568	(193)
End of the year	143	(425)

8. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKMENISTAN

	31 December 2015	31 December 2014
Cash	22,436	249,223
Balances with the CBT	4,239,750	439,188
Total cash and balances with the CBT	4,262,186	688,411

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2015	31 December 2014
Cash and balances with CBT	4,262,186	688,411
Unrestricted due from banks with original maturity of up to three months	10,948,689	9,316,441
Less: Minimum reserve deposits with the CBT	(39,464)	(17,671)
Total cash and cash equivalents	15,171,411	9,987,181

9. DUE FROM BANKS

	31 December 2015	31 December 2014
Time deposits with other banks	10,357,642	4,613,223
Correspondent accounts with other banks	628,143	4,756,441
Loans to banks	135,481	200,326
Total due from banks	11,121,266	9,569,990

As at 31 December 2015 and 2014, accrued interest included in due from banks amounted to TMT 481 thousand and TMT 326 thousand, respectively.

As at 31 December 2015 and 2014, the restricted balances in time deposits with other banks amounted to TMT 766 thousand and TMT 24,723 thousand, respectively.

As at 31 December 2015 and 2014, the Bank had amounts due from 6 and 4 banks which individually exceeded 10% of the Bank's equity, respectively. The gross value of these balances as at 31 December 2015 and 2014 is TMT 11,058,872 thousand and TMT 9,318,054 thousand, respectively.

10. LOANS TO CUSTOMERS

	31 December 2015	31 December 2014
Loans to corporate customers	4,649,687	3,249,437
Loans to retail customers:		
Small business loans	21,195	62,664
Retail loans	10,660	10,589
Total loans to retail customers	31,855	73,253
Total gross loans to customers	4,681,542	3,322,690
Less: allowance for impairment losses (Note 5)	(293)	-
Total loans to customers	4,681,249	3,322,690

Movement in the loan impairment allowances by classes of loans to customers for the years ended 31 December 2015 is as follows:

	Loans to corporate customers	Loans to retail customers	Total
Balance at the beginning of the year	-	-	-
Recovery	211	82	293
Balance at the end of the year	211	82	293

Key assumptions and judgments for estimating the loan impairment

The Bank estimates loan impairment for loans to corporate and retail 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 has been identified.

Analysis of collateral

Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it.

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

	31 December 2015	31 December 2014
Loans collaterised by government guarantees	4,645,035	3,244,785
Loans collaterised by real estate	4,652	4,652
Total gross loans to corporate customers	4,649,687	3,249,437
Less: allowance for impairment losses (Note 5)	(211)	-
Total loans to corporate customers	4,649,476	3,249,437

The Bank has loans, for which fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on valuation of collateral is based on when this estimate was made, if any.

Loans to retail customers

The following tables provide information on collateral securing loans to retail customers, net of impairment:

	31 December 2015	31 December 2014
Loans collaterised by real estate	16,029	8,682
Loans collaterised by guarantees	7,555	55,792
Loans collaterised by vehicles	2,860	5,539
Loans collaterised by money on current accounts	771	3,240
Unsecured loans	4,640	-
Total gross loans to retail customers	31,855	73,253
Less: allowance for impairment losses (Note 5)	(82)	-
Total loans to retail customers	31,773	73,253

The fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Repossessed collateral

During the years ended 31 December 2015 and 2014, the Bank did not obtain assets by taking possession of collateral for loans to customers.

Industry and geographical analysis of the loan portfolio

Loans to customers are issued to customers located within Turkmenistan who operate in the following economic sectors:

	31 December 2015	31 December 2014
Oil and gas	2,433,927	1,373,077
Chemicals	1,050,449	792,677
Transport	667,128	638,933
Communication	361,574	409,132
Textiles	30,740	29,414
Individuals	12,006	14,482
Construction	7,195	51,333
Other	118,523	13,642
Gross loans to customers	4,681,542	3,322,690
Less: allowance for impairment losses (Note 5)	(293)	-
Total loans to customers	4,681,249	3,322,690

Significant credit exposures

As at 31 December 2015 and 2014, the Bank had 9 and 7 borrowers, whose loan balances individually exceed 10% of equity. The gross value of these loans as at 31 December 2015 and 2014 is TMT 4,509,020 thousand and TMT 2,205,777 thousand, respectively.

