

**ЗАО «В. ЯКОБС - АУДИТ»**



**CJSC «W. JACOBS - AUDIT»**

**NATIONAL BANK OF PAKISTAN  
BISHKEK BRANCH  
FINANCIAL STATEMENTS  
UNDER IFRS FOR THE YEAR ENDED 31 DECEMBER 2014**

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**MANAGEMENT'S ACKNOWLEDGMENT ON ITS RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS**

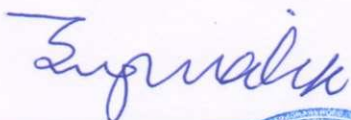
This statement is made in order to distinguish the responsibility of the auditor and the Management with regard to the financial statements of National Bank of Pakistan Bishkek Branch for the year ended 31 December 2014.

The accompanying financial statements were prepared by the National Bank of Pakistan Bishkek Branch (hereinafter the Bank). Bank's Management acknowledges its responsibility for preparation and fair presentation of the financial statements that reflect in all material aspects its financial position, performance, cash flows and changes in equity including adequate disclosures for the year ended 31 December 2014 in accordance with the International Financial Reporting Standards (IFRS).

In preparing of the financial statements the Management is responsible for selection of relevant accounting principles and their consistent application, application of reasonable and substantiated estimates and calculations, observance of IFRS requirements and disclosure of all material deviations from IFRS in the notes to the financial statements and preparation of financial statements on the basis of assumption that the Bank is a going concern and will continue its activity in the foreseeable future, except for the cases when this assumption is not justified.

The Management is also responsible for developing, implementing and securing of functioning of effective and reliable internal control system in the Bank, maintenance of accounting system, that allows at any time preparing with sufficient accuracy information on the Bank's financial position, and ensures compliance of financial statements with IFRS requirements, taking measures within its competence for the purpose of ensuring the safety of Bank's assets, and identification and prevention of fraud, errors and other abuse.

These financial statements for the year ended 31 December 2014 were approved by the General Manager of the National Bank of Pakistan Bishkek Branch on 3 February 2015.



\_\_\_\_\_  
Allah Ditta  
General manager  
National Bank of Pakistan Bishkek Branch



\_\_\_\_\_  
G. Idinova  
Chief accountant  
National Bank of Pakistan Bishkek Branch





ЖАБЫК АКЦИОНЕРДИК КООМУ "В. ЯКОБС - АУДИТ"

ИНН 1204199510045

№ A-05 Феврару 03 20 15

INDEPENDENT AUDITOR'S REPORT

TO: NATIONAL BANK OF PAKISTAN

We, "W. Jacobs-Audit" CJSC, have audited the accompanying financial statements of National Bank of Pakistan Bishkek Branch, which comprise Statement of Financial Position as at 31 December 2014, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and a summary of significant accounting policies and other notes to these financial statements for the year ended 31 December 2014.

**Management's Responsibility for Preparation of Financial Statements**

The Management of the National Bank of Pakistan Bishkek Branch is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and for such internal control as the Management of the National Bank of Pakistan Bishkek Branch 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 National Bank of Pakistan Bishkek Branch 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 National Bank of Pakistan Bishkek Branch internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the National Bank of Pakistan Bishkek Branch, 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 give a true and fair view of the financial position of the National Bank of Pakistan Bishkek Branch as at December 31, 2014, and of its financial performance and its cash flows for the year ended 31 December 2014 in accordance with International Financial Reporting Standards.

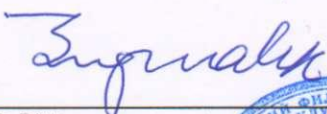
  
Rostokina G.R., Auditor,  
Director of W. Jacobs-Audit CJSC






STATEMENT OF FINANCIAL POSITION  
 as at 31 December 2014

	Note	31 December 2014	31 December 2013
<b>ASSETS</b>			
Cash on hand and cash with correspondent account of NBKR	5	275,930	311,595
Cash with banks	6	1,713,276	1,838,722
Securities held-to-maturity	7	256,269	164,347
Securities bought under repo agreements	8	17,462	-
Credits provided to clients	9	67,391	136,319
Other assets	10	335	408
Property, plant and equipment and intangible assets	11	59,544	61,393
<b>TOTAL ASSETS</b>		<b>2,390,207</b>	<b>2,512,784</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Clients' cash	12	1,818,340	2,012,424
Banks' cash		40	66
Other liabilities	13	2,127	4,581
Income tax liabilities	21	6,346	5,572
Subordinated debt	15	290,205	247,503
<b>TOTAL LIABILITIES</b>		<b>2,117,058</b>	<b>2,270,146</b>
<b>EQUITY</b>			
Increase in value on revaluation of PPE items		37,730	38,681
Retained earnings		235,419	203,957
<b>TOTAL EQUITY</b>		<b>273,149</b>	<b>242,638</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,390,207</b>	<b>2,512,784</b>

  
 Allah Ditta  
 General manager  
 National Bank of Pakistan Bishkek Branch

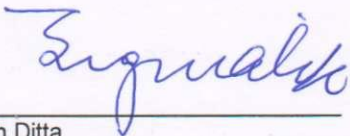


  
 G. Idinova  
 Chief accountant  
 National Bank of Pakistan Bishkek Branch


**W.JACOBS-AUDIT**

**STATEMENT OF COMPREHENSIVE INCOME**  
 for the year ended 31 December 2014

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Interest income	17	50,709	50,219
Interest expenses	17	(1,923)	(3,428)
Net interest income before formation of provision for impairment	17	48,786	46,791
(Creation) / recovery of provision for impairment of assets to be subject to interest	9	1,125	1,857
<b>Net interest income</b>		<b>49,911</b>	<b>48,648</b>
Fee&commission income	18	20,345	22,394
Commission expenses	18	(2,557)	(1,999)
<b>Net commission income</b>		<b>17,788</b>	<b>20,395</b>
Net profit/(loss) from foreign currency operations	19	9,742	7,393
Other income	19	365	1,014
Operating expenses	20	(31,030)	(30,714)
<b>Profit before income tax</b>		<b>46,776</b>	<b>46,736</b>
Income tax expense	21	(4,827)	(4,868)
<b>Profit for year</b>		<b>41,949</b>	<b>41,868</b>
<b>Other comprehensive income</b>			
<b>Items not to be subsequently reclassified in profit or loss:</b>			
Effect of PPE items revaluation		(1,057)	(1,057)
Income tax to other comprehensive income components	21	106	106
<b>Other comprehensive income</b>		<b>(951)</b>	<b>(951)</b>
<b>Total comprehensive income for the year</b>		<b>40,998</b>	<b>40,917</b>

  
 Allah Ditta  
 General manager  
 National Bank of Pakistan Bishkek Branch



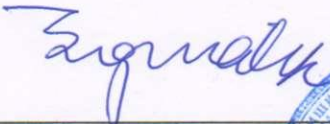
  
 G. Idinova  
 Chief accountant  
 National Bank of Pakistan Bishkek Branch

**W.JACOBS-AUDIT**




**STATEMENT OF CASH FLOWS**  
 for the year ended 31 December 2014

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
<b>Cash flows from operating activity:</b>			
Interest received		37,736	36,846
Interest paid		(452)	(3,119)
Profit/loss resulting from trading in foreign currency		9,917	7,433
Commission receipts		20,345	22,394
Commission payments		(2,557)	(1,999)
Other operating income		365	1,014
Operating expenses		(28,487)	(28,620)
Income tax paid		(3,947)	(4,419)
<b>Cash flows from operating activity before changes in operating assets and liabilities</b>		<b>32,920</b>	<b>29,530</b>
<b>Changes in operating assets and liabilities:</b>			
Net increase in reverse repo		(17,457)	
Net increase in credits to clients		65,043	81,446
Net increase in bank accounts and deposits to banks		(224,906)	(1,106,824)
Net increase of clients' cash		(195,582)	958,975
Net increase of other assets less other liabilities		(2,963)	(60,441)
<b>Net cash from operating activity</b>		<b>(342,945)</b>	<b>(97,314)</b>
<b>Cash from investing activity:</b>			
Proceeds from payments for securities held-to-maturity		247,817	197,957
Purchase of securities held-to-maturity		(291,939)	(149,908)
Purchase of property, plant and equipment		(138)	(82)
<b>Net cash from investing activity</b>		<b>(44,260)</b>	<b>47,967</b>
<b>Cash from financing activity:</b>			
Retained earnings transferred to the Head Office		(11,544)	(28,400)
<b>Net cash from financing activity</b>		<b>(11,544)</b>	<b>(28,400)</b>
Effect of changes in foreign exchange rates		46,498	628
<b>Net change in cash position</b>		<b>(352,251)</b>	<b>(77,119)</b>
<b>Cash and cash equivalents at the beginning of reporting period</b>	5,6,7	<b>776,779</b>	<b>853,898</b>
<b>Cash and cash equivalents at the end of reporting period</b>	5,6,7	<b>424,528</b>	<b>776,779</b>

  
 Allah Ditta  
 General manager  
 National Bank of Pakistan Bishkek Branch



  
 G. Idinova  
 Chief accountant  
 National Bank of Pakistan Bishkek Branch

**W. JACOBS-AUDIT**




STATEMENT OF CHANGES IN EQUITY  
 for the year ended 31 December 2014

	Note	Increase in value on revaluation of PPE items	Retained earnings	Total
<b>As at 31 December 2012</b>		<b>39,632</b>	<b>189,432</b>	<b>229,064</b>
Comprehensive income for the year		(951)	41,868	40,917
Transfer to retained earnings	3 ж)	-	1,057	1,057
Other changes decreasing retained earnings	16	-	(28,400)	(28,400)
<b>As at 31 December 2013</b>		<b>38,681</b>	<b>203,957</b>	<b>242,638</b>
Comprehensive income for the year		(951)	41,949	40,998
Transfer to retained earnings	3 ж)		1,057	1,057
Other changes decreasing retained earnings	16		(11,544)	(11,544)
<b>As at 31 December 2014</b>		<b>37,730</b>	<b>235,419</b>	<b>273,149</b>

  
 Allah Ditta  
 General manager  
 National Bank of Pakistan Bishkek Branch



  
 G. Idinova  
 Chief accountant  
 National Bank of Pakistan Bishkek Branch

## **NOTES TO THE FINANCIAL STATEMENTS.**

### **Note 1. MAIN TYPES OF ACTIVITY**

Bishkek Branch of National Bank of Pakistan (hereinafter the Bank) is one of the 23 overseas branches of the Bank. The branch is registered as a legal entity in the Ministry of Justice of KR (certificate of state registration №10732-3300-Ф-п (ИY) dated August 9, 1999).

In accordance to the NBKR rating requirements for the Parent Bank, the National Bank of Pakistan has a long-term rating of "Caa2" category by Moody's Investors Service (USA).

The Bank operates on the basis of the following licenses:

- License № 045 issued by the National Bank of Kyrgyz Republic on April 6, 2005 for bank operations,
- License № 045/1 issued by the National Bank of Kyrgyz Republic on April 6, 2005 for bank operations in foreign currency with a list of restrictions №2 for operations with derivative financial instruments.

The main activities of the Bank is deposit attracting, placing of own and borrowed funds on terms agreed with the borrower, as well as making payments and providing cash services to legal entities and individuals.

The Bank is a member of the deposit state insurance system established by the Law of the KR on May 7, 2008 № 78 on Protection Of Bank Deposits and is included in the Register of participating banks at №16/09 dated August 12, 2009. The Deposit Protection Agency guarantees that investors would be repaid no more than 100 thousand soms in the event of a warranty case.

The Bank's registered address and located: Bishkek, Moskovskaya Street, 84.

#### **Relations with the State**

The State has influence on the operating activity of the Bank concerning the regulatory issues and provision of licenses through the National Bank of the Kyrgyz Republic. Regulation is carried out through a regulative response on execution of established standards as well as through regularly banking supervision.

### **Note 2. FINANCIAL REPORTING FRAMEWORK**

#### **Basic Accounting Principles**

The financial statements are prepared according to International Financial Reporting Standards (hereinafter the IFRS).

Underlying assumptions of preparation of financial statements are accrual basis and going concern.

