

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Joint-Stock Commercial Bank "Microcreditbank" and its subsidiary (the "Group") as at December 31, 2016, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management of the Group 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 Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management of the Group is also responsible for:

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

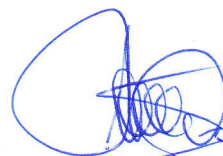
The consolidated financial statements of the Group for the year ended December 31, 2016 were approved by the Management Board on May 5, 2017.

On behalf of the Management Board:


Khaydarov A. Y.
Chairman of the Board



May 5, 2017
Tashkent, Uzbekistan



Boltaev S. A.
Chief Accountant

May 5, 2017
Tashkent, Uzbekistan

INDEPENDENT AUDITORS' REPORT

To: Shareholders and the Council of Joint-Stock Commercial Bank "Microcreditbank"

Opinion

We have audited the consolidated financial statements of Joint-Stock Commercial Bank "Microcreditbank" ("the Bank") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 6 to these consolidated financial statements, which describes the restatement of corresponding figures for the year ended December 31, 2015. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p data-bbox="234 1509 603 1541"><i>Impairment of loans to customers</i></p> <p data-bbox="234 1570 774 1682">Impairment of loans involves significant judgement applied by the management in identifying the impairment event and determining the quantum of incurred losses.</p> <p data-bbox="234 1711 774 1877">Once the impaired loans or portfolio of loans are identified, the Management estimates the amount and timing of the expected future cash flows on the basis of financial analysis of the borrowers' business, statistics on arrears, and realizability of pledged collateral.</p> <p data-bbox="234 1906 774 1966">This process involves judgements and estimation uncertainty, and is, therefore, a key audit matter.</p>	<p data-bbox="815 1509 1410 1597">We obtained an understanding of the Management's process of assessing impairment of loans to customers.</p> <p data-bbox="815 1626 1410 1823">We selected loans on a sample basis and tested the appropriateness of the specific loan loss provisions as at the reporting date. We analysed the Group's documentation of the borrower's credit assessment and challenged assumptions made in relation to projections of future cash flows from the borrower's business.</p> <p data-bbox="815 1852 1410 1998">Further, we assessed the valuation and timing of projected cash flows from collateral. We analysed the work performed by external experts used by the Group to value collateral and compared the valuations to our own research of market values.</p>

Refer to Note 8 to the consolidated financial statements for detailed disclosure of loans and advances to customers, to Note 3 for description of the Bank's policy on the calculation of impairment provision and to Note 4 for narrative on critical accounting estimates and judgements applied.

to value collateral and compared the valuations to our own research of market values.

Revenue recognition – loan origination fees

We identified loan origination fees to be a key audit matter due to the subjectivity of management judgement applied in analysing the nature of the fees and deciding whether they are directly attributable to the issuance of loans or other already rendered services that accompany the loan origination process. Along with the manual process of calculation and accounting for fees this increases the likelihood of material misstatement. Refer to note XX for the accounting policy on recognition of loan origination fees. .

We obtained an understanding of the loan origination process and the policy in relation to the recognition of fees and commissions and interest income.

We assessed whether the methodology used complies with the requirements of the relevant accounting standard.

We also analyzed the nature of fees charged during the loan origination and checked whether they were properly classified and accounted for.

Furthermore, on a sample basis, we evaluated the mathematical accuracy of the calculations of the amounts to be deferred and recognized as interest income.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these the financial statements in accordance IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Deloitte & Touche

"Deloitte & Touche" Audit Organisation LLC

License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00500 dated 8 February 2008

Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan under #3 dated 14 October 2013

May 5, 2017
Tashkent, Uzbekistan



Erkin Ayupov

Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central Bank of the Republic of Uzbekistan

Director

"Deloitte & Touche" Audit Organisation LLC

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

(in thousands of Uzbek Soums)