11. OTHER ASSETS

	31 December 2015	31 December 2014
Other financial assets:		
Commission for unused credit lines	765,598	518,337
Accrued commission	25,443	15,387
Total other financial assets	791,041	533,724
Other non-financial assets:		
Advances paid and taxes prepaid	10,365	4,679
Inventory	2,790	2,821
Prepaid expenses	2,129	401
Other	670	661
Less: Provision for impairment losses on other operations (Note 5)	-	(107)
Total other non-financial assets	15,954	8,455
Total other assets	806,995	542,179

As at 31 December 2015 and 2014, commission for unused credit lines include prepaid commission and insurance expenses on borrowed from Export-Import Bank of Korea (Korea Eximbank) funds in the amount of TMT 454,593 thousand and TMT 415,251 thousand, respectively.

12. DUE TO BANKS

	31 December 2015	31 December 2014
Loans from banks and other financial institutions	245,676	181,879
Correspondent accounts of other banks	27,908	29,399
Total due to banks	273,584	211,278

13. CUSTOMER ACCOUNTS

	31 December 2015	31 December 2014
Demand deposits	15,305,632	10,101,937
Term deposits	1,314,916	1,095,221
Total customer accounts	16,620,548	11,197,158

As at 31 December 2015 and 2014, customer accounts amounting to TMT 2,481 thousand and TMT 41,921 thousand, respectively, were held as security against letters of credit issued and other transactions related to contingent obligations.

As at 31 December 2015 and 2014, the Bank has 3 and 2 customers, whose balances individually exceed 10% of equity. These balances as at 31 December 2015 and 2014, are TMT 15,980,381 thousand and TMT 10,645,167 thousand, respectively.

14. OTHER BORROWED FUNDS

	Origination-maturity date	Interest rate	31 December 2015	31 December 2014
Japan Bank for International Cooperation (JBIC)	19/03/2010-15/06/2022	2.90% - 4.06%	1,186,028	793,218
Exim Bank, China	17/12/2001-21/03/2032	2.50%-3.00%	961,718	849,387
Exim Bank, Korea	29/05/2014-15/03/2024	LIBOR+4.5%, LIBOR+2.6%	559,577	10,714
Japan International Cooperation Agency (JICA)	24/12/1997-20/12/2027	2.70%	76,247	67,767
China Development Bank	16/07/2005-31/12/2024	0%	42,065	40,445
Deutsche Bank AG	01/11/2002-15/09/2015	EURIBOR +1.20%	-	44,913
Total other borrowed funds			2,825,635	1,806,444

As at 31 December 2015 and 2014, the Bank did not have to comply with any financial covenants on other borrowed funds in terms of loan agreements with the above mentioned financial institutions.

15. OTHER LIABILITIES

	31 December 2015	31 December 2014
Other financial liabilities:		
Commission for unused credit lines	765,598	518,337
Creditors on capital expenses	2,724	9,444
Other financial liabilities	20	15
Total other financial liabilities	768,342	527,796
Other non-financial liabilities:		
Deferred income	4,880	5,356
Total other non-financial liabilities	4,880	5,356
Total other liabilities	773,222	533,152

As at 31 December 2015 and 2014, commission for unused credit lines includes prepaid commission and insurance expenses prepaid by Bank on borrowed from Export-Import Bank of Korea (Korea Eximbank) funds and further reimbursed under agreement of loan granted to State Company Turkmengaz in the amount of TMT 454,593 thousand and TMT 415,251 thousand, respectively.

