

Audited Project Financial Statements

Project Number: 44318-023

Loan Number: 2775

Period covered: 1 January to 31 December 2015

UZB: Housing for Integrated Rural Development Investment Program – Project 1

Prepared by Qishloq Qurilish Bank

For the Asian Development Bank

Date received by ADB: 07 October 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and Qishloq Qurilish Bank.

PKF MAK ALYANS LLC

Audit & Consulting

PKF

Accountants &
business advisors

JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"

Housing for Integrated Rural Development Investment Program –

Tranche 1, Tranche 2 and Tranche 3

ADB LOAN AGREEMENTS № 2775-UZB, № 3039-UZB and № 3271-UZB

Special-Purpose Cash Basis Financial Statements

for the year ended 31 December 2015

ASIAN DEVELOPMENT BANK

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CONTENTS

Independent Auditor's Report.....	3
Statement of sources and uses of funds for Loan agreement No. 3271-UZB.....	5
Statement of sources and uses of funds for Loan agreement No. 3039-UZB.....	6
Statement of sources and uses of funds for Loan agreement No. 2775-UZB.....	7
1. Principal activity.....	8
2. Authorization Date.....	9
3. Basis for presentation of Statements.....	10
4. Summary of significant accounting policy.....	10
5. Cash and Cash equivalents.....	11
6. ADB replenishments to Imprest account.....	12
7. Returned funds withdrawn for ineligible activities.....	12
8. Returned unused funds by the Bank's regional branches to the Bank.....	12
9. Funds disbursed to issue of sub-loans and financing houses construction.....	12

Independent Auditor's Report**To the Board and Management of Joint-Stock Commercial Bank "Qishloq Qurilish Bank"**

We have audited the attached Special-purpose financial statements prepared on a cash basis of Housing for Integrated Rural Development Investment Program financed from the funds of the Asian Development Bank under ADB Loan agreement No. 2775-UZB dated from 16 February 2012 (tranche 1), ADB Loan agreement No. 3039-UZB dated from 11 October 2013 (tranche 2), ADB Loan agreement No. 3271-UZB dated from 21 August 2015 (tranche 3) and the contribution of the Joint-stock Commercial Bank "Qishloq Qurilish Bank" (hereinafter "the Bank"), which includes a Statement on sources and uses of funds for the year ended 31 December 2015 and the principal accounting policies and other notes to the financial statements.

The Management's responsibilities for the preparation of special-purpose cash basis financial statements

The Bank's management is responsible for preparation and fair presentation of these special-purpose cash basis financial statements in accordance with the requirements of the International Public Sector Accounting Standard Financial Reporting under the Cash Basis of Accounting promulgated by the International Federation of Accountants, and for the system of internal control, which according to the management is necessary to prepare special-purpose cash basis financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these special-purpose cash basis financial statements based upon the results of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special-purpose cash basis financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements in accordance with International Standard on Auditing 800 (ISA 800). The selection of the procedures depends on the auditor's professional judgment, including the assessment of the risk of material misstatement of the special-purpose cash basis financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control system relevant to the entity's preparation and fair presentation of the special-purpose cash basis financial statements in order to design audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of the internal control system of the Bank. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Bank, as well as evaluating the overall presentation of the special-purpose cash basis financial statements.

We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for expressing the auditor's opinion.

Auditor's opinion

In our opinion, the attached special-purpose cash basis financial statements for the year ended 31 December 2015 in all material respects prepared in accordance with the International Public Sector Accounting Standard Financial Reporting under the Cash Basis of Accounting.

Accounting principles Restrictions on distribution and use

By not changing our opinion, we draw Your attention to Appendix 3 to the attached special-purpose cash basis financial statements, which specifies the accounting principles. These special-purpose cash basis financial statements prepared to assist the Bank in complying with the terms of the financial statements indicated in the above-mentioned Loan agreements. Hence, the special-purpose cash basis financial statements shall not be used for any other purpose.