The financial statements of the Bank include the following statements:

- Statement of Financial Position;
- Statement of Comprehensive Income;
- Statement of Cash Flows;
- Statement of Changes in Equity;
- Notes to the financial statements.

The numbers of the financial statements are presented consistently as at 31 December 2014 and 2013. Comparative numbers of the previous reporting period are given for each number of the statements. Each material item of the financial statements is disclosed and presented separately, immaterial items are grouped.

These financial statements are prepared according to the accounting principle of actual cost, with the exception of issues mentioned in the section of accounting policies principles. For example buildings are accounted at fair value.

#### **Functional currency and presentation currency of financial statements**

##### *Functional currency*

National currency of the Kyrgyz Republic is Kyrgyz som (hereinafter som). The Bank Management has determined som as the functional currency, as this reflects the economic substance of events and circumstances of the Bank that have influence on its activities. Transactions in other currencies are considered as transactions in foreign currency.

##### *Reporting currency*

Som is a reporting currency for the purposes of these financial statements. All information presented in soms is rounded to the nearest thousand soms unless otherwise indicated.

### **Note 3. ACCOUNTING POLICY PRINCIPLES**

The accounting principles adopted in preparing the financial statements are consistent with the principles applied in the preparation of annual financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations listed below, starting from January 1, 2015.



**(a) Changes In International Financial Reporting Standards**

**(I) Standards, changes and explanations, applicable for periods beginning on or after 1 January 2014**

Application of the following standards and interpretations became mandatory in the reporting period:

- Amendment to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities";
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements": an exemption from the consolidation of particular subsidiaries;
- Amendments to IAS 36 "Impairment of Assets": amendments to recoverable amount disclosures for non-financial assets;
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement": amendments to the requirements for novation of derivatives;
- Interpretations of IFRIC 21 "Levies": provides guidance on when to recognise a liability for a levy differs from income tax;
- Applicable to annual periods beginning after 1 July 2014 amendments to IAS 19 "Employee Benefits": clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

**Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32.** The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting. It focused on areas: the meaning of 'currently has a legally enforceable right of set-off' the application of simultaneous realisation and settlement the offsetting of collateral amounts the unit of account for applying the offsetting requirements.

**Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27.** They provide 'investment entity' (as defined), which (i) receives funds from investors to provide them investment management services, (ii) assumes an obligation to its investors that its business purpose is to invest exclusively to increase of income from accretion of the capital or investment income, and (iii) evaluates and determines the performance of investments on the basis of their fair value. An investment entity measures the investment in each eligible subsidiary at fair value through profit or loss and to consolidate only those, which provide services related to investment activity of the entity. In accordance with revised IAS 12 it requires to disclose additional information including significant judgments that are used to determine whether the entity is an investment entity or not. In addition, it is necessary to disclose information on financial or other support provided to the subsidiary not included in the consolidated financial statements, regardless of whether this support is already provided or only there is intention to provide it.

**Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36.** Amendments to IAS 36 indicate that an entity should disclose the recoverable amount of the asset (cash-generating unit) in respect of which during the period there was recognised or restored loss from impairment. Moreover, it is required to disclose whether the recoverable amount of the asset (cash-generating unit) equals to its fair value less costs of disposal and its value in use. List of information, disclosed in case the recoverable amount equals to fair value less costs of disposal, is detailed. Amendment excludes the requirement on the recoverable amount, when cash-generating units involve goodwill or intangible assets with indefinite useful life, but impairment did not take place.

**Amendments to IAS 39.** Amendments make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated (a novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties) as a consequence of laws or regulations or the introduction of laws or regulations.

**Interpretations of IFRIC 21 "Levies":** This Interpretation provides guidance on when to recognise a liability for a levy, except for income tax. The obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The fact that the entity for economic reasons will continue to work in a future period or that the entity prepares its financial statements on a going concern basis, does not lead to a liability. For the purposes of the interim and annual financial statements it is applied the same principles of recognition. Application of interpretations to the liabilities arising from the programs of emissions trading is not mandatory.

**Benefit Plans: Employee Contributions (Amendments to IAS 19)** This amendments allows the entity to recognise contributions from employees as decrease of the cost of services when relevant services rendered by employees, and not to allocate these contributions by period of service, if the amount of the contributions is independent of the number of years of service.

Bank applied these amendments to standards and new IFRIC in the preparation of these financial statements. Changes of effective standards have no significant impact on the financial statements.

**(II) Standards, changes and explanations, issued but not mandatory to be applied in the reporting period**

Standards, changes and interpretations listed below were not applied in these financial statements, due to they will be applied for the first time in the nearest reporting future. Later they can result in changes in accounting policies and additional disclosures in the notes.

Standard / Interpretation	Applicable for annual periods beginning on or after
Amendments to IFRS 11 Joint Arrangements	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	1 January 2016
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017



*IFRS 11 Joint Arrangements* Accounting for Acquisitions of Interests in Joint Operations. The amendments involve guidelines for reflection for acquisitions of interests in a joint operations, which are a separate business.

*Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets* Clarification of Acceptable Methods of Depreciation and Amortisation. In the amendment IASB clarifies that a depreciation method, which based on revenue that is generated by an activity that includes the use of an asset, is not appropriate for the asset, due to revenue involving use of the asset usually reflects the factors, which are not the consumption of the economic benefits related to this asset.

*IFRS 9 Financial Instruments* IFRS 9 applies to the annual reporting periods starting from 1 January 2018 or later. IFRS 9 replace the parts of IAS 39 related to classification and measurement of financial assets. Financial assets are classified by two assessment categories: subsequently recognised at a fair value and at an amortised cost. Selection of an assessment method should be made at initial recognition. The classification depends on the business model for managing the financial instruments of the entity and the characteristics of cash flows assigned by the contract for the instrument. A new hedge accounting model is designed to be more closely aligned with how entities undertake risk management activities. Standard provides the entities opportunity to choose between the accounting policy applying the requirements for hedge accounting, contained in IFRS 9, or to continue application of IAS 39 to all hedging instruments, as currently the Standard does not provide for the accounting of macro-hedging.

*IFRS 15 Revenue from Contracts with Customers* New standard determines the main principle - revenue should be recognised when the entity transfers goods or renders services under negotiated price. Revenue from sales of goods, followed by the provision of services, which can be clearly separated, is recognised separately from revenue from services, and discounts and rebates from the negotiated price are allocated to individual items of revenue. In cases where payment amount changes for any reason, revenue is recognised in the minimum amounts, which are not subject to a substantial risk of cancellation. The costs for enforcement of contracts with customers should be recognised as an asset and amortised over the period, when the benefit from implementation of the contract obtained.

Bank is currently assessing how these changes will impact on its financial position and performance results. Bank intends to apply new standards, amendments to standards and interpretations from the date, when they are obligatory to be applied.

**(b) Translation of foreign currency**

Transactions in foreign currencies are initially recorded in the functional currency at the rate effective at the transaction date. Monetary assets and liabilities in foreign currency are translated at the rate of functional currency effective at the reporting date. All the exchange rate differences are included in the statement of comprehensive income.

Non-monetary items valued on the basis of initial cost in foreign currency are revalued with the use of exchange rate at the date of initial transactions.

The exchange rates established by NBKR are recognised as the official exchange rates.

The exchange rates used by the Bank for revaluation of the monetary balances in foreign currency accounts are presented below:

<b>Currency</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
US Dollar (USD)	58.8865	49.247
European Euro (EUR)	71.6943	67.7048
British Pound (GBP)	91.619	81.3383
Japanese Yen (JPY)	0.48937	0.47086
Russian ruble (RUB)	1.0467	1.5047
Kazakh tenge (KZT)	0.3229	0.3206

At present som is not readily convertible currency in countries outside the Kyrgyz Republic.

**(c) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances in accounts of the banks-correspondents and highly liquid financial investments for a period of three months or less from the date of acquisition.

**(d) Financial Instruments: initial recognition and subsequent measurement**

*Date of recognition*

Purchase or sale of financial assets, requiring delivery of assets in the period determined by the legislation or agreement of the market, is recognised on the date i.e. on the date when the Bank commits itself to purchase or sell an asset.

*Initial recognition of financial instruments*

Classification of financial instruments at initial recognition depends on the purpose of acquisition of these financial instruments and their characteristics. All financial instruments are initially recognized at fair value. Costs that are directly attributable to the acquisition or issue are added to the initial cost except for financial assets and financial liabilities measured at fair value through profit or loss.



*Financial assets and financial liabilities classified as measured at fair value through profit or loss.*

Financial assets and financial liabilities are designated to this category by decision of the Bank's management at initial recognition, provided that one of the following criteria is met:

- such designation eliminates or significantly reduces inconsistency in accounting method that would otherwise arise from measuring assets or liabilities or recognising the income and expenses on them on different bases;
- assets and liabilities are a part of a group of financial liabilities or financial assets or both that is managed on and its performance is evaluated on a fair value basis, in accordance with a documented risk management policy or investment strategy;
- financial instrument contains embedded derivative instrument unless this embedded derivative instrument does not significantly affect the changes in cash flows or it is clear that it will not be reflected separately.

Financial assets and financial liabilities measured at fair value through profit or loss are reflected in the statement of financial position at fair value. Changes in fair value are recognised in item "Net income and expense on financial assets and liabilities classified as measured at fair value through profit or loss". Interests received or paid are accrued as interest income or expense, respectively, under the terms of the contract, while dividend income is accounted under "Other operating income", after the right to receive payment is established.

*"Day 1 profit"*

If the transaction price at a non-active market is different from fair value of other observable current market transactions with the same instrument or is based on a valuation technique that have initial parameters including only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value ("Day 1 profit") in the statement of comprehensive income in "Net trading income" item. In cases where the data is used, which is not observable, the difference between the transaction price and value determined on model basis is recognized in the statement of comprehensive income only if the inputs become observables, or when the financial instrument is derecognised.

*Financial investments held to maturity*

Financial investments held to maturity are financial assets with fixed or determinable payments and fixed maturity date, which the Bank intends and is able to hold to maturity. After an initial measurement financial investments held to maturity are measured at amortized cost using the effective interest rate less the provision for impairment. Amortized cost is calculated by taking into account any discount or premium at acquisition and commission fees that are integral part of the effective interest rate. The amortization is included in "Interest and similar income" item of the statement of comprehensive income. The losses arising from impairment of such investments are recognized in the statement of comprehensive income in "Losses from impairment of financial investments" item.

*Cash with banks, credits and advances to clients*

"Cash with banks" and "credits and advances to clients" are financial assets with fixed or determinable payments and fixed maturity dates that are not quoted in an active market. They are not assigned for immediate sale or nearest future sale and are not classified as "Financial assets held for trading", "Financial assets available for sale" or "Financial assets measured at fair value through profit or loss". After an initial measurement funds in banks, credits and advances to clients are measured at amortized cost using the effective interest rate less the provision for impairment. Amortized cost is calculated by taking into account any discount or premium at acquisition and commission fees and expenses that are integral part of the effective interest rate. The amortization is included in "Interest and similar income" item of the statement of comprehensive income. The losses from impairment are recognized in the statement of comprehensive income as "Loss from impairment of customers' credits".

*Financial investments available for sale*

Financial investments available for sale are financial assets specially designated as this category or those, which do not meet criteria of designation as measured at fair value through profit or loss, held to maturity or loans and advances.

After initial recognition, the financial investments available for sale are measured at fair value. Unrealized income and expenses are directly recognized within capital under the item "Provisions from revaluation of financial investments available for sale". At disposal of investment accumulated income and expenses that were reflected earlier within the capital, are recognized in the statement of comprehensive income within "Other operating income" or "Other operating expenses". If the Bank has more than one financial investment with regard to the same security, their disposal will be reflected under FIFO method. Interests earned while having investments available for sale are reflected in the financial statements as interest income using the effective interest rate. Dividends earned while having investments available for sale are reflected in the statement of comprehensive in the item "Other operating income" at the moment when the right to receive payment is established. The losses resulting from impairment of such investments are recognized in the statement of comprehensive income in "Losses from impairment of financial investments" item and are excluded from the reserves from revaluation of financial investments available for sale.

