Optima Bank OJSC

Financial Statements

for the year ended 31 December 2023

Content

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Independent Auditors' Report

To the Board of Directors and Shareholders of "Optima Bank" Open Joint Stock Company

Opinion

We have audited the financial statements of "Optima Bank" OJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS financial statements standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the requirements prescribed in the Regulation on Minimum Requirements to External Audit of Banks and Other Financial and Credit Institutions, Licensed by the NBKR ("NBKR") approved by the Order of the NBKR Management Board No.2017-П-12/25-2-(НПА) of 15 June 2017 (as revised by the Orders of the NBKR Management Board No.2019-П-12/22-4-(НПА) dated 24 April 2019 and No.2019-П-12/34-3-(НПА) dated 28 June 2019) (the "NBKR requirements"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Expected credit losses (ECL) for loans to customers

Please refer to the Notes 3, 4, 16 and 25 in the financial statements.

Key audit matter	*How the matter was addressed in our audit*
Loans to customers represent 39% of assets and are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used. The Bank applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: — timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9); — assessment of probability of default (PD) and loss given default (LGD); — expected cash flows forecast for loans to customers classified in stage 3.	We analysed the key aspects of the Bank's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risks management specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, we performed the following audit procedures: — We tested design and operating effectiveness of controls over allocation of loans into stages. — For a sample of loans to customers, for which the potential changes in ECL estimate may have a significant impact on the financial statements, we tested whether stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank. — For a sample of loans to customers, for which the allowance for ECL is estimated is assessed individually, we tested the correctness of input data used to determine PD and LGD. — Regarding loans issued to customers and assigned to stages 1 and 2, for which the allowance of for ECL is estimated is assessed collectively, we tested the design and implementation of the related credit risk models with involvement of our credit risk management specialists, and agreeing input data to supporting documents on a sample basis.
Due to the significant volume of loans to customers and the related estimation uncertainty in estimating of ECL allowance, this area is a key audit matter.	— For a sample of stage 3 loans for which the allowance for ECL is estimated individually and which mostly comprise loans to legal entities, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and their timing based on our understanding and publicly available market information. We

	specifically focused on exposures which potentially may have the most significant impact on the financial statements. — We assessed the predictive capability of the Bank's methodology used for ECL assessment by comparing the estimates made as at 1 January 2023 with actual results for 2023. We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

Other information

Management is responsible for the other information. The other information comprises the information included in the report for the annual general meeting of shareholders, but does not include the financial statements and our auditors' report thereon. The report for the annual general meeting of shareholders is expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and NBKR requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Sergey Lytov
Audit Director

Sergey Nezdemkovskiy
Certified Auditor of the Kyrgyz Republic,
Auditor's Qualification Certificate
Serial AD, No.0544 of 6 June 2022

11 March 2024

	Note	2023 KGS'000	2022 KGS'000
Interest income calculated using effective interest method	5	4,841,735	3,997,355
Interest expense	5	(803,284)	(872,240)
Net interest income		**4,038,451**	**3,125,115**
Fee and commission income	6	2,009,413	1,507,540
Fee and commission expense	7	(1,331,008)	(1,092,448)
Net fee and commission income		**678,405**	**415,092**
Net income on financial instruments at fair value through profit or loss		65,049	58,855
Net foreign exchange gain	8	1,393,309	2,313,169
Other operating income		38,099	6,078
Operating income		**6,213,313**	**5,918,309**
Reversal of impairment loss on debt financial assets	9	259,901	57,999
Personnel expenses	10	(2,242,935)	(1,403,928)
Other general and administrative expenses	11	(1,117,088)	(817,109)
Reversal of impairment losses on financial guarantee contracts	27	13,909	17,547
Reversal/(charge) of impairment losses on other assets	18	42,124	(55,847)
Profit before income tax		**3,169,224**	**3,716,971**
Income tax expense	12	(318,437)	(398,593)
Profit and total comprehensive income for the year		**2,850,787**	**3,318,378**
Earnings per share			
Basic and diluted earnings per share, in KGS	24	**67.88**	**79.01**

The financial statements were approved by management on 11 March 2024.

Mr B. Kapyshev
Chairman of the Management Board

Ms D. Osmonova
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Note	31 December 2023 KGS'000	31 December 2022 KGS'000
ASSETS			
Cash and cash equivalents	13	30,028,984	23,400,230
Investment securities	14	817,204	1,109,922
Loans and advances to banks and other financial institutions	15	1,461,807	977,341
Loans to customers			
- Loans to corporate customers	16	19,094,818	18,458,975
- Loans to retail customers	16	3,971,519	2,663,499
Property, plant and equipment and intangible assets	17	1,866,033	1,373,644
Other assets	18	2,181,062	1,859,105
Total assets		**59,421,427**	**49,842,716**
LIABILITIES			
Financial instruments at fair value through profit or loss		13,329	8,305
Deposits and balances from banks and other financial institutions	19	449,738	323,910
Current accounts and deposits from customers			
Current accounts and deposits from corporate customers	20	19,550,852	16,045,567
- Current accounts and deposits from retail customers	20	22,692,222	18,619,293
Other borrowed funds	21	1,005,471	2,196,444
Deferred tax liabilities	12	283,724	292,266
Other liabilities	22	1,233,061	1,014,688
Total liabilities		**45,228,397**	**38,500,473**
EQUITY			
Share capital and reserves	23	2,100,000	1,050,000
Retained earnings		12,093,030	10,292,243
Total equity		**14,193,030**	**11,342,243**
Total liabilities and equity		**59,421,427**	**49,842,716**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2023 KGS'000	2022 KGS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	4,653,552	3,813,151
Interest payments	(771,170)	(885,462)
Fee and commission receipts	2,010,783	1,505,259
Fee and commission payments	(1,332,090)	(1,064,508)
Net receipts/(disposals) from financial instruments at fair value through profit or loss	54,357	(94,101)
Net receipts from foreign exchange	1,357,932	2,333,167
Other income receipts	21,804	6,580
Personnel and other general administrative expenses payments	(3,002,949)	(2,025,028)
(Increase)/decrease in operating assets		
Loans and advances to banks and other financial institutions	(443,167)	(528,422)
Loans to customers	(1,329,211)	2,836,066
Other assets	113,502	153,550
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	124,815	(43,718)
Current accounts and deposits from customers	6,850,229	(24,608,835)
Net cash from/(used in) operating activities before income tax	**8,308,387**	**(18,602,301)**
Income tax paid	(284,690)	(221,990)
Cash flows from/(used in) operations	**8,023,697**	**(18,824,291)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities	-	(334,383)
Proceeds from repayment of investment securities	341,562	642,000
Purchases of property, plant and equipment and intangible assets	(750,926)	(285,784)
Cash flows (used in)/from investing activities	**(409,364)**	**21,833**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of other borrowed funds (Note 21)	-	140,759
Repayment of other borrowed funds	(1,214,015)	(2,353,703)
Payments under lease agreements	(119,222)	(98,309)
Cash used in financing activities	**(1,333,237)**	**(2,311,253)**
Net increase/(decrease) in cash and cash equivalents	**6,281,096**	**(21,113,711)**
Effect of changes in exchange rates on cash and cash equivalents	346,636	704,662
Effect of changes in ECL on cash and cash equivalents	1,022	(7,980)
Cash and cash equivalents at the beginning of the year	23,400,230	43,817,259
Cash and cash equivalents at the end of the year (Note 13)	**30,028,984**	**23,400,230**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