16. SHARE CAPITAL

As at 31 December 2015 and 2014, the Bank is wholly owned by the Government of Turkmenistan. Each year the Bank's share capital is increased by a distribution of profit for the current year based on the decisions of the Board of Directors of the Bank. As at 31 December 2015 and 2014, share capital amounts to TMT 417,659 thousand and TMT 376,747 thousand, respectively, and the distribution of profit to equity is TMT 40,912 thousand and TMT 34,492 thousand, respectively.

17. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank uses the same credit and management policies in undertaking off-balance sheet commitments as it does for operations accounted for in the statement of financial position.

As at 31 December 2015 and 2014, contingent liabilities comprise:

	31 December 2015	31 December 2014
Contingent liabilities and credit commitments		
Unused credit lines	16,757,760	436,917
Letters of credit	10,820,091	2,472,764
Guarantees issued	2,027	3,676
Total contingent liabilities and credit commitments	27,579,878	2,913,357

The extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

As at 31 December 2015 and 2014, the Bank had no significant capital commitments.

As at 31 December 2015 and 2014, the Bank had no operating lease commitments.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and, accordingly, no provision has been made in these financial statements. During the reporting period there were no received claims against the Bank.

Taxation

Commercial legislation of Turkmenistan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit.

The management of the Bank believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Operating environment

The Bank's principal business activities are within Turkmenistan. Emerging markets such as Turkmenistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Turkmenistan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Turkmenistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Turkmenistan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to the significant decrease in national export revenue.

The economic activity of Turkmenistan is held in conditions that are typical for developing countries. These financial statements reflects Management's estimate of influence of economic conditions on the financial position of the Bank. The future economic environment can differ from this estimate.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", are represented in the table below.

Other related parties are represented by entities controlled by government of Turkmenistan.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Bank and related parties are disclosed below:

	31 December 2015		31 December 2014	
	Related party balance	Total category as per financial statements caption	Related party balance	Total category as per financial statements caption
Assets				
Cash and balances with Central Bank of Turkmenistan	4,239,750	4,262,186	439,188	688,411
- *other related party*	4,239,750		439,188	
Due from banks	135,000	11,121,266	200,000	9,569,990
- *other related party*	135,000		200,000	
Loans to customers before allowance for impairment losses	4,425,301	4,681,542	3,033,095	3,322,690
- *other related party*	4,425,271		3,033,095	
- *key management personnel*	30		-	
Liabilities				
Due to banks	2,154	273,584	1,297	211,278
- *other related party*	2,154		1,297	
Customer accounts	15,903,289	16,620,548	9,756,849	11,197,158
- *other related party*	15,903,246		9,756,674	
- *key management personnel*	43		175	
Off balance sheet items	27,541,252	27,579,878	2,899,106	2,913,357
-*Undrawn loan commitment*	27,541,252		2,899,106	

The remuneration of directors and other members of key management was as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
- *short-term employee benefits*	486	7,184	438	5,237

Included in the statement of profit and loss and other comprehensive income for the years ended 31 December 2015 and 2014 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	251,841	302,031	123,735	151,207
- other related party	251,837		123,731	
- key management personnel	4		4	
Interest expense	(18,362)	(193,224)	(8,617)	(80,701)
- other related party	(18,351)		(8,596)	
- key management personnel	(11)		(21)	
Provision for impairment losses on interest bearing assets	(211)	(293)	-	-
- other related party	(211)		-	
Fee and commission income	67,734	94,666	46,138	66,666
- other related party	67,734		46,138	

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

Fair value of the Bank's financial assets and financial liabilities measured at fair value on recurring basis

Financial instruments are measured at fair value on recurring basis, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 1 year), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

Due from and due to banks

As due from and due to banks are short-term, the book value are estimated to be equal to fair value.

Loans to customers

Loans to customers are made both at variable and at fixed rates. As there is no active secondary market in Turkmenistan for such loans, there is no reliable market value available for this portfolio.