*Debt securities issued and other borrowings*

Financial instruments issued or their components that are not designated as measured at fair value through profit or loss, are classified as liabilities in "Debt securities issued and other borrowings" item, if resulting from contractual arrangement the Bank has obligation to deliver cash or other financial assets, or to carry out obligation in other way than to change fixed amount of cash or other financial assets for fixed amount of own equity instruments. Components of compound financial instruments which contain both a liability and an equity component, are accounted separately.

Equity component is residual amount after deduction from the entire cost of instrument the amount separately determined as fair value of the liability component on the date of instrument issue.

After an initial measurement debt securities issued and other borrowings are measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium at issue and expenses that are integral part of the effective interest rate.



## **Derecognition of financial assets and financial liabilities**

### *Financial assets*

Financial assets (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized in the statement of financial position if:

- the contractual rights to the cash flows from the financial asset expire, or
- the Bank transferred the contractual rights to receive the cash flows of the financial asset, or assumed a contractual obligation to pay the received cash flows in full without material delay to a third party under a "transfer" agreements; and
- either (a) the Bank has transferred substantially all risks and rewards of ownership of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

If the Bank transferred its right to receive the cash flows of asset or signed "transfer" agreement, and did not transfer but did not retain all the risks and rewards of ownership of the asset, and also did not transfer a control of this asset, the asset would be recognized to the extent of the Bank's continuing involvement in the asset. Continued involvement that takes the form of guaranteeing the transferred asset, is the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Bank could be required to repay.

### *Financial liabilities*

Financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by similar liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

## **Fair Value Measurement**

Fair value is defined as amount that would be received at sale of an asset or paid when transferring a liability, in the framework of a voluntary transaction between market participants at the measurement date, regardless of the direct observing this value or its measurement under another method. When assessing the asset or liability at fair value it takes into account the characteristics of asset or liability, if market participants take them into account. For estimates and disclosures in these financial statements the fair value is determined by the method described above, except for the estimates comparable, but not equal to the fair value (such as net realizable value when measuring inventories under IAS 2 or value in use when evaluating impairment IAS 36).

The fair value for financial instruments traded on the active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Fair value of all other financial instruments not traded in an active market is determined by using appropriate valuation techniques. Valuation techniques include net present value technique, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

Moreover, when preparing statements the fair value is classified by levels depending on the observability of initial data and its significance for the assessment:

- Level 1 - quoted prices (unadjusted) for the same assets and liabilities in active markets that entity can observe on the date of evaluation;
- Level 2 - initial data do not corresponding with the level 1, but are observable for the asset or liability either directly or indirectly, and
- Level 3 - unobservable initial data for the asset or liability.

## **Impairment of financial assets**

At each reporting date the Bank assesses whether there is any objective indications that a financial assets or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an occurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. Indications of impairment may include evidence that the borrower or a group of borrowers is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicated that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Cash with banks, loans and advances to customers*

With regard to cash with banks, loans and advances to customers measured at amortised cost the Bank initially assesses on individual basis whether there is objective indication of impairment for individually significant financial assets and on individual basis or in aggregate for financial assets that are not individually significant. If the Bank determines that for financial asset assessed on individual basis, there are no objective indications of impairment, regardless of whether it is significant, the Bank includes such asset in a group of financial assets with similar credit risk characteristics and assesses them for impairment on an aggregate basis. Assets assessed for impairment on individual basis, in respect of which impairment losses are recognized, should not be assessed for impairment on aggregate basis.



If there is objective evidence of impairment losses incurred, the amount of loss is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred yet). The carrying amount of asset is reduced through the use of provision account.

Interest income continues to be accrued on the reduced carrying amount based on the initial effective interest rate of the asset. Credits and associated provision are written off when there is no realistic prospect of future recovery and all collateral has been sold or transferred to the Bank. If in the next year the sum of the estimated impairment loss increases or decreases because of an event occurring after recognition of impairment losses, the previously recognized amount of the impairment loss is increased or decreased by adjusting the provision account. If previously written off amounts are recovered after, the recovery amount is credited to the account "Impairment losses on loans to customers".

The present value of expected future cash flows is discounted at initial effective interest rate of the asset. If a credit is given with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Calculation of the present value of expected future cash flows from financial assets provided as collateral reflects cash that can be obtained in the case of foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For aggregate assessment of impairment indications, financial assets are grouped on the basis of the domestic banking system credit ratings, taking into account the credit risk characteristics, such as asset type, industry, geographical location, collateral type, timeliness of payments and other factors.

Taking into account current situation, the Bank establishes a provision for impairment of loans depending on the classification of loans by category of risk as follows:

Risk category	Provision (% of the asset cost/off-balance sheet liabilities)
1 Normal	0%
2 Satisfactory	2%
3 Supervised	5%
4 Substandard	25%
5 Doubtful	50%
6 Losses	100%

*Financial investments held to maturity*

The Bank assesses individually whether there are objective indications of impairment on investments held to maturity. If there is objective evidence of impairment losses incurred, the amount of this loss is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If in the next year the amount of expected losses from the impairment decreases because of an event occurring after were recognition of impairment losses, the previously recognized amounts are reflected as income in the item "Impairment losses on financial investments".

*Financial investments available for sale*

At each reporting date the Bank assesses whether there are any objective indications that a financial assets or a group of financial assets available for sale is impaired. With regard to investments in equity instruments classified as available for sale, objective indications of impairment would include significant or long-lasting decline in fair value of the investment below its initial cost. If there are indications of impairment, the cumulative losses (measured as the difference between the acquisition cost and current fair value, less any impairment loss on investment previously recognized in the statement of comprehensive income) are excluded from equity and recognized in profit or loss. Impairment losses on investments in equity instruments cannot be reversed and recognized in profit or loss.

With regard to debt instruments classified as available for sale assessment of impairment indications is made on the same principles as for financial assets carried at amortized cost. Interest income is calculated on the basis of reduced carrying costs, using the interest rate used to discount future cash flows in order to assess the impairment loss. Interest income is recognized in the account "Interest and similar income".

If in the next year the fair value of a debt instrument increases and this increase can be objectively associated with an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the reflection of income in profit or loss.

**Financial instruments offsetting**

Financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when there is a legally enforceable right to set off the recognised amounts; and intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. As a rule, this not carried out with regard to general netting agreements, and related assets and liabilities are recognized in the statement of financial position in the full amount.

**(e) Repurchase agreement**

If the Bank sells / buys a financial asset and simultaneously enters into an agreement to repurchase / resell at a specified price in the future, the contract is recognised as a secured financing transaction.



Recognition of assets sold under a repurchase agreement (repo) is not terminated, because the transferor retains substantially all the risks and rewards of ownership on the assets. Assets are transferred to the assets pledged, when the transferee has the right under the agreement or in accordance with established practice to sell or to re-pledge received collateral. Depending on the situation the counterparty's liability is reflected either the accounts or Banks' deposits or customers' money.

Assets purchased under repurchase agreements (reverse repo) are not recognized in the financial statements, and appropriate amounts are recorded as accounts and Bank's deposits from banks and loans to customers, respectively.

The discrepancy between the prices of sale / purchase and repurchase / resell is recognized as interest expense / income and amortized over the contract validity period using the effective interest method.

**(f) Other assets**

Other assets of the Bank include both financial (accounts receivable) and non-financial (taxes paid in advance, advances provided, inventories, other) assets.

At initial recognition other assets are measured at actual cost.

Subsequently other assets are carried at recoverable value that is determined as the higher of two: fair value less sale costs and value in use. Impairment loss is recognized when the asset carrying amount exceeds its recoverable amount. Losses from impairment of other assets are recognized in profit or loss.

**(g) Property, plant and equipment**

Property, plant and equipment (PPE) are carried at initial actual cost, including if required, net current value of costs for dismantling and liquidation of asset at the end of its useful life. PPE, except for the permanent buildings, are stated in the statements at initial cost after deducting any accumulated depreciation and accumulated impairment losses. Capital buildings are reflected in reporting at revalued amount, which represents the fair value of a PPE item at the date of revaluation after deducting any accumulated depreciation and accumulated impairment losses.

Revaluation is conducted every 5 years based on estimates of independent experts. The last revaluation was conducted in 2009 with the assistance of an independent appraiser agency Burana Asia LLC. When estimating PPE fair value a comparative approach was used at the level of selling prices of items similar with the revalued ones, taking into account differences in the nature of transaction and the features that affect the cost.

Part of revaluation surplus from property, plant and equipment revaluation is transferred to retained earnings as the asset is used.

At every date of financial reporting, the analysis is executed with the purpose to determine if expected economic benefit from ownership of PPE is decreased in comparison with their carrying amount as well as to assess the necessity of increase (forming) or decrease of allowance for expected impairment of PPE.

PPE depreciation is calculated on straight-line basis over the useful life. Depreciation of PPE is accrued starting from the next month after the date of acquisition.

Bank established the following periods of useful life for PPE items:

	<b>Years</b>
1 Capital buildings	50
2 Special equipment	3
3 Furniture and equipment	5
4 Computers and computer equipment	5
5 Vehicles	5

Maintenance and current repair costs are recognized in profit or loss.

The gain or loss on liquidation or disposal of PPE is determined as a difference between the sales revenue and the carrying amount and included into the income or loss.

**(h) Intangible assets**

Intangible assets are carried at initial actual value (cost). Intangible assets comprise the Bank software that subsequently is carried at cost of acquisition less any accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets is determines as 3 years.

**(i) Impairment of non-financial assets**

At each reporting date or more often, if events or changes of circumstances indicate that the carrying amount can be impaired, the Bank determines whether there are indications of possible impairment of non-financial assets. If any such indication exists, or if it is necessary to perform annual test of asset for impairment, the Bank makes a formal estimate of recoverable amount of the asset. When carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount.

At each reporting date the Bank determines whether there are indications that the previously recognized impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount is estimated. Previously recognized impairment losses are reversed only if there has been a change in estimate, which was used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case the asset's carrying amount is increased to its recoverable amount.

**(j) Taxation**

Income tax includes current and deferred taxes.



The amount of income tax expenses in the current period is determined taking into account the amount of taxable income received for the year. The taxable income differs from the net income reflected in statement of comprehensive income because it does not include income or expense items that are subject to taxation or deduction for taxation purposes in other periods and exclude non-taxable items and items not recognized for taxation purposes. The income tax expenses of the Bank are accrued by using rates effective on the reporting date.

Deferred tax comprises tax assets and liabilities and is reflected according to balance method of liability accounting with regard to temporary differences between tax data and data presented in the financial statements. Deferred tax liabilities as a rule are recognized for all temporary differences that increase taxable profit and deferred tax assets are recognised considering the probability of future availability of taxable profit from which temporary differences for tax purposes can be deducted.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that profits will be available from realisation of tax asset sufficient for full or partial recovery of the asset.

Deferred taxes are calculated at rates that are expected to be applied during the period of debt repayment or realization of an asset. Deferred taxes are recognized in profit or loss, except when they relate to items included directly to equity, in this case the deferred taxes are also recognised in equity.

**(k) Cash of financial institutions and clients**

Amounts owed to financial institutions and clients are initially recognized at fair value. Subsequently amounts owed to financial institutions and clients are recognized at amortized cost and any difference between the initial cost and redemption value is recognized in profit or loss during the borrowing period by using the effective interest method.

**(l) Payments to staff**

Payments to staff include salary, vacation pay and other benefits that are recognized at the time when remunerations and benefits are accrued.

**(m) Pension liabilities**

In accordance with the requirements of the KR legislation, the Bank withholds amounts of pension contributions from employees' salary and transfers them to the State Pension Funds. Current contributions made by the employer are calculated as a percentage of current total salary payments. Such costs are recognised in the period the appropriate payments to employees are related to. Upon retirement all retirement benefit payments are made by the pension funds mentioned above.

**(n) Financial guarantees and letters of credit given**

Financial guarantees and letters of credit given by the Bank are securities of credit operations, providing for the implementation of payments as compensation for loss occurring in the case if the debtor fails to make timely payment in accordance with the original or modified terms of a debt instrument. Such financial guarantees and letters of credit are initially recognized at fair value. Subsequently they are measured on the basis 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 minus (where allowed) of accumulated depreciation of deferred revenue in the form of premium received on the financial guarantee or letter of credit, depending on which of these amounts is higher.