KGS'000	**Share capital**	**Retained earnings**	**Total equity**
Balance at 1 January 2022	**1,050,000**	**6,973,865**	**8,023,865**
Total comprehensive income			
Profit for the year	-	3,318,378	**3,318,378**
Total comprehensive income for the year	**-**	**3,318,378**	**3,318,378**
Balance at 31 December 2022	**1,050,000**	**10,292,243**	**11,342,243**
Balance at 1 January 2023	**1,050,000**	**10,292,243**	**11,342,243**
Total comprehensive income			
Profit for the year	-	2,850,787	**2,850,787**
Total comprehensive income for the year	**-**	**2,850,787**	**2,850,787**
Transactions with owners, recorded directly in equity			
Shares issued (Note 23(a))	1,050,000	(1,050,000)	-
Total transactions with owners	**1,050,000**	**(1,050,000)**	**-**
Balance at 31 December 2023	**2,100,000**	**12,093,030**	**14,193,030**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Introduction

(a) Organisation and operations

Optima Bank OJSC (the "Bank") was established in the Kyrgyz Republic as an open joint-stock company in 1992. The Bank was previously known as ATFBank-Kyrgyzstan OJSC and UniCredit Bank OJSC. In April 2013, due to changes in ultimate controlling party it was officially re-registered with the Ministry of Justice of the Kyrgyz Republic under the new name.

The main activities of the Bank are attraction of deposits, opening and maintenance of customer accounts, provision of loans and guarantees, implementation of settlement and cash services, operations with securities and foreign currency. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBKR"). The Bank has a general banking license and is a member of the State Deposit Insurance System in the Kyrgyz Republic. The Bank's registered head office is: 493, Zhibek Zholu Avenue, Bishkek, 720070, Kyrgyz Republic.

The Bank has 21 branches (2022: 20 branches) from which it conducts business throughout the Kyrgyz Republic. The majority of the Bank's assets and liabilities are located in the Kyrgyz Republic.

The Bank is a subsidiary of First Heartland Jusan Bank JSC (the "Shareholder").

As at 31 December 2023, the Parent Company owned 97.14% of the Bank's outstanding shares (2022: 97.14%). The Bank's activities are closely linked with the requirements of the Parent Company - First Heartland Jusan Bank JSC. The Shareholder and ultimate controlling party and related party transactions are described in detail in Note 29.

(b) Kyrgyzstan business environment

The Bank's operations are primarily located in the Kyrgyz Republic. Consequently, the Bank is exposed to the economic and financial markets of Kyrgyzstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kyrgyzstan.

The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kyrgyzstan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The financial statements reflect management's assessment of the impact of the Kyrgyz Republic business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss.

(c) Functional and presentation currency

The functional currency of the Bank is the Kyrgyz som (“KGS”) as, being the national currency of the Kyrgyz Republic, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these financial statements.

Financial information presented in KGS is rounded to the nearest thousand.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgment, estimates and assumptions that affect the application of the Bank’s accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

– Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(e)(i).

– Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2023 is included in the following notes:

– Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4; impairment of loans to customers - Note 16.

3 Material accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

Foreign currency transactions are translated into the functional currency of the Bank using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit and loss.

(b) Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see 3(e)(iii).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes:

- financial liabilities measured at amortised cost.

(c) Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(b)).

Other fee and commission income – including account servicing fees, investment management fees, sales commission – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, nostro accounts held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments.

Notes issued by the NBKR, with original maturities of less than three months are classified by the Bank into 'cash equivalents' as it is a highly liquid financial asset, with low credit risk specific thereto.

Cash and cash equivalents are recognised at amortised cost in the statement of financial position.

(e) Financial assets and financial liabilities

(i) Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see Note 3(e)(ii)) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see Note 3(e)(i)).

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice; In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected): the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;

- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL, see Note 27.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3(e)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(ii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired.

In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the NBRK key rate, if the loan contract entitles the Bank to do so.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Bank analogises to the guidance on the derecognition of financial liabilities.

The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy).

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(e)(ii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income or interest loss calculated using the effective interest method (see Note 3(b)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iii) Impairment

See also Note 4.

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- issued financial guarantees contracts and loan commitments. No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1’ financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and ‘Stage 3’ financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(d)(iii)) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI as well as net investments in finance lease are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component (loan issued):* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'reversal of impairment losses on debt financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group;
- If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised as 'other assets'(See Note 18). The Bank presents gains or losses on a compensation right in profit or loss in the line item 'reserves for offset in the statement of financial position'.

(f) Loans to customers

'Loans to customers' caption in the statement of financial position includes:

- loans to customers measured at amortised cost (see Note 3(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(g) Investment securities

The 'debt securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 3(e)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(h) Deposits and other borrowed funds

Deposits and other borrowed funds were initially measured at fair value less incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(i) Financial guarantees contracts and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(e)(iii)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

As at 31 December 203 and 31 December 2022 the Bank had not have issued loan commitments measured at fair value through profit or loss.

For other loan commitments the Bank recognises loss allowance. (See Note 3(e)(iii)).

Financial liabilities arising from financial guarantees and loan commitments are included within provisions.

(j) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Bank currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank and all counterparties.

(k) Property and equipment

(i) Owned assets

Items of property and equipment are stated in the financial statements at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives of items of property and equipment are as follows:

Buildings	50 ears;
Furniture and office equipment	from 3 to 7 years;
Equipment	5 years;
Vehicles	7 years;
Right-of-use asset	from 2 to 10 years.

(l) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 3 to 7 years.

(m) Leases

(i) Leases as a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is recognised in the statement of financial position within 'Property and equipment and intangible assets'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The lease liabilities are recognised in the statement of financial position within 'Other liabilities'.

The lease liability is subsequently increased by the interest expense on the lease liability and decreased by lease payment made.

(ii) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Bank also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(iii) Leases as lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(n) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(o) Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the amount of such liability is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

The ability of the Bank to declare and pay dividends is subject to acting legislation of the Kyrgyz Republic.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(q) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: temporary differences on the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax the Bank takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(r) Segment reporting

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Bank's assets are concentrated in the Kyrgyz Republic and the Bank's revenues are derived from operations carried on in the Kyrgyz Republic. The Bank's Chief Operating Decision Maker is the Chairman of the Board; he/she receives and reviews the information on the Bank as a whole.

(s) New standards and interpretations not yet adopted

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1).

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

As disclosed in Note 21, the Bank has loans that are subject to specific covenants. While some of the loans are classified as non-current at 31 December 2023, a future breach of the related covenants may require the Bank to repay the liabilities earlier than the contractual maturity dates. The Bank is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures regarding supplier financing arrangements that help users of financial statements assess the impact of such arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendment will not have any impact on the financial statements of the Bank as the Bank has not entered into any supplier finance arrangements.

(t) Other standards

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements:

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).*
- *Lack of Exchangeability (Amendments to IAS 21).*

(u) New standards, amendments to standards and interpretations effective from 1 January 2023

The Bank has adopted a number of standards and amendments to standards, which are effective for annual statement periods beginning on or after 1 January 2023, unless otherwise stated.

- *IFRS 17 Insurance Contracts.*
- *Definition of Accounting Estimates (Amendments to IAS 8).*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes).*

These amendments had no effect on the Bank's financial statements. Financial guarantees issued by the Bank are recognised according to IFRS 9 *Financial Instruments*.

