

**JOINT-STOCK COMMERCIAL BANK
“KAPITALBANK”**

Consolidated financial statements

Year ended 31 December 2014

Together with independent auditor's report



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Independent auditors' report

To the shareholders and the Board of Directors of JSCB "Kapitalbank"

We have audited the accompanying consolidated financial statements of JSCB "Kapitalbank" and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

Management of the audited entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 the fairness of these consolidated financial statements based on our audit.

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated 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 of the audited entity, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of JSCB "Kapitalbank" and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

27 April 2015
Tashkent, Uzbekistan

AO Ernst & Young MChJ

Consolidated statement of financial position**For the year ended 31 December 2014***(Thousands of Uzbekistan Soums)*

	Notes	2014	2013 (restated)*	2012 (restated)*
Assets				
Cash and cash equivalents	5	134,534,667	267,021,494	156,706,113
Amounts due from credit institutions	6	152,626,931	67,838,846	48,823,332
Obligatory reserves with the Central Bank of Uzbekistan	7	103,534,621	77,498,348	58,079,086
Loans to customers	8	651,095,607	392,957,865	260,266,400
Assets held for sale		-	24,273,132	47,503,237
Investment securities:				
- available-for-sale	9	3,279,153	2,904,828	3,193,490
Investments in associates		778,650	1,599,456	1,599,456
Property and equipment	10	96,322,107	46,995,475	48,717,216
Intangible assets	10	797,869	734,225	1,069,984
Other assets	11	47,501,884	53,021,714	62,726,946
Total assets		1,190,471,489	934,845,383	688,685,260
Liabilities				
Amounts due to credit institutions	12	71,858,992	92,691,931	74,866,959
Amounts due to customers	13	1,023,823,253	747,600,529	560,095,029
Debt securities issued	14	7,654,301	23,724,603	10,139,694
Liabilities directly associated with assets held for sale		-	2,278,247	1,455,460
Other borrowed funds		917,425	1,559,102	2,135,207
Deferred income tax liabilities	15	1,164,217	2,409,922	1,929,388
Other liabilities	11	5,046,053	8,691,635	3,616,872
Total liabilities		1,110,464,241	878,955,969	654,238,609
Equity				
Share capital	16	41,631,797	41,631,797	33,917,190
Additional paid-in capital		350,000	350,000	227,483
Retained earnings		38,025,451	13,907,557	301,595
Total equity attributable to shareholders of the Bank		80,007,248	55,889,354	34,446,268
Non-controlling interests		-	60	383
Total equity		80,007,248	55,889,414	34,446,651
Total equity and liabilities		1,190,471,489	934,845,383	688,685,260

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to Note 2.

Signed and authorised for release on behalf of the Management Board

B.T. Yuldashev

Acting Chairman of the Management Board

E.E. Skuybida

Chief Accountant

27 April 2015



Consolidated statement of profit or loss**For the year ended 31 December 2014***(Thousands of Uzbekistan Soums)*

	Notes	2014	2013 (restated)*
Interest income			
Loans to customers		79,661,832	53,884,104
Amounts due from credit institutions		4,941,929	3,155,590
		84,603,761	57,039,694
Interest expense			
Amounts due to customers		(40,265,039)	(32,712,757)
Amounts due to credit institutions		(2,582,233)	(3,689,592)
Debt securities issued		(1,648,630)	(1,740,650)
Other borrowed funds		(387,204)	(590,678)
		(44,883,106)	(38,733,677)
Net interest income			
		39,720,655	18,306,017
Allowance for loan impairment	8	(14,370,513)	(7,464,213)
Net interest income after allowance for loan impairment		25,350,142	10,841,804
Non-interest income			
Net fee and commission income	18	73,532,236	61,150,445
Net gains/(losses) from investment securities available-for-sale		(121,947)	(76,173)
Net gains/(losses) from foreign currencies:			
- dealing		21,380,648	8,926,049
- translation differences		(13,516,660)	(5,333,296)
Other income		6,055,880	5,896,091
Other expense		(194,735)	(127,457)
Non-interest income		87,135,422	70,435,659
Non-interest expense			
Personnel expenses	19	(33,514,395)	(26,770,334)
Depreciation and amortisation	10	(6,645,044)	(6,070,155)
Other operating expenses	19	(37,929,234)	(29,172,972)
Other impairment charge		(1,722,663)	(1,869,520)
Non-interest expense		(79,811,336)	(63,882,981)
Profit before income tax expense			
		32,674,228	17,394,482
Income tax expense	15	(8,556,394)	(5,133,366)
Profit for the year from continuing operations		24,117,834	12,261,116
Discontinued operations			
Profit after tax for the year from discontinued operations		-	1,383,085
Profit for the year		24,117,834	13,644,201
Attributable to:			
- shareholders of the Bank		24,117,894	13,644,524
- non-controlling interests		(60)	(323)
		24,117,834	13,644,201

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to Note 2.