**(o) Contingent liabilities**

Contingent liabilities are not recognized in the statement of financial position, but are disclosed in the financial statements, except in the case where the outflow as a result of their repayment is unlikely. A contingent asset is not recognized in the statement of financial position, but is disclosed in financial statements when an inflow of economic benefits is probable.

**(p) Recognition of income and expenses**

Revenue is recognized when it is highly probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

*Interest and similar income and expenses*

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as investments available for sale, interest income or expense are recognized by using effective interest rate that exactly discounts expected future cash payments and receipts during the expected use of the financial instrument or for a shorter period of time, where applicable, to the net book value of a financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment right) and commission fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but future credit losses are not recognised. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated on the basis of the initial effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of financial assets has been reduced due to impairment loss, interest income continues to be recognized using the initial effective interest rate on the basis of the new carrying amount.

*Commission income*

The Bank receives commission income from diverse types of services it renders to its customers. Commission income can be divided into the following two categories:

*Commission fee income received for rendering of services over a certain period of time*

Commission fee received for rendering of services over a certain period of time are accrued over that period. Such items include commission fee income and fees for asset management, custody and other management and consultancy fees.



Loan commitment fees for loans that are likely to be used and other credit related fees are deferred and recognized as an adjustment to the effective interest rate on the loan.

*Commission fee income from rendering services to make transactions*

Commission fees arising from negotiating or participating in the negotiation of a transaction on behalf of a third party, for example arrangement of acquisition of shares or other securities, is recognized on completion of such transaction.

Commission fees or part of fees that are linked to a certain indicators of performance are recognized after fulfilling the corresponding criteria.

**(q) Operating Lease**

A lease is classified as an operating lease if substantial part of risks and rewards incidental to ownership lie with the lessor. Payments under operating lease are recognized in profit or loss during the term of the lease.

**(r) Financial lease**

At initial recognition the Bank recognizes finance lease as assets and liabilities in its statement of financial position in the amount equal to fair value of leased property, or, if these amounts are less, at discounted value of minimum lease payments, that are determined at conclusion of lease agreement. At calculation of discounted value of minimum lease payments, discount rate is interest rate implicit in the lease, if it can be determined; otherwise incremental borrowing rate of interest of lessee is applied. All initial direct expenses of lessee are added to the sum at which asset was recognized.

**Note 4. SIGNIFICANT JUDGMENTS AND ESTIMATED VALUE**

Preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The actual results might differ from these estimates.

**General issues**

The Bank activities are carried out in the Kyrgyz Republic; accordingly, the Bank is exposed to risks inherent in the economic and financial market of the Kyrgyz Republic that shows characteristics typical for markets in emerging market economies. The legal system, tax system and regulatory framework continues to evolve and are subject to various interpretations and frequent changes, which, along with other legal and financial barriers increase the problems faced by organizations operating in the Kyrgyz Republic.

These financial statements reflect management's assessment of the possible impact of the economic situation in the Kyrgyz Republic at the results of operations and financial position of the Bank. The subsequent development of the economic situation may differ from management's assessment.

At the reporting date, the principal assumptions and the most significant estimates, differences of which from the actual performance of the Bank in the future are connected to the risk of a significant change in current assets and liabilities amounts in the next financial year, were made in respect of the following balance sheet items:

**Losses from impairment of credits and advances**

The Bank reviews the questionable credits and advances at each reporting date, in order to determine whether impairment losses would be recognized in profit or loss. In particular, management's judgment should be applied when determining the amount and timing of future cash flows, determining appropriate size of the provision. These estimates are based on assumptions about a number of factors and actual results could differ from these estimates, which will result in future changes in the provision.

In addition to provision for individually significant credits and advances, the Bank also sets up the total provision for impairment losses on other items although in respect of them there is no need for an individual provision, there is a higher risk of default than at the time of their initial delivery. In this case it is necessary to consider factors such as declining terms of country risk, industry, and technological obsolescence, as well as certain structural weaknesses or deterioration in cash flows.

**Useful lives of property, plant and equipment**

PPE items are reflected at the initial cost less accumulated depreciation. Assessment of useful life of property, plant and equipment is a matter of judgment of the Bank's management, based upon experience with similar assets. When determining the useful life of assets, Bank's management considers the expected usage, estimated technical obsolescence, physical depreciation and operating conditions. Changes in these estimates may affect the depreciation rates in future.

**Tax Legislation**

Existence of provisions in Kyrgyz commercial legislation, particularly in tax legislation, which can be interpreted in different ways, may result in adjustments related to past periods. Moreover, interpretation of legislation made by the Management can be disputed by regulative authorities, and such authorities can arbitrarily judge the taxpayer's activities. This may result in additional taxes, fines and penalties charged.

**Note 5. CASH ON HAND AND CASH WITH CORRESPONDENT ACCOUNT OF NBKR**

Cash and cash equivalents as at 31 December 2014 and 2013 are presented by the following items:

	31 December 2014	31 December 2013
Cash on hand	87,679	131,864
Cash with correspondent account of NBKR	154,747	179,731
Overnight at NBKR	33,504	-
<b>Total</b>	<b>275,930</b>	<b>311,595</b>

Cash with correspondent account of the National Bank of the Kyrgyz Republic (NBKR) comprises the amount of mandatory provision requirements that depends on a level of funds raised by the Bank and as at 31 December 2014 and 2013 is equal to 169,266 thousand soms and 180,986 thousand soms, respectively.

In 2014, cash with NBKR correspondent account were kept up at a level sufficient to meet the mandatory provision requirements. There are no restrictions on use of money, but in case of cash balances lowering in NBKR correspondent account below the amount of required reserves, the Bank may be fined. The norm of mandatory reserve requirements set by the Board of the NBKR as a percentage of the Bank liabilities taken for calculation, and can be changed depending on the objectives of credit-monetary policy.

**Note 6. CASH PLACED AT OTHER BANKS**

	31 December 2014	31 December 2013
Nostro accounts with commercial banks:		
<i>OECD countries:</i>		
Branch of National Bank of Pakistan, New York	5,700	372,401
Branch of National Bank of Pakistan, Frankfurt	57,139	38,840
United National Bank	33	1,946
Branch of National Bank of Pakistan, Seoul	-	1,092
Branch of National Bank of Pakistan, Tokyo	1,748	707
Branch of National Bank of Pakistan, Paris	-	691
<i>CIS countries:</i>		
Subsidiary Bank of National Bank of Pakistan, Kazakhstan	46	-
Bank of Moscow	100	133
<b>Total funds in Nostro accounts</b>	<b>64,766</b>	<b>415,810</b>
Deposits with banks	1,648,510	1,422,912
<b>Total cash provided to banks</b>	<b>1,713,276</b>	<b>1,838,722</b>

Cash with nostro accounts equal at 31 December 2014 and 2013 to 64,762 thousand soms and 415,810 thousand soms respectively, are included in the Statement of Cash Flows as cash equivalents.

Information on deposits placed in banks, is presented in the following table:

	31 December 2014	31 December 2013
HSBC Bank	-	218,172
Citibank, New-York	261,098	-
National Bank of Pakistan, Karachi	1,150,113	-
Branch of National Bank of Pakistan, Hong Kong	-	247,493
Branch of National Bank of Pakistan, Seoul	-	246,784
Branch of National Bank of Pakistan, Osaka	178,381	315,566
Branch of National Bank of Pakistan, Tokyo	-	246,321
Branch of National Bank of Pakistan, Kowloon	58,918	148,576
<b>Total deposits</b>	<b>1,648,510</b>	<b>1,422,912</b>

As at 31 December 2014 the balance of the Bank includes irrevocable deposit at Citibank (New York) in the amount of 4,430.0 thousand US dollars, that is equivalent to 260,866 thousand soms as at 31 December 2014. In January 2014 due to termination of the contract with HSBC Bank the funds in the amount of 4,430.0 thousand dollars were transferred to the Citibank (New York) and allocated as an irrevocable deposit (see Note 14 to this statements). Equivalent of the irrevocable deposit with HSBC Bank as of December 31, 2013 amounted to 218,166 thousand soms.



Deposit represents by the funds, endowed by the parent bank to National Bank of Pakistan Bishkek Branch in accordance with the requirement of the Regulation "On licensing of banks operations", approved by the Board of National Bank of the Kyrgyz Republic, dated March 2, 2006 № 5/7. In accordance with the contract with Citibank (New York), the deposit funds were temporarily used for placement in short-term government securities, which are carried at amortised cost. Income received from the amortization of discount on securities represents interest accrued on the deposit.

According to the regulatory requirements of the NBKR the maximum risk per a borrower-bank, not related to the Bank is 30% of the Net Total Eligible Capital (K1.3), and 15% - for borrowers related to the Bank (K1.4).

Information on compliance with these standards by the Bank as at 31 December 2014 and 2013 is presented as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
K1.3 "Maximum risk per a borrower-bank, not related to the Bank"	0%	0%
K1.4 "Maximum risk per borrower-bank, related to the Bank"	0%	0,4%

Analysis of nostro accounts by payback periods, currency, geographic concentration, and analysis of interest rates are presented in Note 24.

Bank places funds in a Subsidiary bank of National Bank of Pakistan, in Almaty, and United National Bank (London), which are related parties. Relevant information on the funds of related parties is presented in Note 22.

#### **Note 7. SECURITIES HELD TO MATURITY**

In the reporting period, the Bank carried out the operations with securities, in particular, purchases of State Treasury Bills and Notes of the NBKR.

State Treasury Bills - state securities denominated in Kyrgyz soms issued and guaranteed by the Ministry of Finance of the KR. The face value of one bill - 100 (one hundred) soms. State Treasury Bills (STB) are discounted securities with circulation period from 1 to 12 months, a multiple of 7, from 28 days to 1-month and 364 days for the 12-month bills.

NBKR Notes are government securities issued by National Bank of the Kyrgyz Republic. Face value of one of the NBKR note - 10,000 (ten thousand) soms. NBKR Notes are discount securities with circulation period of 7, 14, 28, 91 and 182 days.

Placement of notes is made at a discount (at a price below par value), the repayment is conducted at a nominal cost.

As at December 31, 2014 and 2013 securities held to maturity are presented as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
Carrying amount of State Treasury Bills	172,410	119,679
Carrying amount of NBKR notes	83,859	44,668
<b>Total</b>	<b>256,269</b>	<b>164,347</b>

Information about the changes in the carrying amounts of securities held to maturity is presented below:

	<b>2014</b>	<b>2013</b>
<b>Carrying amount at beginning of year</b>	<b>164,347</b>	<b>225,710</b>
Acquisition of securities	1,131,538	423,468
Redemption of securities	(1,039,616)	(484,831)
<b>Carrying amount at end of year</b>	<b>256,269</b>	<b>164,347</b>

As at 31 December 2014 and 2013 discount on securities is 6,791 thousand soms and 3,155 thousand soms, respectively.

Acquired by the Bank securities held to maturity and securities issued for a period of three months or less are considered cash equivalents and are reflected in the Statement of cash flows as cash. As at 31 December 2014 and 2013 the carrying amount includes securities with circulation period less than three months at the amount of 83,836 thousand soms and 49,374 thousand soms, respectively.

As of December 31, 2014 and 2013 securities held to maturity are not burdened by collateral agreements.

Analysis of securities by payback periods and analysis of interest rates are presented in Note 24.

#### **Note 8. SECURITIES BOUGHT UNDER REPO**

The Bank purchases financial instruments by signing purchase agreements. The seller undertakes to repurchase the same or similar instruments at an agreed future date. Repo deals backed by state treasury bonds and bills.

**Note 9. CREDITS PROVIDED TO CLIENTS**

	<b>31 December 2014</b>	<b>31 December 2013</b>
Credits provided to clients	89,566	155,456
Impairment provision	(22,175)	(19,137)
<b>Total</b>	<b>67,391</b>	<b>136,319</b>

The composition of credits to customers includes accrued interest income, which at 31 December 2014 and 2013 was equal to 1,088 thousand and soms and 1,935 thousand soms, respectively.