4 Financial risk review

This note presents information about the Bank’s exposure to financial risks. For information on the Bank's financial risk management framework, see Note 25.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iii).

Significant increase in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and informed credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses the following criteria for determining whether there has been a significant increase in credit risk:

- decline in the borrower's operating results, including in revenues, EBITDA and net profit, for the last six months as compared to the similar period of the prior year;
- qualitative factors;
- backstop of 30 days past due.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilisation of the granted limit. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies (with regard to financial counterparties) is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

Quantitative factors that are indicative of that credit risk have increased significantly on individually significant financial assets since initial recognition may include the occurrence of one or more of the events below:

- decline in the borrower's operating results, including in revenues, EBITDA and net profit, decrease in net turnovers in the borrower's bank account opened with the Bank for the last six months; on investment projects – significant deviations of the actual indicators from the targets under business plans;
- the borrower's death or involvement in legal proceedings that may deteriorate the borrower's financial condition;
- the classification of an asset changed so that it came two categories down;
- substantial deviation from forecast parameters identified during the financial monitoring;
- the asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Bank determines a three-month ‘probation period’ during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or the borrower’s credit obligation to the Bank is more than 90 days past due. Overdrafts are considered as being past due once the customer has breached an advised limit; or
- the borrower's bankruptcy; the borrower's involvement in legal proceedings that may cause the borrower to default on loan payments; the borrower’s death (if the source of payments of credit obligations is the borrower’s wage, or the borrower is unlikely to continue doing business);
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower’s inability to pay its credit obligations; or
- indication of default for the borrower’s other obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same borrower to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates two economic scenarios, apart from a base case: an upside and a downside scenario, the probability of occurring of which is based on the percentage of forecasts realisation for the previous 7 years. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, such as the NBKR, the Ministry of Economic Development, and selected private sector and academic forecasters.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

In 2023, the key drivers are: forecast of consumer price index changes, unemployment rate forecast, and the USD exchange rate forecasts in relation to the national currency and the GDP forecast in current prices. The economic scenarios used as at 31 December 2023 included the following ranges of key indicators for the Kyrgyz Republic for 2023.

In 2023, the Bank remained unchanged the weightings of each of the scenarios for key macroeconomic indicators in the context of the post-COVID period and military conflict in Ukraine, and determined the weighting of the Downside scenario to be at 60% (2022: 60%), the Base scenario - at 30% (2022: 30%), the Upside scenario - at 10% (2022: 10%).

	2024
USD/KGS exchange rate forecasts;	Downside – 60%, the exchange rate = KGS 104.51 / USD 1.00 Base – 30%, the exchange rate =KGS 90.74/ USD 1.00 Upside – 10%, the exchange rate = KGS 76.97 /USD 1.00
Forecast of consumer price index changes	Downside – 60%, the CPI growth rate = 2.58% Base – 30%, the CPI growth rate= 8.0% Upside – 10%, the CPI growth rate= 13.42%
Unemployment rate forecast	Downside – 60%, unemployment rate = 9.78% Base – 30%, unemployment rate = 9.01.% Upside – 10%, unemployment rate = 8.25%
GDP forecast in current prices	Downside – 60%, the GDP declining at -0.36% Base – 30%, the GDP growth rate = 4.30% Upside – 10%, the GDP growth rate = 8.96%

In 2022, the key drivers are: forecast of consumer price index changes, unemployment rate forecast, and the USD exchange rate forecasts in relation to the national currency and the GDP forecast in current prices. The economic scenarios used as at 31 December 2022 included the following ranges of key indicators for the Kyrgyz Republic for 2022.

	2023
USD/KGS exchange rate forecasts;	Downside – 60%, the exchange rate = KGS 109.57 / USD 1.00 Base – 30%, the exchange rate =KGS 96.50/ USD 1.00 Upside – 10%, the exchange rate = KGS 83.42/USD 1.00
Forecast of consumer price index changes	Downside – 60%, the CPI growth rate = 4.65% Base – 30%, the CPI growth rate = 10.1% Upside – 10%, the CPI growth rate= 15.6%
Unemployment rate forecast	Downside – 60%, unemployment rate = 7.36% Base – 30%, unemployment rate = 6.60% Upside – 10%, unemployment rate =5.84%
GDP forecast in current prices	Downside – 60%, the GDP declining at 0.28% rate Base – 30%, the GDP growth rate = 3.2% Upside – 10%, the GDP growth rate = 6.68%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on the analysis of historical data for the last 9 years.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(e)(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new originated loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at the recognition date).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3(e)(iii)). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of expected credit losses (ECL)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Bank estimates LGD parameters for loans of less than USD 500,000 on a collective basis, based on the history of write-offs/ recovery rates of claims against defaulted counterparties. Analysis is conducted on a collective basis using the parameters 'Type of product' and 'Number of years in default'. Thus, LGD parameter is determined as a recovery ratio equal to 1. A recovery ratio is calculated as an average weighted percentage of recoveries on defaulted loans on a discounted cash flow basis using the effective interest rate as a discount factor. The Bank estimates LGD parameters for loans of greater than USD 500,000 on a loan-by-loan basis, calculated by discounting the lesser of the loan amount outstanding and the value of collaterals, using the effective interest rate. For investment securities, loans and advances to banks and other financial institutions, the Bank applies LGD parameter based on the statistics of international rating agencies Moody', Standard & Poor's or a rating assigned by Fitch.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. For all financial assets with annuity payment schedule and for major assets with individual payment schedules, the EAD of a financial asset is its gross carrying amount at the expected date of default. For all other assets, where the EAD of a financial asset at the expected date of default is not available without undue cost or effort, the EAD of a financial asset is its gross carrying amount at the reporting date.

For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

To calculate PD, the Bank uses a loss rate, which is estimated based on historic loss migration model, for the past 60 months.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include:

- instrument type;
- industry.

For assessment of the probability of default on modified loans due to the deterioration of the financial condition of the Bank's borrower, the Bank uses observation matrix of migration of the similar loans to default category for the last 60 months. Such loans are grouped similarly to as other loans of the portfolio are grouped.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

5 Net interest income

	2023 KGS'000	2022 KGS'000
Interest income calculated using the effective interest method		
Loans to customers	3,252,549	3,109,017
Cash and cash equivalents	1,395,856	746,448
Investment securities	97,251	91,739
Loans and advances to banks and other financial institutions	53,210	9,985
Finance lease receivables	42,869	40,166
	4,841,735	**3,997,355**
Interest expense		
Current accounts and deposits from customers	721,572	646,382
Other borrowed funds	52,827	196,408
Lease liabilities	27,664	28,002
Deposits from banks and other financial institutions	1,221	1,448
	803,284	**872,240**
Net interest income	**4,038,451**	**3,125,115**

6 Fee and commission income

	2023 KGS'000	2022 KGS'000
Payment card maintenance fees	1,350,918	838,966
Cash withdrawal	250,730	294,645
Money transfers	261,445	206,875
Guarantee and letter of credit issuance fees	31,106	37,310
Foreign exchange fees	42,255	81,293
Safe custody fees	9,630	6,089
Other	63,329	42,362
	2,009,413	**1,507,540**

Fee and commission income that are not integral to the effective interest rate on a financial asset or financial liability is recognised depending on the type of the service either at a point in time or as the Bank satisfies its performance obligation under the contract:

- card maintenance fees, fees imposed for money transfers, cash withdrawal, foreign exchange operations, and execution of customers' payment orders, as well as fees for issuance of guarantees and letters of credit are charged in accordance with tariffs depending on the type of the transaction and recognised as income at the time of the transaction.