Consolidated statement of comprehensive income**For the year ended 31 December 2014***(Thousands of Uzbekistan Soums)*

	Note	2014	2013 (restated)*
Profit for the year		24,117,834	13,644,201
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Unrealised losses on investment securities available-for-sale		(121,947)	(114,735)
Realisation of losses on investment securities available-for-sale		121,947	76,173
Net other comprehensive income for the year, net of tax		-	(38,562)
Total comprehensive income for the year		24,117,834	13,605,639
Attributable to:			
- shareholders of the Bank		24,117,894	13,605,962
- non-controlling interests		(60)	(323)
		24,117,834	13,605,639

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to Note 2.

Consolidated statement of changes in equity**For the year ended 31 December 2014***(Thousands of Uzbekistan Soums)*

	<i>Attributable to shareholders of the Bank</i>			<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>			
31 December 2012	33,917,190	227,483	301,595	34,446,268	383	34,446,651
Total comprehensive income for the year	-	-	13,605,962	13,605,962	(323)	13,605,639
Issue of share capital	<u>7,714,607</u>	<u>122,517</u>	-	7,837,124	-	7,837,124
31 December 2013	<u>41,631,797</u>	<u>350,000</u>	<u>13,907,557</u>	55,889,354	<u>60</u>	55,889,414
Total comprehensive income for the year	-	-	24,117,894	24,117,894	(60)	24,117,834
31 December 2014	<u>41,631,797</u>	<u>350,000</u>	<u>38,025,451</u>	<u>80,007,248</u>	<u>-</u>	<u>80,007,248</u>

The accompanying notes on pages 6 to 46 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows**For the year ended 31 December 2014***(Thousands of Uzbekistan Soums)*

	Notes	2014	2013 (restated)
Cash flows from operating activities			
Profit from continuing operations before tax		32,674,228	17,394,482
Allowance for loan impairment		14,370,513	7,464,213
Net gains from investment securities available-for-sale		121,947	76,173
Other impairment charge		1,722,663	1,869,520
Depreciation and amortization		6,645,044	6,070,155
Gain on disposal of property and equipment		(658,366)	-
Translation gain on foreign exchange operations		13,516,660	5,333,296
Other non-cash accruals		4,629,686	827,063
Profit from discontinued operations		-	(1,383,085)
Cash flows from operating activities before changes in operating assets and liabilities		73,022,375	37,651,817
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(73,296,105)	(19,015,514)
Obligatory reserves with the Central Bank of Uzbekistan		(26,036,273)	(19,419,262)
Loans to customers		(274,064,320)	(140,014,999)
Other assets		35,367,618	9,205,750
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		(22,093,718)	17,824,972
Amounts due to customers		233,845,562	182,579,451
Other borrowed funds		(641,677)	(576,105)
Other liabilities		(31,036,704)	5,250,986
Net cash flows (used in) / from operating activities before income tax		(84,933,242)	73,487,096
Income tax paid		(9,802,099)	(4,652,832)
Net cash (used in) / from operating activities		(94,735,341)	68,834,264
Cash flows from investing activities			
Purchase of investment securities		(496,272)	-
Proceeds from sale and redemption of investment securities		820,806	288,662
Proceeds from sale of assets held for sale		-	18,836,496
Purchase of property and equipment		(35,697,124)	(4,317,877)
Proceeds from sale of property and equipment		2,315,055	1,505,104
Net cash (used in) / from investing activities		(33,057,535)	16,312,385
Cash flows from financing activities			
Proceeds from issue of share capital		-	7,714,607
Proceeds from issue of debt securities		1,130,000	16,810,000
Redemption of debt securities issued		(17,030,000)	(3,210,000)
Net cash from financing activities		(15,900,000)	21,314,607
Effect of exchange rates changes on cash and cash equivalents		11,206,049	3,854,125
Net (decrease) / increase in cash and cash equivalents		(132,486,827)	110,315,381
Cash and cash equivalents, beginning (restated)	5	267,021,494	156,706,113
Cash and cash equivalents, ending	5	134,534,667	267,021,494

The accompanying notes on pages 6 to 46 are an integral part of these consolidated financial statements.