- Floating rate – Management believes that carrying rate may be assumed to be fair value; and
- Fixed rate – Certain of the loans secured are at a fixed rate. Fair value has been estimated by reference to the market rates available at the reporting date for similar loans of maturity equal to the remaining fixed period. As these loans have a short term maturity, it is assumed that the carrying amounts approximate to their fair value.

As at 31 December 2015 and 2014, the fair value of loans to customers with a carrying value of TMT 4,681,249 thousand and TMT 3,322,690 thousand, respectively, customer accounts with carrying value of TMT 16,620,548 thousand and TMT 11,197,158 thousand, respectively, and other borrowed funds with carrying value of TMT 2,825,635 thousand and TMT 1,806,444 thousand, respectively, cannot be reliably measured. Fair value information of these financial instruments has not been disclosed, as the market is not active in Turkmenistan and it is not practicable to estimate their fair value.

Investments available-for-sale are recorded at cost due to the absence of an active secondary market. The Bank does not carry any investments at fair value and as such does not disclose financial instruments by Levels of hierarchy of fair value in accordance with IFRS 13.

20. REGULATORY MATTERS

The Bank is required to maintain certain minimum capital levels in accordance with the legislation of Turkmenistan. These requirements include Tier 1 and Tier 2 capital calculated based on the following risk weights:

Estimate	Description of position
0%	Cash and balances with the CBT
0%	State debt securities and debt securities of OECD countries
0%	Loans collateralized by government guarantees or gold
20%	Due from banks-members of OECD countries and assets collateralized by guarantees of banks-members of OECD countries
20%	Due from banks for up to 1 year
20%	Debt securities of local entities and local authorities
20%	Loans collateralized by debt securities of local entities
20%	Loans prolonged by the decision of government
50%	Mortgage loans
100%	Loans to customers
100%	Other assets

As at 31 December 2015 and 2014, the Bank was in compliance with all the requirements, set by the Central bank of Turkmenistan.

21. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit exposures;
- Liquidity risk; and
- Market risk.

The management of the Bank recognizes that it is essential for the Bank to have efficient risk management processes in place. To enable this, the Bank has established a risk management system, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives.

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk identification, assessment and monitoring are performed within set limits of authority, by the Bank's Risk Manager, the Credit Committee, the Management Board and the Board of Directors. Before any application is approved by the Credit Committee, all recommendations on credit processes (borrower's limits, or amendments made to loan agreements, etc.) are reviewed and approved by the Bank's Risk Manager. Daily risk management is performed by the Head of Credit Department.

The Bank manages credit risk by observing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers set in prudential norms of the regulating authorities. Actual exposures against limits are regularly monitored.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as the probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank mitigates such risk by setting fees and charges for unused portions of credit or advance repayment on loan agreements.

Maximum exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of statement of financial position and off balance sheet financial assets. For financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. Collateral pledged is determined based on its estimated fair value on the day of origination of the loan limited to the outstanding balance of each loan as at reporting date.

As at 31 December 2015:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with the CBT	4,262,186	-	4,262,186	-	4,262,186
Due from banks	11,121,266	-	11,121,266	-	11,121,266
Loans to customers	4,681,542	-	4,681,542	(4,676,902)	4,640
Held to maturity investments	45,000	-	45,000	-	45,000
Investments available-for-sale	3,872	-	3,872	-	3,872
Other financial assets	791,041	-	791,041	-	791,041

As at 31 December 2014:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with the CBT	688,411	-	688,411	-	688,411
Due from banks	9,569,990	-	9,569,990	-	9,569,990
Loans to customers	3,322,690	-	3,322,690	(3,322,690)	-
Investments available-for-sale	2,854	-	2,854	-	2,854
Other financial assets	533,724	-	533,724	-	533,724

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poor's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Bank:

	A	BBB	<BBB	Not Rated	Total as at 31 December 2015
Cash and balances with the CBT	-	-	-	4,262,186	4,262,186
Due from banks	10,985,281	-	946	135,039	11,121,266
Loans to customers	-	-	-	4,681,249	4,681,249
Held to maturity investments	-	-	-	45,000	45,000
Investments available-for-sale	-	-	-	3,872	3,872
Other financial assets	765,598	-	-	25,443	791,041