- safe custody fees are payable by the customer in advance and are recognised as income over the term of the contracts with customers.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	31 December 2023 KGS'000	**31 December 2022 KGS'000**
Fee and commission receivables, which are included in 'other assets' (Note 18)	10,835	12,205

As at 31 December 203, the Bank had performance obligations for a total of KGS 3,108 thousand (31 December 2022: KGS 2,350 thousand) with an original expected duration of one year or less, as required by IFRS 15.

7 Fee and commission expense

	2023 KGS'000	**2022 KGS'000**
Payment card maintenance fees	1,153,542	933,885
Settlement fees	123,100	87,037
Foreign exchange fees	36,242	55,851
Cash transaction fees	12,271	11,319
Other	5,853	4,356
	1,331,008	**1,092,448**

8 Net foreign exchange gain

	2023 KGS'000	**2022 KGS'000**
Gain on spot transactions	1,357,932	2,333,167
Gains/(losses) from revaluation of financial assets and liabilities	35,377	(19,998)
	1,393,309	**2,313,169**

9 Reversal of impairment loss on debt financial assets

	2023 KGS'000	**2022 KGS'000**
Loans to customers	257,380	69,424
Investment securities	2,144	2,550
Cash and cash equivalents	1,022	(7,980)
Loans and advances to banks and other financial institutions	(645)	(5,995)
	259,901	**57,999**

10 Personnel expenses

	2023 KGS'000	2022 KGS'000
Employee compensation	1,920,233	1,188,558
Contributions to Social Fund made by employer	322,702	215,370
	2,242,935	**1,403,928**

11 Other general and administrative expenses

	2023 KGS'000	2022 KGS'000
Depreciation and amortisation (Note 17)	342,935	267,715
Repair and maintenance	139,260	101,350
Professional services	132,651	70,549
Security	124,726	59,825
Payments to Deposits Insurance Fund	69,148	76,912
Office supplies	67,535	62,084
Communications and information services	61,043	39,886
Advertising and marketing	50,290	31,629
Operating lease expense	37,639	29,947
Business travel expenses	13,576	8,232
Taxes other than income tax	9,126	1,228
Representation expenses	4,356	5,210
Impairment loss on intangible assets	3,416	-
Insurance	2,583	1,919
Other	58,804	60,623
	1,117,088	**817,109**

Included in professional services are fees for the services of audit of the Bank's financial statements for 2023 of KGS 14,592 thousand (2022: KGS 11,685 thousand) inclusive of taxes provided for by the legislation of the Kyrgyz Republic.

12 Income tax expense

	2023 KGS'000	2022 KGS'000
Current tax expense		
Current year	326,708	201,947
Current tax expense underprovided in prior reporting periods	271	60
	326,979	**202,007**
Deferred tax expense		
Origination and reversal of temporary differences	(8,542)	196,586
Total income tax expense	**318,437**	**398,593**

The Bank's applicable tax rate for current and deferred tax is 10% (2022: 10%).

Reconciliation of effective tax rate:

	2023		2022	
	KGS'000	**%**	**KGS'000**	**%**
Profit before income tax	**3,169,224**	**100**	**3,716,971**	**100**
Income tax at the applicable tax rate	316,922	10.0	371,697	10.0
Temporary differences originated as the result of changes in tax law	-	-	25,373	0.7
Non-taxable income	1,244	0.0	1,463	0.0
Effect of tax expense underprovided in prior reporting periods	271	0.0	60	0.0
	318,437	**10.0**	**398,593**	**10.7**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax liability as at 31 December 2023 and 31 December 2022. This deferred tax liability is not recognised in these financial statements. The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences for the years ended 31 December 2023 and 31 December 2022 are presented as follows:

KGS'000	**Balance at 1 January 2023**	**Recognised in profit or loss**	**Balance at 31 December 2023**
Cash and cash equivalents	801	(194)	607
Investment securities	1,059	(214)	845
Loans and advances to banks and other financial institutions	636	90	726
Loans to customers	(259,762)	14,530	(245,232)
Property and equipment and intangible assets	(54,525)	(6,131)	(60,656)
Other assets	(44,542)	1,406	(43,136)
Other liabilities	64,067	(945)	63,122
	(292,266)	**8,542**	**(283,724)**

KGS'000	**Balance at 1 January 2022**	**Recognised in profit or loss**	**Balance at 31 December 2022**
Cash and cash equivalents	57	744	801
Investment securities	1,315	(256)	1,059
Loans and advances to banks and other financial institutions	28	608	636
Loans to customers	(99,686)	(160,076)	(259,762)
Property and equipment and intangible assets	(42,545)	(11,980)	(54,525)
Other assets	(18,617)	(25,925)	(44,542)
Other liabilities	63,768	299	64,067
	(95,680)	**(196,586)**	**(292,266)**

13 Cash and cash equivalents

	31 December 2023 KGS'000	31 December 2022 KGS'000
Cash on hand	**5,882,162**	**7,016,201**
Nostro accounts with the NBKR	**9,217,131**	**2,976,943**
Nostro accounts with other banks		
- rated from A- to A+	4,270,812	3,953,595
- rated BBB	423,656	145,430
- rated from B+ to BB-	786,619	-
- rated from B- to B+	-	482,252
- not rated	369,930	386,787
Total nostro accounts with other banks	**5,851,017**	**4,968,064**
Cash equivalents		
- Term deposits with the with banks rated BBB	892,152	-
- Term deposits with banks not rated	541,829	-
- Overnight deposits with the National Bank of the Kyrgyz Republic	-	2,700,750
- Notes of the National Bank of the Kyrgyz Republic with original maturities of less than three months	7,650,758	5,746,279
Total cash equivalents	**9,084,739**	**8,447,029**
Gross cash and cash equivalents	**30,035,049**	**23,408,237**
Loss allowance	(6,065)	(8,007)
Total cash and cash equivalents	**30,028,984**	**23,400,230**

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies.

As at 31 December 2022, the Bank had balances with Russian banks, not rated, for a total of KGS 369,930 thousand (2022: KGS 386,787 thousand).

Not-rated instruments comprise bank balances with the banks of the Russian Federation, whose ratings have been withdrawn by appropriate agencies. Prior to the withdrawal, the assigned credit ratings were from BB+ to BBB- under the Standard&Poor's' scale. According to the Bank, withdrawal of these cash from accounts is in no way restricted.

As at 31 December 2023, the Bank has 2 banks (2022: 3 banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is KGS 19,889,489 thousand (2022: KGS 15,265,078 thousand).

In accordance with the NBKR's mandatory reserve requirements, the funds held in the correspondent account should amount, on a daily basis, to at least 70% (31 December 2022: 70%) of the Bank's required reserves. As at 31 December 2023, the Bank complies with the reserve requirements, amounting to KGS 3,463,844 thousand (31 December 2022: KGS 2,956,721 thousand). The Bank can withdraw money from such account as it is not restricted by the legislation. The Bank may use the entire balance in the correspondent account during a banking day, however, at the end of the day the balance should be at least 70% of the mandatory reserve requirements (31 December 2022: 70% of the mandatory reserve requirements).

As at 31 December 2023 and 31 December 2022, no cash and cash equivalents are impaired or past due and are classified as Stage 1 assets. The following tables slow reconciliations from the opening to the closing balances of the loss allowance for cash and cash equivalents.