This report is intended solely for consideration and use of the Management and Board of the Bank, and the Asian Development Bank and should not be distributed to or used by other parties for any other purpose.

PKF MAK ALYANS
PKF MAK ALYANS LLC

28 September 2016
Tashkent, Uzbekistan
1st Avenue, 22, Avlasozlar Street



Joint-Stock Commercial Bank "Qishloq Qurilish Bank"


Housing for Integrated Rural Development Investment Program - Tranche 3 - ADB Loan Agreement No. 3271-UZB

(in thousands of Uzbek Soums)

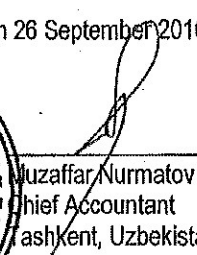
Statement of sources and uses of funds for Loan agreement No. 3271-UZB

	Note	2015	Cumulative as at 31 December 2015	2014	Cumulative as at 31 December 2014
Opening cash balance:	5	-	-	-	-
Cash receipts:					
ADB replenishments to imprest account	6	166 732 363	166 732 363	-	-
Returned cash funds:					
Withdrawn funds for ineligible activities	7	-	-	-	-
Unused funds by the Bank's branches	8	386 100	386 100	-	-
Total cash funds available		<u>167 118 463</u>	<u>167 118 463</u>	<u>-</u>	<u>-</u>
Cash payments:					
Funds disbursed to issue of sub-loans	9	(153 653 568)	(153 653 568)	-	-
Withdrawn funds for ineligible activities		-	-	-	-
Total cash payments		<u>(153 653 568)</u>	<u>(153 653 568)</u>	<u>-</u>	<u>-</u>
Closing cash balance:	5	<u>13 464 895</u>	<u>13 464 895</u>	<u>-</u>	<u>-</u>

Approved and signed on behalf of the Bank's Management Board on 26 September 2016.


Bakhodirbek Mulakhanov
Chairman of the Board
Tashkent, Uzbekistan




Juzaffar Nurmatov
Chief Accountant
Tashkent, Uzbekistan

Joint-Stock Commercial Bank "Qishloq Qurilish Bank"

Housing for Integrated Rural Development Investment Program - Tranche 2 - ADB Loan Agreement No. 3039-UZB

(in thousands of Uzbek Soums)

Statement of sources and uses of funds for Loan agreement No. 3039-UZB

	Note	2015	Cumulative as at 31 December 2015	2014	Cumulative as at 31 December 2014
Opening cash balance:	5	745 000	-	-	-
Cash receipts:					
ADB replenishments to imprest account	6	-	367 962 204	200 118 630	367 962 204
Returned cash funds:					
Withdrawn funds for ineligible activities	7	-	14 800 000	-	14 800 000
Unused funds by the Bank's branches	8	-	1 901 697	1 302 561	1 901 697
Total cash funds available		745 000	384 663 901	201 421 191	384 663 901
Cash payments:					
Funds disbursed to issue of sub-loans	9	-	(369 118 901)	(200 676 191)	(369 118 901)
Withdrawn funds for ineligible activities	7	-	(14 800 000)	-	(14 800 000)
Total cash payments		-	(383 918 901)	745 000	(383 918 901)
Closing cash balance:	5	745 000	745 000	745 000	745 000

Approved and signed on behalf of the Bank's Management Board on 26 September 2016.

Bakhodirbek Mulakhanov
Chairman of the Board
Tashkent, Uzbekistan



Muzaffar Nurmatov
Chief Accountant
Tashkent, Uzbekistan

Joint-Stock Commercial Bank "Qishloq Qurilish Bank"

Housing for Integrated Rural Development Investment Program - Tranche 1 - ADB Loan Agreement No. 2775-UZB

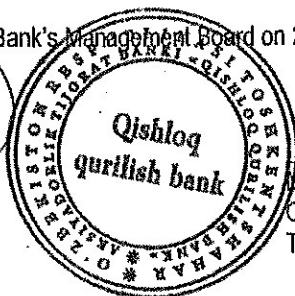
(in thousands of Uzbek Soums)

