

JOINT-STOCK COMMERCIAL BANK
“KAPITALBANK”
Consolidated financial statements

Year ended 31 December 2015
Together with independent auditor's report



Audit company Ernst & Young MChJ
Inconel Business Center, 3rd floor
Mustaqillik Prospect, 75
Tashkent, 100000
Republic of Uzbekistan
Tel: +998 (71) 140 6482
Fax: +998 (71) 140 6483
www.ey.com/uz

MChJ "Ernst & Young" AT
O'zbekiston Respublikasi,
100000, Toshkent shahar,
Mustaqillik shox ko'chasi, 75
Inkonel Biznes Markazi, 3-qavat
Tel: +998 (71) 140 6482
Fax: +998 (71) 140 6483

АО «Ernst & Young» ООО
Республика Узбекистан
100000, Ташкент
Пр-т Мустакиллик, 75
Бизнес-центр «Инконель», 3 этаж
Тел.: +998 (71) 140 6482
Факс: +998 (71) 140 6483

Independent auditor's report

To the shareholders and 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 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the 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 2015, and their financial performance and cash flows for the year 2015 in accordance with International Financial Reporting Standards.

Audit company "Ernst & Young MChJ"

26 April 2016

Tashkent, Uzbekistan

Consolidated statement of financial position**For the year ended 31 December 2015***(Thousands of Uzbekistan Soums)*

	<i>Notes</i>	<i>2015</i>	<i>2014</i>
Assets			
Cash and cash equivalents	5	360,131,359	134,534,667
Amounts due from credit institutions	6	157,443,545	152,626,931
Obligatory reserves with the Central Bank of Uzbekistan	7	148,246,858	103,534,621
Loans to customers	8	788,104,671	651,095,607
Investment securities			
available-for-sale	9	3,373,990	3,279,153
Investments in associates	23	2,114,053	778,650
Property and equipment	10	138,400,438	96,322,107
Intangible assets	10	972,802	797,869
Other assets	11	159,585,523	47,501,884
Total assets		<u>1,758,373,239</u>	<u>1,190,471,489</u>
Liabilities			
Amounts due to credit institutions	12	107,026,059	71,858,992
Amounts due to customers	13	1,506,006,724	1,023,823,253
Debt securities issued	14	8,317,260	7,654,301
Other borrowed funds		917,425	917,425
Deferred income tax liabilities	15	650,759	1,164,217
Other liabilities	11	9,008,662	5,046,053
Total liabilities		<u>1,631,926,889</u>	<u>1,110,464,241</u>
Equity			
Share capital	16	80,331,797	41,631,797
Additional paid-in capital		350,000	350,000
Retained earnings		45,764,553	38,025,451
Total equity attributable to shareholders of the Bank		<u>126,446,350</u>	<u>80,007,248</u>
Total equity		<u>126,446,350</u>	<u>80,007,248</u>
Total equity and liabilities		<u>1,758,373,239</u>	<u>1,190,471,489</u>

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

26 April 2016

Consolidated statement of profit or loss**For the year ended 31 December 2015***(Thousands of Uzbekistan Soums)*

	<i>Notes</i>	2015	2014
Interest income			
Loans to customers		118,803,040	79,661,832
Amounts due from credit institutions		3,512,498	4,941,929
		122,315,538	84,603,761
Interest expense			
Amounts due to customers		(56,568,619)	(40,265,039)
Amounts due to credit institutions		(5,189,355)	(2,582,233)
Debt securities issued		(756,916)	(1,648,630)
Other borrowed funds		(153,000)	(387,204)
		(62,667,890)	(44,883,106)
Net interest income			
		59,647,648	39,720,655
Allowance for loan impairment	8	1,609,447	(14,370,513)
Net interest income after allowance for loan impairment		61,257,095	25,350,142
Non-interest income			
Net fee and commission income	18	82,984,708	73,532,236
Net gains/(losses) from investment securities available-for-sale		-	(121,947)
Net gains/(losses) from foreign currencies:			
- dealing		51,974,391	21,380,648
- translation differences		(40,751,741)	(13,516,660)
Loss on initial recognition of financial assets	8	(6,383,113)	-
Other income		12,514,535	6,055,880
Other expense		(920,153)	(194,735)
Non-interest income		99,418,627	87,135,422
Non-interest expense			
Personnel expenses	19	(43,776,367)	(33,514,395)
Depreciation and amortisation	10	(8,441,891)	(6,645,044)
Other operating expenses	19	(47,914,416)	(37,929,234)
Other impairment charge		245,961	(1,722,663)
Non-interest expense		(99,886,713)	(79,811,336)
Profit before income tax expense			
		60,789,009	32,674,228
Income tax expense	15	(14,349,907)	(8,556,394)
Profit for the year from continuing operations		46,439,102	24,117,834
Profit for the year		46,439,102	24,117,834
Attributable to			
shareholders of the Bank		46,439,102	24,117,894
non-controlling interests		-	(60)
		46,439,102	24,117,834