	2023 KGS'000	2022 KGS'000
	Stage 1	**Stage 1**
Cash and cash equivalents		
Balance at 1 January	8,007	570
Net remeasurement of loss allowance	(1,022)	7,980
Movements in foreign exchange rates	(920)	(543)
Balance at 31 December	**6,065**	**8,007**

14 Investment securities

	31 December 2023 KGS'000	31 December 2022 KGS'000
Measured at amortised cost		
Non-pledged		
Government and municipal bonds, bills and notes		
- Treasury bonds of the Ministry of Finance of the Kyrgyz Republic	31,894	337,155
Total non-pledged Government and municipal bonds, bills and notes	**31,894**	**337,155**
Pledged		
Government and municipal bonds, bills and notes		
- Treasury bonds of the Ministry of Finance of the Kyrgyz Republic	793,761	783,362
Total pledged Government and municipal bonds, bills and notes	**793,761**	**783,362**
Total Government and municipal bonds, bills and notes	**825,655**	**1,120,517**
Loss allowance	(8,451)	(10,595)
Total Government and municipal bonds, bills and notes	**817,204**	**1,109,922**

As at 31 December 2023, the treasury bonds of the Ministry of Finance of the Kyrgyz Republic used to collateralise loans from the Russian-Kyrgyz Development Fund amounted to KGS 793,761 thousand (2022: KGS 783,362 thousand) (Note 21).

Investment securities are neither credit-impaired nor past due and are classified as Stage 1 instruments.

Movements in the loss allowance are as follows:

	2023 KGS'000	2022 KGS'000
	Stage 1	**Stage 1**
Investment securities		
Balance at 1 January	10,595	13,145
Net remeasurement of loss allowance	(2,144)	(2,550)
Balance at 31 December	**8,451**	**10,595**

15 Loans and advances to banks and other financial institutions

	31 December 2023 KGS'000	31 December 2022 KGS'000
Loans and deposits		
Other financial institutions		
- rated from A- to A+	1,146,494	707,151
Financial institutions of the Kyrgyz Republic, not rated	178,171	171,360
The National Bank of the Kyrgyz Republic	144,399	105,187
Net loans and deposits to banks and other financial institutions	**1,469,064**	**983,698**
Loss allowance	(7,257)	(6,357)
Net loans and deposits to banks and other financial institutions	**1,461,807**	**977,341**

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies.

A financial institution, that is not rated, is a second-tier bank which sole shareholder is the Government of the Kyrgyz Republic. The credit rating of this bank may be set equal to the sovereign credit rating 'B-' of the Kyrgyz Republic under the Standard&Poor's scale.

As at 31 December 2023, loans and advances to banks and other financial institutions used to collateralise loans from the Russian-Kyrgyz Development Fund amounted to KGS 178,171 thousand (2022: KGS 171,360 thousand) (see Note 21).

As at 31 December 2023, loans and advances to banks and other financial institutions used to collateralise settlements with plastic card payment systems amounted to KGS 1,290,893 thousand (2022: KGS 812,338 thousand).

As at 31 December 2023, the Bank has no counterparties (2022: none), whose balances exceed 10% of the Bank's equity.

As at 31 December 2023 and 31 December 2022, loans and advances to banks and other financial institutions are neither credit-impaired nor past due and are classified as Stage 1 instruments.

Movements in the loss allowance are as follows:

	2023 KGS'000	2022 KGS'000
	Stage 1	Stage 1
Loans to banks and other financial institutions		
Balance at 1 January	6,357	279
Net remeasurement of loss allowance	645	5,995
Movements in foreign exchange rates	255	83
Balance at 31 December	**7,257**	**6,357**

16 Loans to customers

	31 December 2023 KGS'000	31 December 2022 KGS'000
Loans to legal entities		
Loans to corporate customers	4,454,547	5,569,195
Loans to small and medium-sized entities	16,604,265	15,211,856
Total loans to legal entities	**21,058,812**	**20,781,051**
Loans to retail customers		
Mortgage loans	1,181,936	1,188,157
Consumer loans	2,838,612	1,314,645
Credit cards and other	90,091	288,749
Total loans to retail customers	**4,110,639**	**2,791,551**
Gross loans to customers	**25,169,451**	**23,572,602**
Loss allowance	(2,103,114)	(2,450,128)
Net loans to customers	**23,066,337**	**21,122,474**

As at 31 December 2023, the loan portfolio includes loans to customers, which serve as collateral to secure fulfilment of liabilities on other borrowed funds of the Bank with net carrying amount of KGS 456,164 thousand (31 December 2022: KGS 1,021,652 thousand) (see Note 21).

(a) Analysis of movements in the loss allowance for loans to customers measured at amortised cost

	2023					2022				
'000 KGS	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January	245,733	147,484	2,008,747	48,164	2,450,128	338,788	353,680	2,126,424	-	2,818,892
Transfer to Stage 1	109,101	(20,963)	(88,138)	-	-	7,511	(3,801)	(3,710)	-	-
Transfer to Stage 2	(6,654)	50,264	(43,610)	-	-	(8,512)	48,325	(39,813)	-	-
Transfer to Stage 3	(3,848)	(41,607)	45,455	-	-	(10,282)	(218,209)	228,491	-	-
Net remeasurement of loss allowance	(245,889)	27,030	(150,420)	4,694	(364,585)	(113,110)	(32,858)	17,122	28,662	(100,184)
New financial assets originated or purchased	107,205	-	-	-	107,205	30,760	-	-	-	30,760
Write-offs	-	-	(235,544)	-	(235,544)	-	-	(412,900)	-	(412,900)
Unwinding of discount	-	-	9,349	83,677	93,026	-	-	88,414	19,502	107,916
Movements in foreign exchange rates	5,683	4,482	42,719	-	52,884	578	347	4,719	-	5,644
Balance at 31 December	**211,331**	**166,690**	**1,588,558**	**136,535**	**2,103,114**	**245,733**	**147,484**	**2,008,747**	**48,164**	**2,450,128**

Analysis of movements in loss allowance for loans to corporate customers:

	2023					2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January	63,637	37,985	883,993	48,164	1,033,779	39,653	210,313	810,294	-	1,060,260
Transfer to Stage 1	6,954	(6,954)	-	-	-	1,145	(1,145)	-	-	-
Transfer to Stage 2	-	-	-	-	-	(2,130)	2,130	-	-	-
Transfer to Stage 3	-	(28,593)	28,593	-	-	(3,345)	(163,878)	167,223	-	-
Net remeasurement of loss allowance	(52,596)	(1,954)	30,195	(24,826)	(49,181)	20,315	(9,524)	(3,184)	28,662	36,269
New financial assets originated or purchased	1,868	-	-	-	1,868	7,849	-	-	-	7,849
Write-offs	-	-	(108,006)	-	(108,006)	-	-	(149,345)	-	(149,345)
Unwinding of discount	-	-	41,474	61,378	102,852	-	-	56,928	19,502	76,430
Movements in foreign exchange rates	549	13	24,215	-	24,777	150	89	2,077	-	2,316
Balance at 31 December	**20,412**	**497**	**900,464**	**84,716**	**1,006,089**	**63,637**	**37,985**	**883,993**	**48,164**	**1,033,779**

Analysis of movements in loss allowance for loans to small- and medium-sized entities:

	2023					2022			
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	155,738	98,146	1,034,413	-	1,288,297	256,214	130,099	1,234,129	1,620,442
Transfer to Stage 1	99,793	(12,255)	(87,538)	-	-	4,755	(1,395)	(3,360)	-
Transfer to Stage 2	(6,236)	49,467	(43,231)	-	-	(5,553)	45,293	(39,740)	-
Transfer to Stage 3	(3,063)	(9,621)	12,684	-	-	(6,103)	(51,363)	57,466	-
Net remeasurement of loss allowance	(174,982)	29,644	(161,281)	29,520	(277,099)	(110,268)	(24,719)	15,822	(119,165)
New financial assets originated or purchased	54,763	-		-	54,763	16,327	-	-	16,327
Write-offs	-	-	(127,796)	-	(127,796)	-	-	(257,078)	(257,078)
Unwinding of discount	-	-	(26,925)	22,299	(4,626)	-	-	24,744	24,744
Movements in foreign exchange rates	3,482	4,294	16,590	-	24,366	366	231	2,430	3,027
Balance at 31 December	**129,495**	**159,675**	**616,916**	**51,819**	**957,905**	**155,738**	**98,146**	**1,034,413**	**1,288,297**

Analysis of movements in loss allowance for loans to retail customers:

	2023				2022			
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage and consumer loans								
Balance at 1 January	26,358	11,353	90,341	128,052	42,921	13,268	82,001	138,190
Transfer to Stage 1	2,354	(1,754)	(600)	-	1,611	(1,261)	(350)	-
Transfer to Stage 2	(418)	797	(379)	-	(829)	902	(73)	-
Transfer to Stage 3	(785)	(3,393)	4,178	-	(834)	(2,968)	3,802	-
Net remeasurement of loss allowance	(18,311)	(660)	(19,334)	(38,305)	(23,157)	1,385	4,484	(17,288)
New financial assets originated or purchased	50,574	-	-	50,574	6,584	-	-	6,584
Write-offs	-	-	258	258	-	-	(6,477)	(6,477)
Unwinding of discount	-	-	(5,200)	(5,200)	-	-	6,742	6,742
Movements in foreign exchange rates	1,652	175	1,914	3,741	62	27	212	301
Balance at 31 December	**61,424**	**6,518**	**71,178**	**139,120**	**26,358**	**11,353**	**90,341**	**128,052**

(b) Analysis of movements in gross carrying amounts of loans to customers measured at amortised cost

	2023					2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January	16,392,160	1,751,307	4,986,265	442,870	23,572,602	18,163,431	3,472,076	4,991,743	200,844	2,6828,094
Transfer to Stage 1	676,993	(473,210)	(203,783)	-	-	178,825	(174,777)	(4,048)	-	-
Transfer to Stage 2	(521,919)	598,372	(76,453)	-	-	(366,598)	514,416	(147,818)	-	-
Transfer to Stage 3	(110,889)	(381,839)	492,728	-	-	(392,375)	(1,074,767)	1,467,142	-	-
Financial assets repaid	(6,044,927)	(470,255)	(1,264,626)	(4,047)	(7,783,855)	(3,308,555)	(989,917)	(920,029)	-	(5,218,501)
New financial assets originated or purchased	9,193,530	-	-	-	9,193,530	2,077,401	-	-	242,026	2,319,427
Write-offs	-	-	(235,544)	-	(235,544)	-	-	(412,900)	-	(412,900)
Movements in foreign exchange rates	340,587	17,812	64,319	-	422,718	40,031	4,276	12,175	-	56,482
Balance at 31 December	**19,925,535**	**1,042,187**	**3,762,906**	**438,823**	**25,169,451**	**16,392,160**	**1,751,307**	**4,986,265**	**442,870**	**23,572,602**

Analysis of movements in gross carrying amount of loans to corporate customers:

	2023					2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January	2,336,313	629,077	2,314,928	288,877	5,569,195	3,060,545	1,287,626	1,910,254	200,844	6,459,269
Transfer to Stage 1	73,557	(73,557)	-	-	-	146,786	(146,786)	-	-	-
Transfer to Stage 2	-	-	-	-	-	(195,742)	195,742	-	-	-
Transfer to Stage 3	-	(332,397)	332,397	-	-	(202,178)	(461,414)	663,592	-	-
Financial assets repaid	(606,639)	(154,240)	(424,758)	(23,411)	(1,209,048)	(704,841)	(247,627)	(115,226)	-	(1,067,694)
New financial assets originated or purchased	130,802	-	-	-	130,802	226,038	-	-	88,033	314,071
Write-offs	-	-	(108,006)	-	(108,006)	-	-	(149,345)	-	(149,345)
Movements in foreign exchange rates	33,634	1,197	36,773	-	71,604	5,705	1,536	5,653	-	12,894
Balance at 31 December	**1,967,667**	**70,080**	**2,151,334**	**265,466**	**4,454,547**	**2,336,313**	**629,077**	**2,314,928**	**288,877**	**5,569,195**

Analysis of movements in gross carrying amount of loans to small- and medium-sized entities:

	2023					2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January	11,626,980	983,337	2,447,546	153,993	15,211,856	12,420,297	1,952,904	2,822,555	-	17,195,756
Transfer to Stage 1	598,314	(395,401)	(202,913)	-	-	17,715	(14,848)	(2,867)	-	-
Transfer to Stage 2	(505,718)	581,311	(75,593)	-	-	(134,467)	281,897	(147,430)	-	-
Transfer to Stage 3	(80,711)	(34,372)	115,083	-	-	(157,841)	(584,776)	742,617	-	-
Financial assets repaid	(3,852,437)	(256,578)	(748,359)	19,364	(4,838,010)	(1,970,009)	(654,241)	(716,228)	-	(3,340,478)
New financial assets originated or purchased	6,077,364	-	-	-	6,077,364	1,422,891	-	-	153,993	1,576,884
Write-offs	-	-	(127,796)	-	(127,796)	-	-	(257,078)	-	(257,078)
Movements in foreign exchange rates	241,094	15,273	24,484	-	280,851	28,394	2,401	5,977	-	36,772
Balance at 31 December	**14,104,886**	**893,570**	**1,432,452**	**173,357**	**16,604,265**	**11,626,980**	**983,337**	**2,447,546**	**153,993**	**15,211,856**

Analysis of movements in gross carrying amount of loans to retail customers:

	2023				2022			
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage and consumer loans								
Balance at 1 January	2,428,867	138,893	223,791	2,791,551	2,682,589	231,546	258,934	3,173,069
Transfer to Stage 1	5,122	(4,252)	(870)	-	14,324	(13,143)	(1,181)	-
Transfer to Stage 2	(16,201)	17,061	(860)	-	(36,389)	36,777	(388)	-
Transfer to Stage 3	(30,178)	(15,070)	45,248	-	(32,356)	(28,577)	60,933	-
Financial assets repaid	(1,585,851)	(59,437)	(91,509)	(1,736,797)	(633,705)	(88,049)	(88,575)	(810,329)
New financial assets originated or purchased	2,985,364	-	-	2,985,364	428,472	-	-	428,472
Write-offs	-	-	258	258	-	-	(6,477)	(6,477)
Movements in foreign exchange rates	65,859	1,342	3,062	70,263	5,932	339	545	6,816
Balance at 31 December	**3,852,982**	**78,537**	**179,120**	**4,110,639**	**2,428,867**	**138,893**	**223,791**	**2,791,551**

(c) Credit quality of loans to customers

The following table provides information on the credit quality of loans measured at amortised cost as at 31 December 2023 and 31 December 2022: Unless specially indicated, for loans, the amounts in the table represent gross carrying amounts.