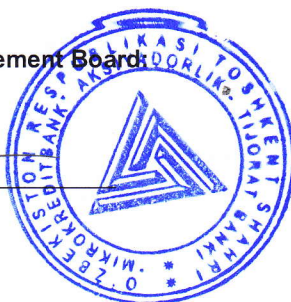
	Notes	December 31, 2016	December 31, 2015 (restated*)	January 1, 2015 (restated*)
ASSETS:				
Cash and cash equivalents	8	135,280,251	160,456,922	45,107,219
Due from other banks	9	101,658,753	72,917,068	48,003,453
Loans and advances to customers	10	1,004,856,501	801,220,939	637,191,188
Investment securities available for sale		2,656,933	2,686,689	2,688,459
Premises, equipment and intangible assets	11	56,766,655	52,084,105	39,208,626
Deferred income tax assets	23	7,665,701	5,416,743	5,037,240
Other assets	12	24,760,320	21,543,514	13,475,697
TOTAL ASSETS		1,333,645,114	1,116,325,980	790,711,882
LIABILITIES:				
Due to other banks	13	152,589,924	153,049,075	127,437,117
Customer accounts	14	958,263,305	693,378,928	373,783,580
Other borrowed funds	15	27,985,839	74,345,915	111,116,952
Insurance liabilities	16	2,360,014	6,237,967	6,932,331
Other liabilities	17	4,565,085	5,926,427	4,481,515
TOTAL LIABILITIES:		1,145,764,167	932,938,312	623,751,495
EQUITY:				
Share capital	18	250,446,510	225,446,510	200,446,510
Retained earnings		(65,318,150)	(44,554,022)	(35,762,678)
Total equity attributable to owners of the Bank		185,128,360	180,892,488	164,683,832
Non-controlling interest		2,752,587	2,495,180	2,276,555
TOTAL EQUITY		187,880,947	183,387,668	166,960,387
TOTAL LIABILITIES AND EQUITY		1,333,645,114	1,116,325,980	790,711,882

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 6.

On behalf of the Management Board

Khaydarov A. Y.
Chairman of the Board

May 5, 2017
Tashkent, Uzbekistan



Boltaev S. A.
Chief Accountant

May 5, 2017
Tashkent, Uzbekistan

The notes on pages 10-71 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

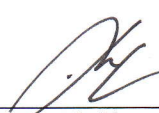
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

(in thousands of Uzbek Soums, except for earnings per share, which are in Uzbek Soums)

	Notes	2016	2015 (restated*)
Interest income	19,29	161,616,674	127,966,926
Interest expense	19,29	(72,911,148)	(50,254,902)
Net interest income before impairment losses on interest bearing assets		88,705,526	77,712,024
Impairment losses on interest bearing assets	10	(26,950,111)	(12,116,909)
Net interest income		61,755,415	65,595,115
Fee and commission income	20,29	62,114,011	55,911,500
Fee and commission expense	20,29	(19,202,093)	(15,453,431)
Net gain on foreign exchange operations		3,868,634	3,755,143
Net gain from trading in foreign currencies		764,588	552,908
Other operating income	21	12,367,764	12,806,878
Administrative and other operating expenses	22	(141,684,237)	(131,399,544)
Loss before income tax		(20,015,918)	(8,231,431)
Income tax expense	23	(490,803)	(341,288)
Net loss for the year		(20,506,721)	(8,572,719)
Other comprehensive (loss)/income for the year		-	-
Total comprehensive (loss)/income for the year		(20,506,721)	(8,572,719)
(Loss)/Profit attributable to:			
Owners of the Bank		(20,764,128)	(8,791,344)
Non-controlling interest		257,407	218,625
Basic and diluted (loss)/earnings per preference share (expressed in UZS per share)	24	(90)	(47)
Basic and diluted (loss)/earnings per ordinary share (expressed in UZS per share)	24	(90)	(47)


*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 6.

On behalf of the Management Board:


Khaydarov A. Y.
Chairman of the Board

May 5, 2017
Tashkent, Uzbekistan





Boltaev S. A.
Chief Accountant

May 5, 2017
Tashkent, Uzbekistan

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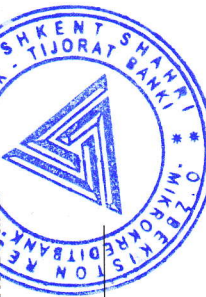
JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(in thousands of Uzbek Soums)**