*Analysis of credit portfolio by economic sectors:*

	<b>31 December 2014</b>	<b>31 December 2013</b>
Trading	62,944	101,522
Consumer	21,770	34,699
Construction	2,546	3,052
Mortgage	2,306	2,421
Other	-	9,837
Industry	-	3,925
	<b>89,566</b>	<b>155,456</b>
Impairment provision	(22,175)	(19,137)
<b>Total</b>	<b>67,391</b>	<b>136,319</b>

Credits for trading are given to legal entities and individual entrepreneurs. Credits are granted for current purposes (working capital increase, acquisition of property, expansion and consolidation of business, etc.). Credits are given for up to 3 years period depending on the risk assessment of borrowers. The source of repayment is the cash flow generated by current industrial and financial activities of the borrower.

Credits to individuals for consumption purposes are credits given for current needs, not related to the acquisition, construction and renovation of real estate.

Other credits include credits to buy equipment, purchase of cars, wagons, opening a shop, cafe and other purposes.

**Provision for credits impairment**

	<b>Provision amount</b>
<b>As at 31 December 2012</b>	<b>20,314</b>
Creation of provision	(1,857)
Effect of changes in foreign currency exchange rate against KGS	680
<b>As at 31 December 2013</b>	<b>19,137</b>
Creation of provision	(1,125)
Effect of changes in foreign currency exchange rate against KGS	4,163
<b>As at 31 December 2014</b>	<b>22,175</b>

*Analysis of changes in the provision for credit portfolio impairment during 2014 and 2013 by types of credit:*

	Credits for trading	Construc- tion	Consumer	Industry	Mortgage	Other	Total
<b>Provision for credits impairment at 31 December 2012</b>	<b>8,492</b>	<b>173</b>	<b>314</b>	<b>112</b>	<b>-</b>	<b>11,223</b>	<b>20,314</b>
Expenses from credits impairment considering effects of exchange rate fluctuations	3,488	(112)	730	77	48	(5,408)	(1,177)
<b>Provision for credits impairment at 31 December 2013</b>	<b>11,980</b>	<b>61</b>	<b>1,044</b>	<b>189</b>	<b>48</b>	<b>5,815</b>	<b>19,137</b>
Expenses from credits impairment considering effects of exchange rate fluctuations	8,240	(10)	814	(189)	(2)	(5,815)	3,038
<b>Provision for credits impairment at 31 December 2014</b>	<b>20,220</b>	<b>51</b>	<b>1,858</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>22,175</b>



Quality of credits given to clients as at 31 December 2014:

	Credits before deduction of provision for impairment	Impairment provision	Credits less provision for impairment	Provision for impairment divided by credits amount before provision for impairment
<b>Credits for trading:</b>				
Regular	38,696	(778)	37,918	-2%
Overdue:	24,248	(19,443)	4,805	-80%
- For period less than 30 days	1,452	(72)	1,380	-5%
- For period 30 - 60 days	2,310	(567)	1,743	-25%
- For period 61 - 90 days	4,473	(2,791)	1,682	-62%
-For period more than one year	16,013	(16,013)	-	-100%
<b>Total credits for trading</b>	<b>62,944</b>	<b>(20,221)</b>	<b>42,723</b>	<b>-32%</b>
<b>Credits for construction:</b>				
Regular	2,546	(51)	2,495	-2%
<b>Total credits for construction</b>	<b>2,546</b>	<b>(51)</b>	<b>2,495</b>	<b>-2%</b>
<b>Consumer credits:</b>				
Regular	16,084	(321)	15,763	-2%
Overdue:	5,686	(1,536)	4,150	-27%
- For period less than 30 days	1,102	(55)	1,047	-5%
- For period 30 - 60 days	3,836	(935)	2,901	-24%
- For period 61 - 90 days	416	(214)	202	-51%
-For period more than one year	332	(332)	-	-100%
<b>Total consumer credits</b>	<b>21,770</b>	<b>(1,857)</b>	<b>19,913</b>	<b>-9%</b>
<b>Mortgages:</b>				
Regular	2,306	(46)	2,260	-2%
<b>Total mortgages</b>	<b>2,306</b>	<b>(46)</b>	<b>2,260</b>	<b>-2%</b>
<b>Total</b>	<b>89,566</b>	<b>(22,175)</b>	<b>67,391</b>	<b>-25%</b>
<i>including</i>				
Regular	59,632	(1,196)	58,436	-2%
Overdue	29,934	(20,979)	8,955	-70%

Quality of credits given to clients as at 31 December 2013:

	Credits before deduction of provision for impairment	Impairment provision	Credits less provision for impairment	Provision for impairment divided by credits amount before provision for impairment
<b>Credits for trading:</b>				
Regular	73,889	(5,259)	68,630	-7%
Overdue:	27,633	(6,721)	20,912	-24%
- For period less than 30 days	14,842	(750)	14,092	-5%
- For period 60 - 90 days	4,586	(1,166)	3,420	-25%
- For period 91 - 180 days	4,802	(1,402)	3,400	-29%
-For period more than one year	3,403	(3,403)	-	-100%
<b>Total credits for trading</b>	<b>101,522</b>	<b>(11,980)</b>	<b>89,542</b>	<b>-12%</b>
<b>Credits for construction:</b>				
Regular	3,052	(61)	2,991	-2%
<b>Total credits for construction</b>	<b>3,052</b>	<b>(61)</b>	<b>2,991</b>	<b>-2%</b>
<b>Consumer credits:</b>				
Regular	33,948	(678)	33,270	-2%
Overdue	751	(366)	385	-49%
- For period 90 - 180 days	751	(366)	385	-49%
<b>Total consumer credits</b>	<b>34,699</b>	<b>(1,044)</b>	<b>33,655</b>	<b>-3%</b>

	Credits before deduction of provision for impairment	Impairment provision	Credits less provision for impairment	Provision for impairment divided by credits amount before provision for impairment
<b>Credits for industry:</b>			-	
Regular	171	(3)	168	-2%
Overdue:	3,754	(186)	3,568	-5%
- For period 180 - 360 days	3,754	(186)	3,568	-5%
<b>Total credits for industry</b>	<b>3,925</b>	<b>(189)</b>	<b>3,736</b>	<b>-5%</b>
<b>Other credits:</b>				
Regular	4,104	(82)	4,022	-2%
Overdue	5,733	(5,733)	-	-100%
-For period more than one year	5,733	(5,733)	-	-100%
<b>Total other credits</b>	<b>9,837</b>	<b>(5,815)</b>	<b>4,022</b>	<b>-59%</b>
<b>Mortgages:</b>				
Regular	2,421	(48)	2,373	-2%
<b>Total mortgages</b>	<b>2,421</b>	<b>(48)</b>	<b>2,373</b>	<b>-2%</b>
<b>Total</b>	<b>155,456</b>	<b>(19,137)</b>	<b>136,319</b>	<b>-12%</b>
<i>including</i>				
Regular	117,585	(6,131)	111,454	-5%
Overdue	37,871	(13,006)	24,865	-34%

*Collateral*

All credits are secured by real estate. Evaluation of collateral is performed by independent appraisers. In accordance with the policy of the Bank the value of collateral for credits have to cover the credit amount and interest on it. The borrowers make out insurance of collateral items.

*Concentration of credits provided to clients*

As at 31 December 2014 the Bank has 3 borrowers (from a total of 57) with the sum of credit given equal to more than 100.0 thousand US dollars with the total amount of 28,491 thousand soms (484 thousand US dollars), that represents 32,2% of the total credit portfolio.

As at 31 December 2013 the Bank had 6 borrowers (from a total of 85) with the sum of credit given equal to more than 100.0 thousand US dollars with the total amount of 58,383 thousand soms (1,169 thousand US dollars), that represents 37,5% of the total credit portfolio.

According to the regulatory requirements of the NBKR the maximum risk per one borrower, not related to the Bank is 20% of the Net Total Eligible Capital (K1.1), and 15% - for borrowers related to the Bank (K1.2).

Information on compliance with these standards by the Bank as at 31 December 2014 and 2013 is presented as follows:

	31 December 2014	31 December 2013
K1.1 "Maximum risk per one borrower, not related to the Bank"	2,3%	3,3%
K1.2 "Maximum risk per one borrower, related to the Bank"	0,4%	0,5%

Analysis of credits to clients by payback periods, by currency, and analysis of interest rates are presented in Note 24.

**Note 10. OTHER ASSETS**

Other assets as at 31 December 2014 and 2013 are presented by the following items:

	31 December 2014	31 December 2013
Expenses for property insurance	219	269
Advances provided to employees and other prepayments	36	69
Inventories	5	52
Prepayment for services	4	18
Western Union money transfer	71	-
<b>Total</b>	<b>335</b>	<b>408</b>

Analysis of other assets, by currency structure, payback periods and geographical concentration are presented in Note 24.



**Note 11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

Availability and changes in property, plant and equipment and intangible assets for 2014 and 2013:

	Buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Intangible assets	Total
<b>At initial cost</b>						
31 December 2013	74,315	4,522	2,177	1,375	727	83,116
Additions		138				138
<b>31 December 2014</b>	<b>74,315</b>	<b>4,660</b>	<b>2,177</b>	<b>1,375</b>	<b>727</b>	<b>83,254</b>
<b>Accumulated depreciation</b>						
31 December 2013	13,852	3,759	2,011	1,375	726	21,723
Accrued for period	1,487	414	85		1	1,987
<b>31 December 2014</b>	<b>15,339</b>	<b>4,173</b>	<b>2,096</b>	<b>1,375</b>	<b>727</b>	<b>23,710</b>
<b>Carrying amount</b>						
<b>31 December 2013</b>	<b>60,463</b>	<b>763</b>	<b>166</b>	<b>-</b>	<b>1</b>	<b>61,393</b>
<b>31 December 2014</b>	<b>58,976</b>	<b>487</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>59,544</b>

As described in the Note 3, f) Capital buildings are stated at revalued amount in the statements, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

Information below is about the building, as well as hierarchy levels of the fair value as at December 31, 2014:

	Level 1	Level 2	Level 3	31 December 2014
Building		58,976		58,976

There was no reclassification between levels during the year.

The carrying amount of capital buildings, which would be recognized if the capital buildings were recorded at initial cost as at 31 December 2014 and 2013 is equal to 17,054 thousand soms and 17,485 thousand soms, respectively.

Completely amortised PPE items as of December 31, 2014 and 2013 made up 6,808 thousand soms and 6,076 thousand soms, accordingly. There was no impairment of PPE items in the reporting period.

Intangible assets represent software modules put into operation, "Operation Day of Bank", "Unloading data in GSRRV", "Additional reports on currency transactions", "Calculation of required reserves", "Unloading data in FIS," module "Direct Debiting", module "Working with card accounts", module "Bank liabilities to depositors", "Frt Threat Management Gateway (for the I-Bank) software, "Internet banking" software and module "Card with specimen signatures".

**Note 12. CLIENTS' CASH**

As at 31 December 2014 and 2013 the clients' cash are presented as follows:

	31 December 2014	31 December 2013
<b>Demand deposits:</b>		
Commercial organizations	636,624	666,871
Non-profit organizations	302,370	116,111
Financial institutions	12,120	7,740
Individual entrepreneurs	4,503	5,042
Physical persons (individuals)	267,074	231,409
<b>Total demand deposits</b>	<b>1,222,691</b>	<b>1,027,173</b>
<b>Time deposits:</b>		
Commercial organizations	595,477	985,251
Non-profit organizations	172	-
<b>Total time deposits</b>	<b>595,649</b>	<b>985,251</b>
<b>Total</b>	<b>1,818,340</b>	<b>2,012,424</b>

As at 31 December 2014 16 customers placed deposits in the Bank over 10 million soms to the total amount of 1,465,148 thousand soms, which is 81% of the total volume.

**NATIONAL BANK OF PAKISTAN BISHKEK BRANCH****Financial statements under IFRS for the year ended 31 December 2014***(presented in thousands of Kyrgyz soms)*

As at 31 December 2013 12 customers placed deposits in the Bank over 10 million soms to the total amount of 1,654,520 thousand soms, which is 82% of the total volume.