The Bank categorises loans to customers as follows:

- Grade 1: Standard – loans for which the necessary cash flow is generated sufficient to ensure that the client fulfils its obligations, as well as loans which, as of the current moment, bear no risk exceeding the normal banking practice, where neither principal amount nor interest are past due;
- Grade 2: watch list – loans, which have been overdue for up to 30 days during the reporting year. The Bank also categorises loans issued in foreign currency as “watch” loans;
- Grade 3: Substandard – assets for which there is a significant increase in credit risk; payments are 31-90 days overdue; restructuring or extension (in the event of a deterioration of the financial position) in case of failure to make 3 consecutive repayments without delay as per the repayment schedule;
- Grade 4: Doubtful – loans included in this grade have the same deficiencies as the substandard grade, but they are also associated with additional problems, which in combination with other deficiencies make repayment of debts, based on known facts and conditions, highly questionable, payments are more than 90 days overdue;
- Grade 5: Problem loans – loans classified as Problem Loans are hardly collectible and are handled by the Non-Performing Loans Department.

Explanation of the terms: Stage 1, Stage 2, Stage 3, and POCI are included in Note 3(b).

The following tables provide information on the quality of loans to corporate customers and small and medium-size businesses, assessed individually, by quality grade:

	31 December 2023					31 December 2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Corporate customers assessed individually										
With internally rated credit risk:										
Grade 1: Standard	558,283	-	-	-	558,283	447,037	-	-	-	447,037
Grade 2: Watch list	1,399,585	-	-	-	1,399,585	1,864,934	-	-	-	1,864,934
Grade 3: Substandard	-	70,080	-	-	70,080	-	627,590	-	-	627,590
Grade 4: Doubtful	-	-	239,257	-	239,257	-	-	308,545	-	308,545
Grade 5: Problem	-	-	1,831,016	250,185	2,081,201	-	-	1,915,783	288,877	2,204,660
Gross loans to corporate customers	**1,957,868**	**70,080**	**2,070,273**	**250,185**	**4,348,406**	**2,311,971**	**627,590**	**2,224,328**	**288,877**	**5,452,766**
Loss allowance	(20,332)	(497)	(841,356)	(84,716)	(946,901)	(62,384)	(37,822)	(827,796)	(48,164)	(976,166)
Total net loans to corporate customers	**1,937,536**	**69,583**	**1,228,917**	**165,469**	**3,401,505**	**2,249,587**	**589,768**	**1,396,532**	**240,713**	**4,476,600**

	31 December 2023					31 December 2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Small- and medium size businesses assessed individually										
With internally rated credit risk:										
Grade 1: Standard	2,315,929	-	-	-	2,315,929	1,863,261	-	-	-	1,863,261
Grade 2: Watch list	3,903,563	-	-	-	3,903,563	2,237,605	-	-	-	2,237,605
Grade 3: Substandard	-	536,933	-	-	536,933	96,594	564,839	-	-	661,433
Grade 4: Doubtful	-	-	471,764	-	471,764	-	-	855,739	-	855,739
Grade 5: Problem	-	-	192,438	129,522	321,960	-	-	313,813	105,091	418,904
Gross loans to small and medium-size businesses	**6,219,492**	**536,933**	**664,202**	**129,522**	**7,550,149**	**4,197,460**	**564,839**	**1,169,552**	**105,091**	**6,036,942**
Loss allowance	(55,003)	(98,696)	(244,910)	(41,364)	(439,973)	(53,822)	(52,660)	(465,611)	-	(572,093)
Total net loans to small and medium-size businesses	**6,164,489**	**438,237**	**419,292**	**88,158**	**7,110,176**	**4,143,638**	**512,179**	**703,941**	**105,091**	**5,464,849**

The following tables provide information on the quality of loans to customers by the number of days past due:

	31 December 2023					31 December 2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross loans to customers										
Not overdue	19,878,859	1,013,592	1,299,009	186,960	22,378,420	16,317,154	1,477,587	2,196,860	88,713	20,080,314
Overdue less than 30 days	46,676	3,793	702,698	-	753,167	75,006	221,908	584,284	14,158	895,356
Overdue 30-89 days	-	24,802	371,214	-	396,016	-	51,812	48,932	150,316	251,060
Overdue 90-179 days	-	-	145,264	4,702	149,966	-	-	146,782	95,465	242,247
Overdue 180-360 days	-	-	94,525	16,871	111,396	-	-	889,787	73,938	963,725
Overdue more than 360 days	-	-	1,150,196	230,290	1,380,486	-	-	1,119,620	20,280	1,139,900
Gross loans to corporate customers	**19,925,535**	**1,042,187**	**3,762,906**	**438,823**	**25,169,451**	**16,392,160**	**1,751,307**	**4,986,265**	**442,870**	**23,572,602**
Loss allowance	(211,332)	(166,690)	(1,588,557)	(136,535)	(2,103,114)	(245,733)	(147,484)	(2,008,747)	(48,164)	(2,450,128)
Total net loans to customers	**19,714,203**	**875,497**	**2,174,349**	**302,288**	**23,066,337**	**16,146,427**	**1,603,823**	**2,977,518**	**394,706**	**21,122,474**

	31 December 2023					31 December 2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Corporate customers assessed individually										
Not overdue	1,957,868	70,080	536,731	171,679	2,736,358	2,311,971	431,848	759,293	88,713	3,591,825
Overdue less than 30 days	-	-	631,846	-	631,846	-	195,742	465,616	14,158	675,516
Overdue 30-89 days	-	-	263,852	-	263,852	-	-	-	133,882	133,882
Overdue 90-179 days	-	-	-	-	-	-	-	-	31,844	31,844
Overdue 180-360 days	-	-	-	16,871	16,871	-	-	507,555	-	507,555
Overdue more than 360 days	-	-	637,844	61,635	699,479	-	-	491,864	20,280	512,144
Gross loans to corporate customers	**1,957,868**	**70,080**	**2,070,273**	**250,185**	**4,348,406**	**2,311,971**	**627,590**	**2,224,328**	**288,877**	**5,452,766**
Loss allowance	(20,332)	(497)	(841,356)	(84,716)	(946,901)	(62,384)	(37,822)	(827,796)	(48,164)	(976,166)
Total net loans to corporate customers	**1,937,536**	**69,583**	**1,228,917**	**165,469**	**3,401,505**	**2,249,587**	**589,768**	**1,396,532**	**240,713**	**4,476,600**

	31 December 2023					31 December 2022				
KGS’000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Corporate customers assessed collectively										
Not overdue	9,799	-	-	15,281	25,080	24,342	1,487	-	-	25,829
Overdue less than 30 days	-	-	-	-	-	-	-	-	-	-
Overdue 30-89 days	-	-	18,914	-	18,914	-	-	-	-	-
Overdue 90-179 days	-	-	-	-	-	-	-	-	-	-
Overdue 180-360 days	-	-	-	-	-	-	-	36,878	-	36,878
Overdue more than 360 days	-	-	62,147	-	62,147	-	-	53,722	-	53,722
Gross loans to corporate customers	**9,799**	**-**	**81,061**	**15,281**	**106,141**	**24,342**	**1,487**	**90,600**	**-**	**116,429**
Loss allowance	(80)	-	(59,108)	-	(59,188)	(1,253)	(163)	(56,197)	-	(57,613)
Total net loans to corporate customers	**9,719**	**-**	**21,953**	**15,281**	**46,953**	**23,089**	**1,324**	**34,403**	**-**	**58,816**