	Notes	Share capital	Attributable to owners of the Bank		Non-controlling interest	Total equity
			Retained earnings/(accumulated deficit)	Total		
January 1, 2015		200,446,510	5,485,299	205,931,809	2,276,555	208,208,364
Adjustment on correction of errors	6	-	(41,247,977)	(41,247,977)	-	(41,247,977)
January 1, 2015 (as restated*)		200,446,510	(35,762,678)	164,683,832	2,276,555	166,960,387
Net profit for the year as reported in 2015		-	2,501,616	2,501,616	218,625	2,720,241
Adjustment on correction of errors		-	(11,292,960)	(11,292,960)	-	(11,292,960)
Restated net loss for the year	6	-	(8,791,344)	(8,791,344)	218,625	(8,572,719)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for 2015		-	(8,791,344)	(8,791,344)	218,625	(8,572,719)
Shares issued	18	25,000,000	-	25,000,000	-	25,000,000
December 31, 2015 (as restated*)		225,446,510	(44,554,022)	180,892,488	2,495,180	183,387,668
Net loss for the year		-	(20,764,128)	(20,764,128)	257,407	(20,506,721)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for 2016		-	(20,764,128)	(20,764,128)	257,407	(20,506,721)
Shares issued	18	25,000,000	-	25,000,000	-	25,000,000
December 31, 2016		250,446,510	(65,318,150)	185,128,360	2,752,587	187,880,947

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 6.

On behalf of the Management Board:



[Signature]
Khaydarov A. Y.
Chairman of the Board
May 5, 2017
Tashkent, Uzbekistan

[Signature]
Boltaev S. A.
Chief Accountant
May 5, 2017
Tashkent, Uzbekistan

The notes on pages 10-71 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

(in thousands of Uzbek Soums)

Notes	2016	2015
Cash flows from operating activities		
Interest received	161,233,950	128,744,902
Interest paid	(72,525,183)	(50,322,600)
Fees and commissions received	61,958,369	54,940,296
Fees and commissions paid	(19,202,093)	(15,453,431)
Net gain from trading in foreign currencies	764,588	552,908
Insurance premium received	1,924,321	15,964,724
Insurance claims paid	(1,983,932)	(10,791,769)
Other operating income received	5,329,053	6,797,664
Staff costs paid	(87,582,094)	(78,608,768)
Administrative and other operating expenses paid	(47,458,978)	(44,412,316)
Income tax paid	(2,739,761)	(720,791)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities	(281,760)	6,690,819
Net increase in due from other banks	(26,055,155)	(24,999,042)
Net increase in loans and advances to customers	(229,501,957)	(174,974,066)
Net increase in other assets	(4,858,500)	(8,188,546)
Net (decrease)/increase in due to other banks	(4,318,423)	25,847,727
Net increase in customer accounts	254,739,776	319,525,720
Net increase in other liabilities	20,794	5,743
Net cash (used in)/from operating activities	(10,255,225)	143,908,355
Cash flows from investing activities		
Proceeds from sale of investments available-for-sale	-	6,605
Purchase of premises, equipment and intangible assets	(17,172,841)	(20,260,961)
Proceeds from disposal of premises, equipment and intangible assets	10,110,169	532,176
Dividends received	49,331	51,076
Net cash used in investing activities	(7,013,341)	(19,671,104)

The notes on pages 10-71 form an integral part of these consolidated financial statements.

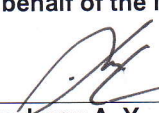
JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016
(in thousands of Uzbek Soums)

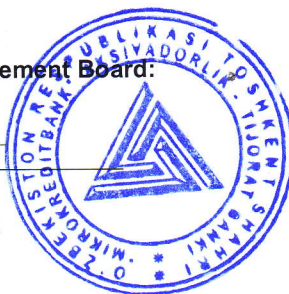
	Notes	2016	2015
Cash flows from financing activities			
Issue of shares	18	25,000,000	25,000,000
Dividends paid		(9,663)	-
Proceeds from other borrowed funds		53,020,252	1,750,161,314
Repayment of other borrowed funds		(100,216,812)	(1,787,030,794)
Net cash used in financing activities		(22,206,223)	(11,869,480)
Effect of exchange rate changes on cash and cash equivalents			
		14,298,118	2,981,932
Net (decrease)/increase in cash and cash equivalents			
		(25,176,671)	115,349,703
Cash and cash equivalents at the beginning of the year	8	160,456,922	45,107,219
Cash and cash equivalents at the end of the year	8	135,280,251	160,456,922

There were no significant non-cash transactions during the years ended December 31, 2016 and 2015.

On behalf of the Management Board:


 Khaydarov A. Y.
 Chairman of the Board

May 5, 2017
 Tashkent, Uzbekistan





Boltaev S. A.
 Chief Accountant

May 5, 2017
 Tashkent, Uzbekistan

The notes on pages 10-71 form an integral part of these consolidated financial statements.