Information on concentration of clients' funds by economy sectors is presented below:

	31 December 2014		31 December 2013	
	Amount	%	Amount	%
Mining and quarrying	759,967	41.8%	1,209,477	60.1%
Construction	336,508	18.5%	261,386	13.0%
Services in housekeeping	267,074	14.7%	231,411	11.5%
Trading; repair of cars and home products and commercial operations	236,846	13.0%	165,554	8.2%
Public management	119,306	6.6%	58,529	2.9%
Activities of extraterritorial organizations	29,356	1.6%	47,485	2.4%
Transport and communications	15,838	0.9%	12,021	0.6%
Financing activity	13,462	0.7%	9,168	0.5%
Health and social services	13,153	0.7%	4,048	0.2%
Education	12,314	0.7%	3,736	0.2%
Agriculture, hunting and forestry	8,073	0.4%	2,799	0.1%
Real estate, renting and business services	4,555	0.3%	2,777	0.1%
Processing industry	1,650	0.1%	2,384	0.1%
Other utilities, social and personal services	116	0.0%	1,426	0.1%
Hotels and restaurants	85	0.0%	216	0.0%
Production and distribution of electricity, gas and water	37	0.0%	7	0.0%
<b>Total</b>	<b>1,818,340</b>	<b>100%</b>	<b>2,012,424</b>	<b>100%</b>

Analysis of clients' funds by currency structure, and payback periods, and analysis of interest rates are presented in Note 24.

**Note 13. OTHER LIABILITIES**

As at 31 December 2014 and 2013 other liabilities are presented as follows:

	31 December 2014	31 December 2013
Provision for accumulating vacations	869	577
Other accruals	370	308
Other provisions	303	135
Collateral and cover on issued guarantees	178	3,369
Other taxes payable	158	152
Notes payable	143	40
Check payable	106	-
<b>Total</b>	<b>2,127</b>	<b>4,581</b>

Analysis of other liabilities by currency structure and payback periods is presented in Note 24.

**Note 14. CONTINGENT LIABILITIES AND ESTIMATED PROVISIONS****Liabilities of credit character:**

The main purpose of these instruments is to ensure the provision of funds to clients as needed. Guarantees and standby letters of credit, that represent irrevocable liabilities of the Bank to make payments in the event of the client default to fulfill its obligations to third parties, carry the same credit risk as credits. Guarantees are secured at a rate of 100 percent of the amount of guarantee by funds in KGS, EUR and USD that are placed on deposit account. Commercial letters of credit are written liabilities of the Bank to make payments on behalf of clients within a specified amount under certain conditions that are secured by confirmation from DEUTSCHE BUNDESBANK about meeting of obligations for indemnity payments after the first requirement of the Bank. Provision for guarantees and letters of credit issued was not set up.



Liabilities to give credits include unused portions of amounts approved by the Bank management for credit giving. In respect of liabilities to give credits the Bank is potentially exposed to risk of loss at amount equal to the total amount of unused liabilities. However, the likely amount of loss is less than the total amount of unused liabilities since most liabilities to give credits are contingent upon clients' compliance with specific creditworthiness requirements. The Bank monitors the term to maturity of liabilities of credit character because longer term liabilities generally have higher credit risk than short-term liabilities. The Bank sets up a provision in the amount of off-balance sheet liability to give credits

Liabilities of credit nature involve:

	31 December 2014		31 December 2013	
	Nominal amount	Provision	Nominal amount	Provision
Letters of credit	215,070	-	195,427	-
Guarantees issued	5,178	-	4,307	-
Contingent liabilities on credits	15,128	303	6,750	135
<b>Total</b>	<b>235,376</b>	<b>303</b>	<b>206,484</b>	<b>135</b>

### Litigation and claims

On the basis of the Decision of the Jogorku Kenesh №3921-V dated March 27, 2014 "On the status of leased and privatized plots of land and premises formerly owned by the public health organizations of KR" the General Prosecutor's Office and the Government of the Kyrgyz Republic requested to verify the legality of privatization of plots of land and premises formerly owned by the public health organizations of KR, and in case of violations, to take measures to return the plots of land and premises formerly owned by the public health organizations of KR to use them for their intended purpose, and to demolish buildings illegally built on these plots.

Wherefore, on December 22, 2014 the Prosecutor's Office of Sverdlovskiy district of Bishkek city had filed a claim in the inter-district court of Bishkek city to invalidate a number of decisions and orders of the Mayor's Office of Bishkek city, as well as certificates for temporary use of plots of land, where the office buildings of the Bank are located currently. The defendant in this case is the Mayor's Office of Bishkek city; the Bank is an interested party. As it follows from the statement of claim, the Mayor's Office of Bishkek city violated in granting rights on the land, as the land, where the office building of the Bank is located currently, was granted from the territory belonging to the public health organizations of KR, and in accordance with the legislation of the Kyrgyz Republic the social infrastructure (including medical and health institutions) are not subject to sale and lease.

Litigation on the matter is in the court proceedings of the first instance. In case of satisfaction of the statement of claim and sustaining of the claim in the supervisory instance of the Supreme Court of the Kyrgyz Republic, the Bank may be required to demolish an office building with the carrying amount of 58,976 thousand Kyrgyz soms and to transfer the plot of a land to the public health organizations of KR. Currently, the proceedings are not completed and the hearing is assigned on March 5, 2015.

However, the Bank's management believes that due to expiry of the limitation period the proceedings should be discontinued and the above-mentioned negative consequences for the Bank will not come.

### Note 15. SUBORDINATED DEBT

In accordance with an agreement between the National Bank of Pakistan and the National Bank of Kyrgyz Republic № D-3-0/240 dated 09.03.2000, the Head Office gave the Bank cash in the amount of 4,430.0 thousand US dollars (equivalent to 260,866 thousand soms). These funds perform the function of capital when economic norms established by the National Bank of Kyrgyz Republic are calculated. This amount is classified as subordinated debt with no fixed term in the statement of financial position.

As at 31 December 2014 and 2013 subordinated debt is presented as follows:

	31 December 2014	31 December 2013
Liabilities against the Head Office (capital)	260,865	218,163
Liabilities against the Head Office	21,242	21,242
Interest payable	8,098	8,098
<b>Total</b>	<b>290,205</b>	<b>247,503</b>

According to the agreement between the Bank and Citibank (New York) the funds were placed as an irrevocable deposit.

In 2004 the Bank purchased its own building. The cost of purchasing the building, excluding associated costs were incurred by Head Office at the amount of 21,242 thousand soms.

Interest payable at the amount of 8,098 thousand soms is cumulative expense, accrued to the amount of retained earnings, left to the Bank by the Head Office. The following table presents the distribution of interest expense over the years of debt formation:

Year of occurrence of a debt on retained earnings	Interest rate %	Amount of interest accrued in thousand soms
2003	3%	228
2004	2%	464
2005	3%	203
2006	3%	4,460
2008	2%	2,078
2009	1%	665
		<b>8,098</b>

**Note 16. RETAINED EARNINGS**

In accordance with the policy of the National Bank of Pakistan and Regulations for Branch, the profit is distributed as follows: transferred to the Head Office for 2014 - 202 thousand US dollars that is equivalent to 11,544 thousand soms, for 2013 - 593 thousand US dollars that is equivalent to 28,400 thousand soms, and the rest amount left for the Bank.

**Note 17. NET INTEREST INCOME**

	2014	2013
<b>Interest income</b>		
Interest income from nostro accounts	393	977
Interest income from deposit at Citibank	210	85
Interest on banks deposits	17,149	13,522
<b>Total income from cash provided to banks</b>	<b>17,752</b>	<b>14,584</b>
Interest income from credits provided to FCI (finance-credit institutions)	9	86
Interest income from credits provided to clients	18,179	25,052
Interest income from debt securities	14,216	10,495
Interest income from repo operations	553	2
<b>Total interest income</b>	<b>50,709</b>	<b>50,219</b>
<b>Interest expenses</b>		
Interest expenses on inter-bank allocation	(65)	(12)
Interest expenses on clients' cash	(1,523)	(3,219)
Interest expenses on securities sold on repo-agreements	(335)	(197)
<b>Total interest expenses</b>	<b>(1,923)</b>	<b>(3,428)</b>
<b>Net interest income before formation of provision for impairment</b>	<b>48,786</b>	<b>46,791</b>

**Note 18. FEE & COMMISSION INCOME И COMMISSION EXPENSES**

	2014	2013
<b>Fee &amp; commission income:</b>		
Commission income from cash transactions services	8,928	9,948
Commission income from cash transfer operations	10,726	11,593
Commission income from operations with plastic cards	139	399
Commission income from the Bank services on reception of deposits, opening and maintaining bank accounts of clients	89	85
Commission income from the Bank services on issued guarantees and letters of credit	178	36
Other fee& commission income	285	333
<b>Total</b>	<b>20,345</b>	<b>22,394</b>



	2014	2013
<b>Commission expenses</b>		
Interest expenses for correspondence accounts	(1,284)	(1,167)
Expenses for cashing / non-cashing	(750)	(516)
Expenses for cashing of plastic cards	(66)	(186)
Other operating expenses	(457)	(130)
<b>Total</b>	<b>(2,557)</b>	<b>(1,999)</b>
<b>Net Fee &amp; commission income</b>	<b>17,788</b>	<b>20,395</b>

**Note 19. NET INCOME FROM FOREIGN CURRENCY OPERATIONS AND OTHER INCOME**

Net income from foreign currency operations for the reporting period is presented as follows:

	2014	2013
Gain (loss) from revaluation of financial assets and liabilities	(176)	(40)
Profit from sale of foreign currency contracts	9,918	7,433
<b>Total income from foreign currency operations</b>	<b>9,742</b>	<b>7,393</b>

Other income includes penalties and fines paid by borrowers for non-compliance of the credit agreement in the amount of 365 thousand soms and 1,014 soms for 2014 and 2013, respectively.

**Note 20. OPERATING EXPENSES**

	2014	2013
Personnel expenses	17,168	17,610
Administrative expenses	6,168	6,177
Depreciation expenses of PPE items and intangible assets	1,987	2,204
Other operating expenses	5,707	4,723
<b>Total</b>	<b>31,030</b>	<b>30,714</b>

Personnel expenses involve:

	2014	2013
Personnel expenses:		
Salary and other remuneration	15,079	15,432
Contributions to the Social Fund of the Kyrgyz Republic	2,004	2,068
Contributions to the pension fund and other funds (Head Office, Karachi)	52	44
Staff training	33	66
<b>Total</b>	<b>17,168</b>	<b>17,610</b>

The pension plan for employees who meet certain criteria is used in the National Bank of Pakistan. According to it the Bank made payments for two employees to the pension fund and other related funds, which are accumulated in the Head Office (Karachi).

Administrative expenses consist of the following items:

	2014	2013
<b>Administrative expenses:</b>		
Communication expenses	1,334	1,207
Bank security expenses	1,696	1,561
Insurance	873	1,015
Stationery and low value/high-wear items expenses	386	407
Membership fees in organizations and other administrative expenses	446	445
Other expenses for Property, plant and equipment	288	275
Business travel expenses	187	177
Professional services (audit) expenses	290	332

	2014	2013
Utilities	284	252
Representational expenses	265	333
Publications and subscriptions expenses	83	108
Advertising expenses	36	65
<b>Total</b>	<b>6,168</b>	<b>6,177</b>
Other operating expenses		
	2014	2013
<b>Other operating expenses:</b>		
Deductions to the Deposit Protection Agency	4,242	3,171
Expenses on operations with plastic cards	329	434
Clearing service expenses	564	336
Cash collection expenses	153	111
Taxes, except for income tax	104	90
Other operating expenses	315	581
<b>Total</b>	<b>5,707</b>	<b>4,723</b>

**Note 21. INCOME TAX**

Tax liabilities are presented in the financial statements as follows:

	31 December 2014	31 December 2013
Current tax (assets) / liabilities	1,258	368
Deferred tax liabilities	5,088	5,204
<b>Tax liabilities</b>	<b>6,346</b>	<b>5,572</b>

Deferred tax liabilities reflect net tax effect of temporary differences. Tax effect of temporary difference as of 31 December 2014 and 2013 is presented as follows:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	(5,203)	(5,290)	(5,203)	(5,290)
Provision for accumulating vacations	87	58	-	-	87	58
Other provisions	28	28	-	-	28	28
<b>Total deferred tax assets/ (liabilities)</b>	<b>115</b>	<b>86</b>	<b>(5,203)</b>	<b>(5,290)</b>	<b>(5,088)</b>	<b>(5,204)</b>
Unrecognised deferred tax assets / liabilities	-	-	-	-	-	-
<b>Recognised net deferred tax liabilities</b>	<b>115</b>	<b>86</b>	<b>(5,203)</b>	<b>(5,290)</b>	<b>(5,088)</b>	<b>(5,204)</b>

The relationship between income tax expense and accounting profit in the comparable periods is presented as follows:

	2014	2013
<b>Current income tax expense</b>	<b>(4,837)</b>	<b>(4,860)</b>
Occurrence and cancellation of temporary differences	116	98
<b>Deferred income tax expense</b>	<b>116</b>	<b>98</b>
<b>Income tax expense</b>	<b>(4,721)</b>	<b>(4,762)</b>
<b>Profit / loss before taxation</b>	<b>46,777</b>	<b>46,736</b>
Income tax at effective rate	(4,678)	(4,674)
Effect of permanent differences	(43)	(88)
<b>Income tax expense</b>	<b>(4,721)</b>	<b>(4,762)</b>



**Note 22. RELATED PARTY TRANSACTIONS**

For the purposes of these financial statements, the related parties are considered to be related if one party has the ability to control the other party or may significantly affect the other party in making financial and operational decisions as defined in the standard 24 "Related party disclosures". When studying relations with all related parties, it is taken into account subject matter of such relations, but not only their legal form.