Statement of sources and uses of funds for Loan agreement No. 2775-UZB

	Note	2015	Cumulative as at 31 December 2015	2014	Cumulative as at 31 December 2014
Opening cash balance:	5	488 489	-	36 177 118	-
Cash receipts:					
ADB replenishments to imprest account	6	-	388 182 317	-	388 182 317
Returned cash funds:					
Withdrawn funds for ineligible activities	7	-	-	-	-
Unused funds by the Bank's branches	8	-	-	-	-
Total cash funds available		<u>488 489</u>	<u>388 182 317</u>	<u>36 177 118</u>	<u>388 182 317</u>
Cash payments:					
Funds disbursed to issue of sub-loans	9	-	(387 693 828)	(35 688 629)	(387 693 828)
Withdrawn funds for ineligible activities		-	-	-	-
Funds returned to the Ministry of Finance of Uzbekistan	4	(488 489)	(488 489)	-	-
Total cash payments		<u>(488 489)</u>	<u>(388 182 317)</u>	<u>35 688 629</u>	<u>(387 693 828)</u>
Closing cash balance:	5	<u>-</u>	<u>-</u>	<u>488 489</u>	<u>488 489</u>

Approved and signed on behalf of the Bank's Management Board on 26 September 2016.

Bakhodirbek Mulakhanov
Chairman of the Board
Tashkent, Uzbekistan



Muzaffar Nurmatov
Chief Accountant
Tashkent, Uzbekistan

Notes to the special-purpose cash basis financial statements on pages 8 – 12 are integral part of these statements

See for Independent Auditor's Conclusion on pages 3 – 4.

1. Principal activity

Joint-Stock Commercial Bank "Qishloq Qurilish Bank" (hereinafter "the Bank") was established on basis of resolution of the president of the Republic of Uzbekistan No. ПП-1083 dated from 30 March 2009 "On establishment of Joint-Stock Commercial Bank "Qishloq Qurilish Bank" based on Joint-Stock Commercial Bank "Galla Bank". As at 31 December 2015, the Ministry of Finance of the Republic of Uzbekistan owns 76.76% shares of the Bank (2014: 74.38%).

The Bank carries out its main activities based on a banking license for banking operations issued by the Central Bank of the Republic of Uzbekistan No. 77, the license was updated in 4 August 2014. The Bank also has General license for foreign currency transaction issued by the Central Bank of the Republic of Uzbekistan No. 60 dated from 4 August 2014.

The Bank is a member of the Banks Association of the Republic of Uzbekistan, Republican currency exchange and the Fund of guarantee of deposits of citizen at banks.

The Bank participates in a system of providing defense of deposits at banks of the Republic of Uzbekistan through Fund of guarantee of deposits of citizen at banks in line with Law of the Republic of Uzbekistan "On guarantees of protection of deposits of citizen at banks". The system of providing protection of deposits at banks of Uzbekistan guarantees reimbursement of deposits in case of recall the license for banking activity by the Central Bank of Uzbekistan, in full volume pursuant to the balance of deposits, to be reflected in interim liquidation balance of the bank at the expense of the Bank and the Fund. Guaranteed repayments by the Fund of the deposits of citizen do not spread in case of reorganization of a bank.

Principal activity of the Bank is commercial and retail bank operations in the territory of the Republic of Uzbekistan and its beyond. These operations include operations with securities, foreign currency, attracting deposits and issuance of commercial loans in Uzbek Soums, and in freely convertible currencies, rendering services to customers in realization of export and import operations

A significant part of the Bank's activities include a role of a government agent in improving the living conditions of the rural population and financing construction in rural villages by issuing long-term mortgage loans to residents living in such areas. These activities represent a significant part of the Bank's assets, financial sources and income generation and carried out in accordance with the Loan agreement between Asian Development Bank and the Government of the Republic of Uzbekistan on Housing for Integrated Rural Development Investment Program.