	A	BBB	<BBB	Not Rated	Total as at 31 December 2014
Cash and balances with the CBT	-	-	-	688,411	688,411
Due from banks	9,368,721	-	1,234	200,035	9,569,990
Loans to customers	-	-	-	3,322,690	3,322,690
Investments available-for-sale	-	-	-	2,854	2,854
Other financial assets	518,337	-	-	15,387	533,724

Rating model

The Bank has developed an internal rating model, based on the principles and methods used by international rating agencies for the assessment of credit risk of corporate borrowers. The rating of a corporate borrower is based on an analysis of the financial ratios of the borrower, and an analysis of the market and industry sector, in which the borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and the borrower's market share.

The application of the internal rating model results in a standardized approach in the analysis of corporate borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Bank revises the model when deficiencies are identified.

Scoring models

The Bank uses scoring models as a statistical tool to assess the future creditworthiness of new and existing borrowers of the Bank. Scoring models are applied for assessment of the credit risk of individuals and small business enterprises.

The scoring models interpret socio-demographic and financial indicators, behavioural variables, the credit history of borrowers and historic data from external sources. Each of the parameters inserted into scoring model has a numeric value, the sum of which represents the borrower's internal credit score (rating). The assigned score reflects the probability of default of the borrower.

The scoring models standardize and automate the process of decision making and decrease the operating expenses and operational risks of the Bank. The scoring model is also used in the internal management decision making process as it permits the forecasting of profits and losses of the credit departments. The scoring model is assessed on a continual basis for its effectiveness and validity.

The Bank applies internal rating and scoring methodologies to specific corporate loans and small business loans, which incorporate various underlying master scales that are different from that used by international rating agencies. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan.

The banking industry is generally exposed to credit risk through its loans to customers and interbank deposits. With regard to the loans to customers this risk exposure is concentrated within Turkmenistan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total as at 31 December 2015
Cash and balances with the CBT	4,262,186	-	-	-	-	-	4,262,186
Due from banks	11,121,266	-	-	-	-	-	11,121,266
Loans to customers	4,676,597	-	-	-	4,652	-	4,681,249
Held to maturity investments	45,000	-	-	-	-	-	45,000
Investments available-for-sale	3,872	-	-	-	-	-	3,872
Other financial assets	791,041	-	-	-	-	-	791,041

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total as at 31 December 2014
Cash and balances with the CBT	688,411	-	-	-	-	-	688,411
Due from banks	9,569,990	-	-	-	-	-	9,569,990
Loans to customers	3,318,038	-	-	-	4,652	-	3,322,690
Investments available-for-sale	2,854	-	-	-	-	-	2,854
Other financial assets	533,724	-	-	-	-	-	533,724

Geographical concentration

The Bank holds its financial assets mostly in Turkmenistan. The Bank exercises control over the risk in the legislation and regulatory arena in all countries where its assets are held and assesses possible effects on the Bank's activity. In particular, the Bank monitors sovereign credit risk assigned by international rating agencies. On a regular basis the Risk Manager reviews financial and political news in international mass-media to anticipate a possible negative influence on the Bank's risk exposure. This approach allows the Bank to minimize potential losses from investment climate fluctuations in countries where its assets are held.