In the normal course of business, the Bank conducted operations with the United National Bank, which is related bank to the National Bank of Pakistan, a Subsidiary Bank of National Bank of Pakistan in Kazakhstan and with insiders. These transactions included deposits of insiders, placement of deposits and correspondent relations with the above bank. The outstanding balances at year-end on transactions with related parties, and results of operations in 2014 and 2013 are presented below:

	31 December 2014		31 December 2013	
	Related party transactions	Total by category in accordance with items of financial statements	Related party transactions	Total by category in accordance with items of financial statements
<b>ASSETS</b>				
Cash with banks	80	1,713,276	1,946	1,838,722
Credits provided to clients	2,306	67,391	2,421	136,319
<b>LIABILITIES</b>				
Banks' cash	40	40	66	66
Clients' cash	2,655	1,818,340	1,817	2,012,424

The following amounts arisen due to related party transactions were presented in the statement of comprehensive income for the years ended 31 December 2014 and 2013:

	2014		2013	
	Related party transactions	Total by category in accordance with items of financial statements	Related party transactions	Total by category in accordance with items of financial statements
Interest income	283	50,709	38	50,219
(Creation) / recovery of provision for impairment of assets to be subject to interest	(46)	1,125	(48)	1,857
Profit from sale of foreign currency contracts	82	9,742	136	7,393
Commission expenses (Nostro accounts expenses)	(37)	(1,284)	(43)	(1,167)

In 2014 the Bank management remuneration, including pension payments and lump sum payments, was equal to 7,172 thousand soms (2013: 9,395 thousand soms).

**Note 23. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Information on fair value of financial assets and liabilities in comparison with their carrying amount is presented below.

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>ASSETS</b>				
Cash on hand and cash with correspondent account of NBKR	275,930	275,930	311,595	311,595
Cash with banks	1,713,276	1,713,276	1,838,722	1,838,722
Securities held-to-maturity	256,269	256,269	164,347	164,347
Securities bought under repo agreements	17,462	17,462	-	-
Credits provided to clients	67,391	67,391	136,319	136,319
<b>Total</b>	<b>2,330,328</b>	<b>2,330,328</b>	<b>2,450,983</b>	<b>2,450,983</b>
<b>LIABILITIES</b>				
Clients' cash	1,818,340	1,818,340	2,012,424	2,012,424
Banks' cash	40	40	66	66
<b>Total</b>	<b>1,818,380</b>	<b>1,818,380</b>	<b>2,012,490</b>	<b>2,012,490</b>

**Note 24. FINANCIAL RISKS**

The Bank risk management function is carried out in respect of financial risks (credit, currency, liquidity and interest rate, operational and legal risks). The main objective of financial risk management function is to determine the limits of risk and to further ensure compliance with established limits. Assessment of accepted risk is also the basis for the optimal allocation of capital taking risk into account, pricing of operations and performance evaluation. Management of operational and legal risks must ensure reliable functioning of the internal policies and procedures to minimize operational and legal risks.

**Rules and procedures of the Bank for risk management**

Manager of Regional Office for the Central Asian region of the National Bank of Pakistan approves both general policy of the Bank's risk management and policy for management of each of the significant types of risk.

General Manager is responsible for monitoring and implementation of measures to reduce risk, and ensures that the Bank operates within the established risk limits.

The Risk Manager provides overall management of risks and control of compliance with current legislation, as well as control over the use of general principles and methods for identifying, evaluating, managing, and providing information on both financial and non-financial risks. The risk manager develops methodology for risk assessment, carries out independent risk analysis, and carries out portfolio risk analysis by existing programs and products. The risk manager prepares monthly reports on risk management, which are brought to the attention of the General Manager.

The risk manager carries out monthly stress testing associated with all the important types of risk. The results of stress testing are reviewed and discussed by the General Manager.

Divisions of the Bank manage risks in the frameworks of their duties.

The Bank guidelines and procedures for managing key risks, and description of the main measures aimed at improving the efficiency and quality of risk management are considered below.

**Credit risk**

The Bank undertakes credit risk that is the risk that the borrower cannot repay debt when due. Credit policy, that establishes limits of credit risk, is approved by the Manger of Regional Office for the Central Asian region.

To manage credit risk the Bank classifies its contractors by credit risk groups, which reflect the probability of default of these contractors. Risk limits are determined for contractors assigned to a group of credit risk. Risk limits for corporate clients are determined on the basis of their ownership structure analysis, business reputation, credit history, financial position, financial forecasting, financial management skills, the situation in the industry or region, as well as the level of production equipment and the use of modern technology.

The amount of credit given to an individual is limited by his ability to pay. The amount of credit given to private client; it also depends on the security provided.

**Risk concentration**

In order to reduce and diversify the credit risk, the Bank monitors concentrations of credit risk, establishes risk limits for individual borrowers or groups of related borrowers who meet the standards established for such categories of borrowers by National Bank of Kyrgyz Republic. The concentration and risk limits for large credit transactions involving borrowers and risky credit transactions must undergo the approval procedure at the level of the Manager of Regional Office for the Central Asian region.

**Monitoring**

The Bank constantly monitors credit risk on a monthly basis. In order to monitor the credit risk, the Bank credit specialists carry out analysis of business and financial indicators of the client. All information on significant risks with regard to the clients with deteriorating creditworthiness is brought to the attention of management, and is analyzed by them. The management conducts monitoring and follow-up of overdue balances.

The credit specialists carry out analysis of credits by payback periods and subsequent control of overdue balances. Therefore, the Bank provides data on the timing of debt, and other information about credit risk, as it is presented in Note 9. In addition, the Bank manages its credit risk, in particular, by obtaining collateral.

Credit risk for off-balance sheet financial instruments is defined as the probability of losses due to inability of another party of transaction with the financial instrument to meet the conditions of the contract. The Bank applies the same credit policy in relation to conditional obligations as it does to on-balance sheet financial instruments, based on the procedures for approving transactions, using limits to mitigate risk, and monitoring.

The maximum level of risk, which the Bank is exposed to as at 31 December 2014 and 2013, is presented as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
<i>Credit risk related to balance sheet positions:</i>		
Cash with banks	1,713,276	1,838,722
Securities held-to-maturity	256,269	164,347
Securities bought under repo agreements	17,462	-
Credits provided to clients	67,391	136,319



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	31 December 2014	31 December 2013
<i>Credit risk associated with off-balance positions:</i>		
Letters of credit	215,070	195,427
Liabilities on guarantees	5,178	4,307
Commitments to give credits	15,128	6,750
<b>Total maximum risk rate</b>	<b>2,289,774</b>	<b>2,345,872</b>
Fair value of mortgage / collateral	<b>519,028</b>	<b>592,525</b>

**Currency risk**

The Bank undertakes risk related to effects of exchange rate fluctuations on its financial position and cash flows. Monetary policy, approved by the Manager of Regional Office for the Central Asian region establishes limits on the level of accepted risk by type of currency. The General Manager every day monitors compliance with the limits.

Information on level of currency risk of the Bank as at 31 December 2014 and 2013 is presented as follows:

*As at 31 December 2014:*

	KGS	USD 1 US dollar = =58.8865soms	EUR 1 euro = 71.6943 soms	Other currency	31 December 2014
<b>ASSETS</b>					
Cash on hand and cash with correspondent account of NBKR	192,318	75,836	7,776	-	275,930
Cash with banks	-	1,654,210	57,139	1,927	1,713,276
Securities held-to-maturity	256,269	-	-	-	256,269
Securities bought under repo agreements	17,462	-	-	-	17,462
Credits provided to clients	-	67,391	-	-	67,391
Other assets	264	71	-	-	335
Property, plant and equipment and intangible assets	59,544	-	-	-	59,544
<b>TOTAL ASSETS</b>	<b>525,857</b>	<b>1,797,508</b>	<b>64,915</b>	<b>1,927</b>	<b>2,390,207</b>
<b>LIABILITIES</b>					
Clients' cash	206,405	1,544,913	63,542	3,480	1,818,340
Banks' cash	-	-	-	40	40
Other liabilities	1,480	469	178	-	2,127
Income tax liabilities	6,346	-	-	-	6,346
Subordinated debt	29,339	260,866	-	-	290,205
<b>TOTAL LIABILITIES</b>	<b>243,570</b>	<b>1,806,248</b>	<b>63,720</b>	<b>3,520</b>	<b>2,117,058</b>
<b>OPEN CURRENCY POSITION</b>	<b>282,287</b>	<b>(8,740)</b>	<b>1,195</b>	<b>(1,593)</b>	
Actual value (%%)		(1.7)	0.2	(0.3)	(1.8)

*As at 31 December 2013:*

	KGS	USD 1 US dollar = 49.2470 soms	EUR 1 euro = 67.7048 soms	Other currency	31 December 2013
<b>ASSETS</b>					
Cash on hand and cash with correspondent account of NBKR	188,400	116,895	6,300	-	311,595
Cash with banks	-	1,796,405	40,799	1,518	1,838,722
Securities held-to-maturity	164,347	-	-	-	164,347
Credits provided to clients	-	136,319	-	-	136,319
Other assets	391	17	-	-	408
Property, plant and equipment and intangible assets	61,393	-	-	-	61,393
<b>TOTAL ASSETS</b>	<b>414,531</b>	<b>2,049,636</b>	<b>47,099</b>	<b>1,518</b>	<b>2,512,784</b>

	KGS	USD	EUR	Other currency	31 December 2013
		1 US dollar = 49.2470 soms	1 euro = 67.7048 soms		
<b>LIABILITIES</b>					
Clients' cash	135,770	1,827,989	47,313	1,352	2,012,424
Banks' cash	-	-	-	66	66
Other liabilities	994	3,419	168	-	4,581
Income tax liabilities	5,572	-	-	-	5,572
Subordinated debt	29,340	218,163	-	-	247,503
<b>TOTAL LIABILITIES</b>	<b>171,676</b>	<b>2,049,571</b>	<b>47,481</b>	<b>1,418</b>	<b>2,270,146</b>
<b>OPEN CURRENCY POSITION</b>	242,855	65	(382)	100	
Actual value (%%)		-	(0.2)	-	(0.2)

**Risk of changes in interest rate related to cash flows**

The Bank undertakes risk related to effect of market interest rates fluctuations on its financial position and cash flows. Such fluctuations may increase the level of interest margins; however, in the event of unexpected changes in interest rates the interest margin could also reduce or cause losses.

In the event of interest rates increase, the cost of funds borrowed by the Bank may increase faster and greater than the return on funds placed, thus reducing the financial results and the interest margin, and vice versa - in the case of rates reduction, the rate of return on working assets may decline faster and greater than the cost of borrowed funds.