The Bank operates through Head Office in Tashkent and 42 branches within the territory of the Republic of Uzbekistan (2014: 42 branches).

Legal address of the Bank: 18 A, Alisher Navoi Street, 100060, Tashkent, Republic of Uzbekistan.

Housing for Integrated Rural Development ("HIRD") Investment Program

In order to improve the quality of life of the rural population through the construction of modern individual housing based on approved design, utilities, and social infrastructure, on 31 August 2011, the Board of Directors of the Asian Development Bank ("ADB") approved multi-tranche financing for the HIRD Investment Program ("Program") in the amount of 500,000 thousands US dollars.

The Government of Uzbekistan signed a Framework Financing Agreement ("FFA") dated 29 July 2011 for US Dollar ("USD") 500,000 thousands with ADB. According to the FFA (i) ADB makes series of loans (tranches) to Uzbekistan, each of which is governed by a separate loan agreement and (ii) mortgage loans ("sub-loans") to eligible sub-borrowers are made through participating commercial banks ("PCB") that, in turn, borrow funds from Uzbekistan in accordance with one or more subsidiary loan agreements with Uzbekistan.

According to terms of the FFA, the Government of Uzbekistan signed a Loan agreement No. 2775-UZB dated 16 February 2012 (tranche 1), a Loan agreement No. 3039-UZB dated 11 October 2013 (tranche 2) and a Loan agreement No. 3271-UZB dated 21 August 2015 (tranche 3) for USD 300,000 thousands, USD 200,000 thousands and USD 100,000 thousands with ADB respectively. According to these loan agreements, ADB agreed to lend, through the Ministry of Finance of Uzbekistan (hereinafter "MOF")

MOF converted abovementioned funds into Uzbek Soums ("UZS") and disbursed to the PCBs in UZS. PCBs as mentioned above provided sub-loans financed partially by these funds to sub-borrowers according to the ADB terms.

According to terms of the loans, the PCBs pays to the MOF interest for provided loans and returns loans principle. The ultimate responsibility for repayment of the principal loan amount and the respective charges lies with the Government of Uzbekistan.

According to the President Decree of the Republic of Uzbekistan No. ПП-1687 dated 14 January 2012 "On the program of constructing standardized models of houses for individuals in rural areas in 2012" the Bank participated in financing 8,510 houses under construction in 2012. 8,363 out of 8,510 houses under construction were financed partially by the ADB, i.e. 65% of each 8,363 sub-loans were financed from the ADB funds.

According to the President Decree of the Republic of Uzbekistan No. ПП-1902 dated 4 January 2013 "On the program of constructing standardized models of houses for individuals in rural areas in 2013" the Bank participated in financing 8,182 houses under construction in 2013. 1,895 out of 8,182 houses under construction were financed partially by the ADB, i.e. 30% of each 1,895 sub-loans were financed from the ADB funds.

According to the President Decree of the Republic of Uzbekistan No. ПП-2068 dated 15 November 2013 "On the program of constructing standardized models of houses for individuals in rural areas in 2014" the Bank participated in financing 7,779 houses under construction in 2014. 7,642 out of 7,779 houses construction were financed partially by the ADB, i.e. 50% of each 7,642 sub-loans were financed from the ADB funds.

According to the President Decree of the Republic of Uzbekistan No. ПП-2282 dated 7 January 2015 "On the program of constructing standardized models of houses for individuals in rural areas in 2015 and main parameters of construction in 2016" the Bank participated in financing 5,571 houses under construction in 2015. 1,827 out of 5,571 houses under construction were financed partially by the ADB, i.e. 75% of each 1,827 sub-loans were financed from the ADB funds.

2. Authorization Date

The Special-Purpose Cash Basis Financial Statement for the year ended 31 December 2015 was authorized for issue in accordance with a decision of the management (Chairman of Board, Bakhodirbek Mulakhanov, and Chief Accountant, Muzaffar Nurmatov) on 26 September 2016.