The geographical concentration of assets and liabilities is set out below:

	Turkmenistan	Other non-OECD countries	OECD countries	31 December 2015 Total
FINANCIAL ASSETS				
Cash and balances with the CBT	4,262,186	-	-	4,262,186
Due from banks	135,000	635	10,985,631	11,121,266
Loans to customers	4,681,249	-	-	4,681,249
Held to maturity investments	45,000	-	-	45,000
Investments available-for-sale	3,872	-	-	3,872
Other financial assets	25,443	-	765,598	791,041
TOTAL FINANCIAL ASSETS	9,152,750	635	11,751,229	20,904,614
FINANCIAL LIABILITIES				
Due to banks	260,045	13,539	-	273,584
Customer accounts	16,620,548	-	-	16,620,548
Other borrowed funds	-	1,003,784	1,821,851	2,825,635
Other financial liabilities	768,342	-	-	768,342
TOTAL FINANCIAL LIABILITIES	17,648,935	1,017,323	1,821,851	20,488,109
NET POSITION	(8,496,185)	(1,016,688)	9,929,378	416,505

	Turkmenistan	Other non-OECD countries	OECD countries	31 December 2014 Total
FINANCIAL ASSETS				
Cash and balances with the CBT	688,411	-	-	688,411
Due from banks	200,000	2,277	9,367,713	9,569,990
Loans to customers	3,322,690	-	-	3,322,690
Investments available-for-sale	2,854	-	-	2,854
Other financial assets	15,387	-	518,337	533,724
TOTAL FINANCIAL ASSETS	4,229,342	2,277	9,886,050	14,117,669
FINANCIAL LIABILITIES				
Due to banks	202,467	8,811	-	211,278
Customer accounts	11,197,158	-	-	11,197,158
Other borrowed funds	-	889,832	916,612	1,806,444
Other financial liabilities	527,796	-	-	527,796
TOTAL FINANCIAL LIABILITIES	11,927,421	898,643	916,612	13,742,676
NET POSITION	(7,698,079)	(896,366)	8,969,438	374,993

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Assets and Liabilities Management Committee ("ALMC") and the Risk Manager control these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

An analysis of the liquidity and interest rate risks is presented in the following table:

	Weigh-ted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity uniden-tified	31 December 2015 Total
FINANCIAL ASSETS								
Due from banks	0.45%	6,015,065	4,340,000	135,766	-	-	-	10,490,831
Loans to customers	3.91%	118,456	2,756	91,598	1,466,965	3,001,474	-	4,681,249
Total interest bearing		6,133,521	4,342,756	227,364	1,466,965	3,001,474	-	15,172,080
Cash and balances with the CBT		4,262,186	-	-	-	-	-	4,262,186
Due from banks		630,435	-	-	-	-	-	630,435
Held to maturity investments		-	-	-	45,000	-	-	45,000
Investments available-for-sale		-	-	-	-	-	3,872	3,872
Other financial assets		-	25,443	-	-	-	765,598	791,041
Total financial assets		11,026,142	4,368,199	227,364	1,511,965	3,001,474	769,470	20,904,614
FINANCIAL LIABILITIES								
Due to banks	3.34%	-	-	48,070	-	197,606	-	245,676
Customer accounts	2.22%	25,400	2,824	51,166	1,235,526	-	-	1,314,916
Other borrowed funds	3.44%	-	-	5,447	-	2,820,188	-	2,825,635
Total interest bearing financial liabilities		25,400	2,824	104,683	1,235,526	3,017,794	-	4,386,227
Due to banks		27,908	-	-	-	-	-	27,908
Customer accounts		15,305,632	-	-	-	-	-	15,305,632
Other financial liabilities		2,744	-	-	-	-	765,598	768,342
Total financial liabilities		15,361,684	2,824	104,683	1,235,526	3,017,794	765,598	20,488,109
Liquidity gap		(4,335,542)	4,365,375	122,681	276,439	(16,320)	3,872	
Interest sensitivity gap		6,108,121	4,339,932	122,681	231,439	(16,320)	-	
Cumulative interest sensitivity gap		6,108,121	10,448,053	10,570,734	10,802,173	10,785,853		
Cumulative interest sensitivity gap as a percentage of total financial assets		29.22%	49.98%	50.57%	51.67%	51.60%		

The negative liquidity gap above between financial assets and liabilities up to 1 month is caused by demand deposits of customers. The management regularly assesses the stability of its customer accounts funding base based on past performance and analysis of the events subsequent to the reporting date. The management believes that the clients intend to hold their demand deposits with the Bank, and that this source of funding will remain at a similar level for the foreseeable future.