The purpose of this type of market risk is to reducing the impact of changes in interest rates on net interest income. In order to manage interest rate risk the Committee of Management of Assets and Liabilities of the Bank establishes limits for acceptable levels of revaluation differences of interest rates and monitors compliance with established limits on a daily basis.

The Bank conducts stress-testing of interest risk on a regular basis.

Analysis of effective average interest rates on securities, credits and deposits, used during the year is presented in the table below. The analysis is prepared on the basis of weighted average interest rates.

	2014			2013		
	in KGS	USD	EUR	in KGS	USD	EUR
<b>ASSETS</b>						
Cash with banks	-	1.00	-	-	0.77	0.50
Securities held-to-maturity	7.78	-	-	7.76	-	-
Securities bought under repo agreements	8.15	-	-	-	-	-
Credits provided to clients	-	13.61	-	-	14.62	-
<b>LIABILITIES</b>						
Clients' cash	-	0.09	-	-	0.3	-

**Liquidity risk**

Liquidity risk arises when the terms of active operations and passive operations mismatch. The Bank is exposed to risk due to daily necessity to use available cash at maturity of deposits and credits, settled by cash. The Bank does not accumulate cash resources for a one-time fulfillment of the above liabilities because based on accumulated experience; it is possible with a fair degree of accuracy to predict the minimum required level of funds to meet these obligations. Committee of Management of Assets and Liabilities manages liquidity risk. Policy of liquidity risk management includes the following:

- daily measurement and monitoring of inflow and outflow of funds, as well as weekly monitoring of gaps in the maturity of assets and liabilities of the Bank to control the daily liquidity needs and to ensure fulfillment of obligations;
- analysis of structure and evaluation of the stability of the deposit base and other borrowed funds;
- cost of resources;
- borrowings in the money market;
- assessment of asset quality;
- execution of off-balance liabilities;
- planning for a liquidity crisis;
- management of liquidity in foreign currencies.



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The Bank liquidity position as at 31 December 2014 and 2013 is presented as follows:

As at 31 December 2014:

	Up to 1 month	1-3 months	3 months - 1 year	1 - 5 years	More than 5 years	Undefined	31 December 2014
<b>Assets</b>							
Cash with banks	510,226	942,184	-	-	-	260,866	1,713,276
Securities held-to-maturity	91,339	29,556	135,374	-	-	-	256,269
Securities bought under repo agreements	17,462						17,462
Credits provided to clients	7,804	490	24,758	34,339	-	-	67,391
<b>Total interest bearing assets</b>	<b>626,831</b>	<b>972,230</b>	<b>160,132</b>	<b>34,339</b>	<b>-</b>	<b>260,866</b>	<b>2,054,398</b>
Cash on hand and cash with correspondent account of NBKR	275,930		-	-	-	-	275,930
Other assets	148	149	28	-	-	10	335
Property, plant and equipment and intangible assets	-	-	-	-	59,544	-	59,544
<b>TOTAL ASSETS</b>	<b>902,909</b>	<b>972,379</b>	<b>160,160</b>	<b>34,339</b>	<b>59,544</b>	<b>260,876</b>	<b>2,390,207</b>
<b>LIABILITIES</b>							
Clients' cash	1,224,647	593,281	412	-	-	-	1,818,340
Banks' cash	40	-	-	-	-	-	40
<b>Total interest bearing liabilities</b>	<b>1,224,687</b>	<b>593,281</b>	<b>412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,818,380</b>
Other liabilities	1,949		178		-	-	2,127
Income tax liabilities	-	1,258	-	-	-	5,088	6,346
Subordinated debt	-	-	-	-	-	290,205	290,205
<b>TOTAL LIABILITIES</b>	<b>1,226,636</b>	<b>594,539</b>	<b>590</b>	<b>-</b>	<b>-</b>	<b>295,293</b>	<b>2,117,058</b>
Difference between assets and liabilities	(323,727)	377,840	159,570	34,339	59,544	(34,417)	273,149
Difference between interest bearing assets and liabilities	(597,856)	378,949	159,720	34,339	-	260,866	
Difference between interest bearing assets and liabilities, cumulative	(597,856)	(218,907)	(59,187)	(24,848)	(24,848)		
Difference between interest bearing assets and liabilities, as percentage of total amount of assets, cumulative	-25%	-9%	-2%	-1%	-1%		

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As at 31 December 2013:

	Up to 1 month	1-3 months	3 months - 1 year	1 - 5 years	More than 5 years	Undefined	31 December 2013
<b>Assets</b>							
Cash with banks	499,711	776,021	344,824	-	-	218,166	1,838,722
Securities held-to-maturity	61,615	14,538	88,194	-	-	-	164,347
Credits provided to clients	14,535	161	34,366	86,096	1,161	-	136,319
<b>Total interest bearing assets</b>	<b>575,861</b>	<b>790,720</b>	<b>467,384</b>	<b>86,096</b>	<b>1,161</b>	<b>218,166</b>	<b>2,139,388</b>
Cash on hand and cash with correspondent account of NBKR	311,595	-	-	-	-	-	311,595
Other assets	18	254	136	-	-	-	408
Property, plant and equipment and intangible assets	-	-	-	-	61,393	-	61,393
<b>TOTAL ASSETS</b>	<b>887,474</b>	<b>790,974</b>	<b>467,520</b>	<b>86,096</b>	<b>62,554</b>	<b>218,166</b>	<b>2,512,784</b>
<b>LIABILITIES</b>							
Clients' cash	1,027,172	-	985,252	-	-	-	2,012,424
Banks' cash	66	-	-	-	-	-	66
<b>Total interest bearing liabilities</b>	<b>1,027,238</b>	<b>-</b>	<b>985,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,012,490</b>
Other liabilities	745	2,955	745	136	-	-	4,581
Income tax liabilities	-	364	-	-	-	5,208	5,572
Subordinated debt	-	-	-	-	-	247,503	247,503
<b>TOTAL LIABILITIES</b>	<b>1,027,983</b>	<b>3,319</b>	<b>985,997</b>	<b>136</b>	<b>-</b>	<b>252,711</b>	<b>2,270,146</b>
Difference between assets and liabilities	(140,509)	787,655	(518,477)	85,960	62,554	(34,545)	242,638
Difference between interest bearing assets and liabilities	(451,377)	790,720	(517,868)	86,096	1,161	218,166	-
Difference between interest bearing assets and liabilities, cumulative	(451,377)	339,343	(178,525)	(92,429)	(91,268)	-	-
Difference between interest bearing assets and liabilities, as percentage of total amount of assets, cumulative	-18%	14%	-7%	-4%	-4%	-	-



According to the Bank's management opinion, coincidence or controlled mismatching of the maturity dates for assets and liabilities is a fundamental issue. As a rule, a full match on the indicated positions in the banks is not available as the operations often have uncertain payback period and different character. Mismatch of these positions potentially enhances profitability, together with this risk of losses is increased. The payback periods of assets and liabilities and the ability to replace at an acceptable cost interest bearing liabilities, as they mature, are important factors in assessing the liquidity of the Bank and its risks to changes in interest rates and exchange rates. The Management believes that, despite the fact that the deposits are formed only by demand accounts (current accounts and deposits of individuals), the diversification of these deposits by number and type of legal entities and individuals, as well as the Bank experience accumulated for prior periods, indicate that these deposits and holdings form long-term and stable source of funding for the Bank activity.

The Bank also calculates on a daily basis the mandatory liquidity ratios in accordance with the requirements of the National Bank of the Kyrgyz Republic. This norm is performed at 31 December in the following magnitudes:

	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>NBKR norm</b>
K 3	65,2%	66,2%	not less than 30.0 %

**Geographical concentration**

Information on geographical concentration of assets is presented below:

*As at 31 December 2014:*

	<b>Kyrgyz Republic</b>	<b>Other countries</b>	<b>OECD countries*</b>	<b>31 December 2014</b>
<b>ASSETS</b>				
Cash on hand and cash with correspondent account of NBKR	275,930	-	-	275,930
Cash with banks	-	1,209,177	504,099	1,713,276
Securities held-to-maturity	256,269	-	-	256,269
Securities bought under repo agreements	17,462	-	-	17,462
Credits provided to clients	67,391	-	-	67,391
	<b>617,052</b>	<b>1,209,177</b>	<b>504,099</b>	<b>2,330,328</b>
<b>LIABILITIES</b>				
Clients' cash	1,818,340	-	-	1,818,340
Banks' cash	-	40	-	40
	<b>1,818,340</b>	<b>40</b>	<b>-</b>	<b>1,818,380</b>
<b>TOTAL</b>	<b>(1,201,288)</b>	<b>1,209,137</b>	<b>504,099</b>	<b>511,948</b>

*As at 31 December 2013:*

	<b>Kyrgyz Republic</b>	<b>Other countries</b>	<b>OECD countries*</b>	<b>31 December 2013</b>
<b>ASSETS</b>				
Cash on hand and cash with correspondent account of NBKR	311,595	-	-	311,595
Cash with banks	-	396,201	1,442,521	1,838,722
Securities held-to-maturity	164,347	-	-	164,347
Credits provided to clients	136,319	-	-	136,319
	<b>612,261</b>	<b>396,201</b>	<b>1,442,521</b>	<b>2,450,983</b>
<b>LIABILITIES</b>				
Clients' cash	2,012,424	-	-	2,012,424
Banks' cash	-	66	-	66
	<b>2,012,424</b>	<b>66</b>	<b>-</b>	<b>2,012,490</b>
<b>TOTAL</b>	<b>(1,400,163)</b>	<b>396,135</b>	<b>1,442,521</b>	<b>438,493</b>

\* OECD - Organization for Economic Cooperation and Development

**Note 25. CAPITAL MANAGEMENT**

In accordance with the quantitative indicators in order to ensure capital adequacy the Bank is obliged to meet the requirements for minimum amounts and norms related to the capital.

- Minimum capital amount (Equity funds)

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In accordance with the Board of the NBKR resolution On Minimal Amount Of Capital (Equity) Of Commercial Banks", approved on March 11, 2009 № 12/6, the amount of own funds of the Bank should be not less than 200 million soms.

- Capital adequacy ratios, based on weighing the balance sheet assets and off-balance sheet liabilities on the degree of risk.

The assets exposed to risk are assessed according to five categories of risk. At the same time the main criteria by which the balance-sheet assets to be attributed to a category are: the type of partner, country ownership of partner in terms of transfer risk, provision of asset, guarantees and the duration of the asset action. Similar approaches are used for off-balance sheet items taking into accounts adjustments to reflect a more conventional nature of potential losses.

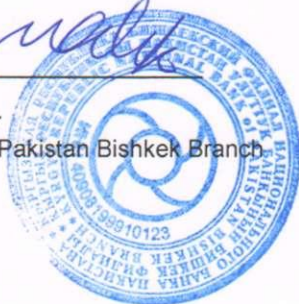
The ratio was calculated in accordance with the rules of the Basel Accord, using the following risk estimates for assets and off-balance sheet liabilities less provisions for impairment:

Assessment (in % to cost)	Position description
0%	Cash on hand and cash with NBKR
0%	State debt securities
20%	Credits and cash provided to banks for up to one year
100%	Credits provided to clients
100%	Other assets

Indicators of capital and capital adequacy ratios of the Bank are presented in the table below:

Indicator	Unit	Normative value	Actual indicator	Deviation from the norm
<b>As at 31 December 2014</b>				
Minimum capital amount	thousand soms	200,000	461,010	261,010
Total capital adequacy ratio	%%	not less than 12 %%	31.4	19.4
Tier I capital adequacy ratio	%%	not less than 6 %%	27.9	21.9
Leverage	Leverage	not less than 8 %%	21.7	13.7
<b>As at 31 December 2013</b>				
Minimum capital amount	thousand soms	200,000	380,250	180,250
Total capital adequacy ratio	Leverage	not less than 12 %%	23.8	11.8
Tier I capital adequacy ratio	Leverage	not less than 6 %%	20.3	14.3
Leverage	Leverage	not less than 8 %%	17.7	9.7

Allah Ditta  
General manager  
National Bank of Pakistan Bishkek Branch



G.Idinova  
Chief accountant  
National Bank of Pakistan Bishkek Branch

**W.JACOBS-AUDIT**