3. Basis for presentation of Statements

These Special-Purpose Cash Basis Financial Statements have been prepared in accordance with the International Public Sector Accounting Standard Financial Reporting under the Cash Basis of Accounting ("IPSAS Cash basis") promulgated by the International Federation of Accountants ("IFAC") as required in "Financial Management Technical Guidance Note: Project Financial Reporting and Auditing", issued by the ADB in March 2015, as well as the requirements of the Loan agreement and the agreement on the refinancing of ADB's part of the loan.

The Special-Purpose Cash Basis Financial Statement consists of Statement of sources and uses of funds and notes to the special-purpose statement for the year ended 31 December 2015. The Special Purpose Cash Basis Financial Statement is prepared on a comparative basis and includes financial results under the Loan agreements No. 2775-UZB, No. 3039-UZB and No. 3271-UZB, which is a comprehensive basis of accounting and differs from International financial reporting standards.

These Special-Purpose Cash Basis Financial Statements present information only on granting initial loans using the borrowed funds from ADB. Presentation of information about repayment of sub-loans and their subsequent re-lending in this Special-Purpose Cash Basis Financial Statement is not required.

4. Summary of significant accounting policy

Cash basis accounting

The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Bank. Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein.

Borrowings from other banks and international financial organizations (including MOF) are generally lead to cash receipts. Sub-loans provided to the sub-borrowers are considered to give rise to cash outflows (cash payments). Cash receipts and payments are reported on a gross basis, except that cash receipts and payments reported on a net basis when:

- (a) they arise from transactions which the Bank administers on behalf of other parties and which are recognized in the Statement of sources and uses of funds; and
- (b) they are for items in which turnover is quick, the amounts are large, and the maturities are short.

Reporting currency

The reporting currency of the Special-Purpose Cash Basis Financial Statement is Uzbek Soums (hereinafter "UZS") since the Bank received financing from the MOF in UZS and further provided sub-loans to the sub-borrowers in UZS respectively.

Total loans provided in Uzbek Soums were converted to US dollars at the official rate of the Central Bank of the Republic of Uzbekistan.

Imprest account

A separate bank account (imprest account) is opened at the Bank for depositing replenishments according to the Agreement on re-lending the part of ADB's loan by MOF and for the exclusive use within the Program.

The Bank uses the Imprest account to obtain replenishments for lending sub-loans to sub-borrowers within the Program. A balance of Imprest account at the end of the reporting period represented in Note 5.

Cash funds controlled by the Bank

The Bank controls cash funds when the Bank can use the cash funds for the achievement of its own objectives or otherwise benefit from the cash funds and exclude or regulate the access of others to that benefit. Cash funds collected by, or appropriated or granted to the Bank and which the Bank can use to fund its operating objectives, acquire capital assets or repay its debt are controlled by the Bank.

ADB's replenishment to the Imprest account

ADB's replenishment to the Imprest account represents funds received from the MOF in UZS as ADB funds provided for the Program financing. The MOF receives from the ADB loans in USD, converts them into the UZS, and further disburses to the Bank.

ADB's replenishment to the Imprest account is recognized whenever the cash received by the Bank and considered as cash receipts.

Returned unused funds by the Bank's branches to the Bank

The Bank disburses funds for sub-loans to its branches, which finances houses construction and issues sub-loans to the sub-borrowers. Extra funds from the issue of sub-loans are returned to the Bank's Imprest account as unused funds. Returned funds are recognized when the Bank receives funds from its branches.

Funds disbursed to issue of sub-loans

Funds held in the Imprest account are disbursed to the branches of the Bank, which in their turn finances houses construction in accordance with Program and issues sub-loans. Funds disbursed to issue of sub-loans are considered as cash payments whenever the cash disbursed into the branches.

Returned funds to the MOF

After achieving set objectives according to the Loan agreement remaining funds held in the Imprest account is subject for returning to the MOF. Returned funds are considered as returned on the date of cash outflow, i.e. cash payment.