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity uniden-tified	31 December 2014 Total
FINANCIAL ASSETS								
Due from banks	0.20%	4,560,000	60,000	192,033	-	-	-	4,812,033
Loans to customers	3.91%	6,418	2,296	1,134,699	244,490	1,934,787	-	3,322,690
Total interest bearing financial assets		4,566,418	62,296	1,326,732	244,490	1,934,787	-	8,134,723
Cash and balances with the CBT		688,411	-	-	-	-	-	688,411
Due from banks		4,757,957	-	-	-	-	-	4,757,957
Investments available-for-sale		-	-	-	-	-	2,854	2,854
Other financial assets		-	15,387	-	-	-	518,337	533,724
Total financial assets		10,012,786	77,683	1,326,732	244,490	1,934,787	521,191	14,117,669
FINANCIAL LIABILITIES								
Due to banks	3.00%	-	4,663	13,991	74,617	88,608	-	181,879
Customer accounts	0.90%	11,773	5,578	1,075,419	315	-	-	1,093,085
Other borrowed funds	3.27%	2,356	76,925	175,845	702,820	848,498	-	1,806,444
Total interest bearing financial liabilities		14,129	87,166	1,265,255	777,752	937,106	-	3,081,408
Due to banks		29,399	-	-	-	-	-	29,399
Customer accounts		10,104,073	-	-	-	-	-	10,104,073
Other financial liabilities		9,459	-	-	-	-	518,337	527,796
Total financial liabilities		10,157,060	87,166	1,265,255	777,752	937,106	518,337	13,742,676
Liquidity gap		(144,274)	(9,483)	61,477	(533,262)	997,681	2,854	
Interest sensitivity gap		4,552,289	(24,870)	61,477	(533,262)	997,681	-	
Cumulative interest sensitivity gap		4,552,289	4,527,419	4,588,896	4,055,634	5,053,315		
Cumulative interest sensitivity gap as a percentage of total financial assets		32.25%	32.07%	32.50%	28.73%	35.79%		

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts sdisclosed in these tables do not correspond to the amounts recorded in the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2015 Total
FINANCIAL LIABILITIES							
Due to banks	3.34%	28,591	1,366	53,830	23,713	219,540	327,040
Customer accounts	2.22%	15,333,392	7,525	72,260	1,290,384	-	16,703,561
Other borrowed funds	3.44%	7,965	15,930	78,532	387,642	3,207,081	3,697,150
Other financial liabilities	-	2,744	-	-	765,598	-	768,342
Total financial liabilities		15,372,692	24,821	204,622	2,467,337	3,426,621	21,496,093

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2014 Total
FINANCIAL LIABILITIES							
Due to banks	3.00%	29,399	5,561	17,821	89,727	94,943	237,451
Customer accounts	0.48%	10,116,795	6,721	1,077,162	315	-	11,200,993
Other borrowed funds	3.27%	2,356	86,745	217,327	863,280	938,891	2,108,599
Other financial liabilities	-	9,459	-	-	518,337	-	527,796
Total financial liabilities		10,158,009	99,027	1,312,310	1,471,659	1,033,834	14,074,839

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. There have been no changes as to the way the Bank measures risk or to the risk it is exposed.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the Bank's future cash flows and value of the Bank's financial instruments.

The ALMC manages the interest rate risk by monitoring and analyzing sensitivity reports, as well as interest rate margin reports. This helps the Bank mitigate interest rate risks and maintain a positive interest margin. The Risk Manager monitors the Bank's financial performance, regularly assessing the Bank's sensitivity to changes in interest rates and its effect on profitability.