Consolidated statement of comprehensive income**For the year ended 31 December 2015***(Thousands of Uzbekistan Soums)*

	<i>Note</i>	<i>2015</i>	<i>2014</i>
Profit for the year		46,439,102	24,117,834
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)
Realisation of losses on investment securities available-for-sale		-	121,947
Net other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		46,439,102	24,117,834
Attributable to			
shareholders of the Bank		46,439,102	24,117,894
non-controlling interests			(60)
		46,439,102	24,117,834

Consolidated statement of changes in equity**For the year ended 31 December 2015***(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 2013	41,631,797	350,000	13,907,557	55,889,354	60	55,889,414
Total comprehensive income for the year	-	-	24,117,894	24,117,894	(60)	24,117,834
31 December 2014	41,631,797	350,000	38,025,451	80,007,248	-	80,007,248
Capitalization of PY RE	17,200,000	-	(17,200,000)	-	-	-
Total comprehensive income for the year	-	-	46,439,102	46,439,102	-	46,439,102
Capitalization of CY RE	21,500,000	-	(21,500,000)	-	-	-
31 December 2015	80,331,797	350,000	45,764,553	126,446,350	-	126,446,350

The accompanying notes on pages 6 to 45 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows**For the year ended 31 December 2015***(Thousands of Uzbekistan Soums)*

	<i>Notes</i>	2015	2014
Cash flows from operating activities			
Profit from continuing operations before tax		60,789,009	32,674,228
Corrections of:			
Allowance for loan impairment	8	(1,609,447)	14,370,513
Loss on initial recognition		6,383,113	-
Net gains from investment securities available-for-sale		-	121,947
Other impairment charge		(245,961)	1,722,663
Amortization		8,441,891	6,645,044
Gain on disposal of property and equipment		(856,478)	(658,366)
Translation gain on foreign exchange operations		40,277,825	13,516,660
Unrealised gain on SWAP operations		(34,129,221)	-
Other non-cash accruals		(7,376,694)	4,629,686
Cash flows from operating activities before changes in operating assets and liabilities		71,674,037	73,022,375
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		15,914,766	(73,296,105)
Obligatory reserves with the Central Bank of Uzbekistan		(38,520,712)	(26,036,273)
Loans to customers		(119,695,837)	(274,064,320)
Other assets		(11,535,452)	35,367,618
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		34,697,236	(22,093,718)
Amounts due to customers		375,932,222	233,845,562
Other borrowed funds		-	(641,677)
Other liabilities		(63,450,506)	(31,036,704)
Net cash flows (used in) / from operating activities before income tax		265,015,754	(84,933,242)
Income tax paid		(14,863,365)	(9,802,099)
Net cash (used in) / from operating activities		250,152,389	(94,735,341)
Cash flows from investing activities			
Purchase of investment securities		-	(496,272)
Proceeds from sale and redemption of investment securities		-	820,806
Purchase of property and equipment		(51,003,705)	(35,697,124)
Purchase of intangible assets		(579,689)	(372,186)
Proceeds from sale of property and equipment		6,032,315	2,315,055
Proceeds from sale of intangible assets		28,488	-
Net cash (used in) / from investing activities		(45,522,591)	(33,057,535)
Cash flows from financing activities			
Proceeds from issue of debt securities		2,600,000	1,130,000
Redemption of debt securities issued		(1,974,082)	(17,030,000)
Net cash from financing activities		625,918	(15,900,000)
Effect of exchange rates changes on cash and cash equivalents		20,340,976	11,206,049
Net increase in cash and cash equivalents		225,596,692	(132,486,827)
Cash and cash equivalents, beginning	5	134,534,667	267,021,494
Cash and cash equivalents, ending	5	360,131,359	134,534,667

The accompanying notes on pages 6 to 45 are an integral part of these consolidated financial statements.