Funds disbursed for ineligible activities

The ADB's funds disbursed to the Bank should be used for the Program implementation. The Bank should follow the Loan agreements No. 2775-UZB, No. 3039-UZB and No. 3271-UZB requirements in implementing Program. If the funds of the ADB are not used in accordance with requirements, then such payments are considered as ineligible (disallowed) and the Bank should return ineligible payments.

5. Cash and Cash equivalents

The opening and closing balances presented in Statement of sources and uses of funds represents funds held by the Bank on 1 January 2015 and 31 December 2015 accordingly under the Loan agreements No. 3039-UZB and No. 3271-UZB.

Cash balance as at 31 December 2015 under the Loan agreement No. 3039-UZB is UZS 745,000 thousand which should be paid back to the MOF (2014: UZS 745,000 thousand respectively). The Bank cannot use these funds to any activities including financing sub-loans except for returning to the MOF.

Cash balance as at 31 December 2015 under the Loan agreement No. 3271-UZB is UZS 13,464,895 thousand, which should be used for financing construction of the houses and issuing of sub-loans to the sub-borrowers. The Bank cannot use these funds to any activities except for financing construction of the houses under the Program and issue of sub-loans to the sub-borrowers for financing procurement of houses in rural areas..

6. ADB replenishments to Imprest account

The Bank received from the MFO UZS 166,732,363 thousand in 2015 under the Loan agreement No. 3271-UZB (2014: it has not received any funds in 2014, since Loan agreement No. 3271-UZB was effective starting from August 2015). The Bank has not received any funds from the MFO in 2015 under the Loan agreement No. 3039-UZB, since loan amount to be disbursed to the Bank was disbursed in 2013 and 2014 (2014: UZS 200,118,630 thousand).

7. Returned funds withdrawn for ineligible activities

According to the Loan agreements No. 3039-UZB and No. 3271-UZB, ADB funds should be used for the sub-loans for sub-projects financed under the Program. If ADB finds any payments made by the Bank as ineligible, then such amounts should be returned by the Bank to the Imprest account of the Bank. In 2015, there were no ineligible payments that was noted by ADB.

However, in November 2013 ineligible payments for UZS 14,800,000 thousand were recognized. The Bank has transferred UZS 14,800,000 thousand temporarily to an account of that related to the Program. Subsequently, these funds were transferred back to Imprest Account and were used for the purpose for which they were originally provided.

8. Returned unused funds by the Bank's regional branches to the Bank

Under the Loan agreement No. 3271-UZB, the branches of the Bank have returned the Bank UZS 386,100 thousand that represents unused funds from issue of sub-loans to the sub-borrowers in 2015 (in 2014, the Bank's branches did not return any funds, as the Loan agreement No. 3271-UZB entered into force in August 2015). These funds further were allocated to other branches.

Under the Loan agreement No. 3039-UZB, the branches of the Bank have not returned any funds to the Bank in 2015 as the amount of loan to issue was provided in 2013 and 2014 (2014: UZS 1,302,561 thousand respectively).

9. Funds disbursed to issue of sub-loans and financing houses construction

According to the President Decree of the Republic of Uzbekistan No. ПП-2282 dated 7 January 2015 "On the program of constructing standardized models of houses for individuals in rural areas in 2015 and main parameters of construction in 2016" the Bank participated in financing 5,571 houses under construction in 2015. 1,827 out of 5,571 houses under construction were financed partially by ADB, i.e. 75% of each 1,827 sub-loans were financed from ADB funds. Under Loan agreement No. 3271-UZB, the Bank has disbursed UZS 153,653,568 thousand from ADB funds for construction and provision of sub-loans for 1,827 houses (2014: nil); 18243

Under the Loan agreement No. 3039-UZB, the Bank has not disbursed any funds for construction of houses in 2015 as the amount of the loan was issued in 2013 and 2014 (2014: UZS 200,676,191 thousand for 7,642 houses respectively).