All of the Bank's interest bearing financial assets and liabilities are fixed rate agreements and hence, interest rate sensitivity has no impact on net profit.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by managing the open currency position on the estimated basis of macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department and the Risk Manager perform daily monitoring of the Bank's open currency position with the aim to match the state requirements.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	TMT	USD USD 1= TMT 3.50	EUR EUR 1= TMT 3.83	JPY JPY 1= TMT 0.03	CHY CHY 1= TMT 0.54	Other currency	31 December 2015 Total
FINANCIAL ASSETS							
Cash and balances with the CBT	167,181	4,089,498	4,286	23	78	1,120	4,262,186
Due from banks	135,000	10,967,557	16,062	126	-	2,521	11,121,266
Loans to customers	1,574,306	805,032	202,944	1,093,425	1,005,542	-	4,681,249
Held to maturity investments	45,000	-	-	-	-	-	45,000
Investments available-for-sale	3,872	-	-	-	-	-	3,872
Other financial assets	1	537,652	5,220	247,725	443	-	791,041
Total financial assets	1,925,360	16,399,739	228,512	1,341,299	1,006,063	3,641	20,904,614
FINANCIAL LIABILITIES							
Due to banks	51,253	17,391	204,593	-	-	347	273,584
Customer accounts	291,155	16,311,644	-	15,848	-	1,901	16,620,548
Other borrowed funds	-	726,358	722	1,094,771	1,003,784	-	2,825,635
Other financial liabilities	882	518,883	4,500	244,077	-	-	768,342
Total financial liabilities	343,290	17,574,276	209,815	1,354,696	1,003,784	2,248	20,488,109
OPEN BALANCE SHEET POSITION	1,582,070	(1,174,537)	18,697	(13,397)	2,279	1,393	416,505

	TMT	USD USD 1= TMT 2.85	EUR EUR 1= TMT 3.47	JPY JPY 1= TMT 0.02	CHY CHY 1= TMT 0.46	Other currency	31 December 2014 Total
FINANCIAL ASSETS							
Cash and balances with the CBT	55,472	627,615	3,811	5	72	1,436	688,411
Due from banks	200,473	9,326,087	41,320	1	-	2,109	9,569,990
Loans to customers	368,850	989,259	226,792	860,466	877,323	-	3,322,690
Investments available-for-sale	2,854	-	-	-	-	-	2,854
Other financial assets	-	483,453	45,840	31	4,400	-	533,724
Total financial assets	627,649	11,426,414	317,763	860,503	881,795	3,545	14,117,669
FINANCIAL LIABILITIES							
Due to banks	735	23,778	186,755	-	-	10	211,278
Customer accounts	218,219	10,936,720	39,768	-	-	2,451	11,197,158
Other borrowed funds	-	11,940	44,913	859,759	889,832	-	1,806,444
Other financial liabilities	9,415	468,520	-	45,459	4,401	1	527,796
Total financial liabilities	228,369	11,440,958	271,436	905,218	894,233	2,462	13,742,676
OPEN BALANCE SHEET POSITION	399,280	(14,544)	46,327	(44,715)	(12,438)	1,083	374,993

Currency risk sensitivity

The following table details the Bank's sensitivity to a 25% increase and 25% decrease (2015 and 2014: 25% increase and decrease) in USD against TMT. These are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 25% increase and 25% decrease (2015 and 2014: 25% increase and decrease) in foreign currency rates. The sensitivity analysis includes loans where the denomination of the loan is in a currency other than the functional currency of the Bank.

Impact on net profit before tax and equity based on asset values as at 31 December 2015 and 2014:

	31 December 2015		31 December 2014	
	TMT/CCY +25%	TMT/CCY -25%	TMT/USD +25%	TMT/CCY -25%
25% increase in USD against TMT	(293,634)	293,634	(3,636)	3,636
25% increase in CHY against TMT	570	(570)	(3,110)	3,110
25% increase in EUR against TMT	4,674	(4,674)	11,582	(11,582)
25% increase in JPY against TMT	(3,349)	3,349	(11,179)	11,179

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations.

22. SUBSEQUENT EVENTS

Up to the date of issue of these financial statements Management have not identified any significant subsequent events which require disclosure.