	31 December 2023					31 December 2022				
KGS’000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Small- and medium size businesses assessed individually										
Not overdue	6,219,492	536,933	369,755	-	7,126,180	4,197,460	564,839	800,663	-	5,562,962
Overdue less than 30 days	-	-	45,865	-	45,865	-	-	62,673	-	62,673
Overdue 30-89 days	-	-	56,144	-	56,144	-	-	-	-	-
Overdue 90-179 days	-	-	58,067	-	58,067	-	-	11,393	34,159	45,552
Overdue 180-360 days	-	-	31,068	-	31,068	-	-	117,324	70,933	188,257
Overdue more than 360 days	-	-	103,303	129,522	232,825	-	-	177,499	-	177,499
Gross loans to small and medium-size businesses	**6,219,492**	**536,933**	**664,202**	**129,522**	**7,550,149**	**4,197,460**	**564,839**	**1,169,552**	**105,092**	**6,036,943**
Loss allowance	(55,003)	(98,696)	(244,910)	(41,364)	(439,973)	(53,822)	(52,660)	(465,611)	-	(572,093)
Total net loans to small and medium-size businesses	**6,164,489**	**438,237**	**419,292**	**88,158**	**7,110,176**	**4,143,638**	**512,179**	**703,941**	**105,092**	**5,464,850**

	31 December 2023					31 December 2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Small and medium-size businesses assessed collectively										
Not overdue	7,879,301	354,464	345,506	-	8,579,271	7,403,111	386,607	577,730	-	8,367,448
Overdue less than 30 days	6,093	396	23,092	-	29,581	26,409	24,039	45,521	-	95,969
Overdue 30-89 days	-	1,777	20,642	-	22,419	-	7,852	36,311	16,434	60,597
Overdue 90-179 days	-	-	37,477	4,702	42,179	-	-	101,155	29,462	130,617
Overdue 180-360 days	-	-	48,201	-	48,201	-	-	198,850	3,006	201,856
Overdue more than 360 days	-	-	293,332	39,133	332,465	-	-	318,427	-	318,427
Gross loans to small and medium-size businesses	**7,885,394**	**356,637**	**768,250**	**43,835**	**9,054,116**	**7,429,520**	**418,498**	**1,277,994**	**48,902**	**9,174,914**
Loss allowance	(74,492)	(60,979)	(372,006)	(10,455)	(517,932)	(101,916)	(45,486)	(568,802)	-	(716,204)
Total net loans to small and medium-size businesses	**7,810,902**	**295,658**	**396,244**	**33,380**	**8,536,184**	**7,327,604**	**373,012**	**709,192**	**48,902**	**8,458,710**

	31 December 2023					31 December 2022				
KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail customers										
Not overdue	3,812,399	52,115	47,017	-	3,911,531	2,380,270	92,806	59,174	-	2,532,250
Overdue less than 30 days	40,583	3,397	1,895	-	45,875	48,597	2,127	10,474	-	61,198
Overdue 30-89 days	-	23,025	11,662	-	34,687	-	43,960	12,621	-	56,581
Overdue 90-179 days	-	-	49,720	-	49,720	-	-	34,234	-	34,234
Overdue 180-360 days	-	-	15,256	-	15,256	-	-	29,180	-	29,180
Overdue more than 360 days	-	-	53,570	-	53,570	-	-	78,108	-	78,108
Gross loans to retail customers	**3,852,982**	**78,537**	**179,120**	**-**	**4,110,639**	**2,428,867**	**138,893**	**223,791**	**-**	**2,791,551**
Loss allowance	(61,424)	(6,518)	(71,178)	-	(139,120)	(26,358)	(11,353)	(90,341)	-	(128,052)
Total net loans to retail customers	**3,791,558**	**72,019**	**107,942**	**-**	**3,971,519**	**2,402,509**	**127,540**	**133,450**	**-**	**2,663,499**

(d) Key assumptions and judgments for estimating loan impairment

(i) Loans to corporate and small and medium-size businesses assessed individually

In determining the impairment allowance for loans to corporate customers and medium-size businesses, management makes the following key assumptions:

- The probability of default was calculated using the Markov chains method, namely, stochastic loan transition matrices according to the credit risk level given the averaged annual migration matrix with a 1-month shift for the period from November 2017 to October 2023. To determine the projected probability of default taking into account the effect of macroeconomic factors, the Bank applied the one-factor Merton model;
- to assess LGD individually, the period of collateral realisation is 38-54 months;
- LGD level of loans allocated to Stage 1 and Stage 2 was 13.99% and 75.60%;
- the average level of PiT PD of loans allocated to Stage 1 was 3.14%, and those allocated to Stage 2 – 24.28% depending on the homogeneous portfolio segment.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment allowance for loans to corporates and small and medium-size businesses assessed individually as at 31 December 2023 would be KGS 105,116 thousand lower/higher (31 December 2022: KGS 99,414 thousand lower/higher).

To the extent that the delay in obtaining proceeds from the foreclosure of collateral differs by plus/minus one year, loss allowance on loans to corporate and small and medium-size businesses assessed individually, as at 31 December 2023 would be by KGS 229,369 thousand higher and by KGS 257,997 thousand lower (at 31 December 2022: by KGS 300,383 thousand higher and by KGS 337,727 thousand lower).

Loans to small and medium-size businesses and retail customers, assessed collectively

In determining the impairment allowance for loans to small and medium-size businesses and retail customers, management makes the following assumptions:

- The probability of default was calculated using the Markov chains method, namely, stochastic loan transition matrices according to the credit risk level given the averaged annual migration matrix with a 1-month shift for the period from November 2017 to October 2023. To determine the projected probability of default taking into account the effect of macroeconomic factors, the Bank applied the one-factor Merton model;
- LGD level is calculated based on historical statistics for the period of 6 years;
- LGD level of loans allocated to Stage 1 and Stage 2 was 23.57% and 52.78%;
- the average level of PiT PD of loans allocated to Stage 1 was 7.90%, and those allocated to Stage 2 – 56.78% depending on the homogeneous portfolio segment.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment allowance for loans to retail and small and medium-size businesses assessed collectively as at 31 December 2023 would be KGS 125,077 thousand lower/higher (31 December 2022: KGS 111,222 thousand lower/higher).

(e) Analysis of collateral

(i) Loans to legal entities

Loans to corporate customers

Because of the Bank's focus on corporate customers' creditworthiness, an updated valuation of collateral is generally not carried out unless the credit risk of a loan deteriorates significantly and the loan is monitored more closely.

Accordingly, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. For credit-impaired loans, the Bank usually obtains appraisals of collateral as the current value of the collateral may be an input to the impairment measurement.

As at 31 December 2023, the net carrying amount of credit-impaired loans to corporate customers amounts to KGS 1,431,620 thousand (31 December 2022: KGS 1,671,648 thousand) and the value of collateral held against those loans amounts to KGS 1,424,015 thousand (31 December 2022: KGS 1,668,899 thousand), excluding effect of overcollateralisation.

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of loss allowance, by types of collateral:

	31 December 2023 KGS'000	31 December 2022 KGS'000
Commercial real estate	2,589,606	3,195,047
Residential real estate	29,011	57,289
Land	829,841	1,283,080
Total loans to corporate customers	**3,448,458**	**4,535,416**

The table above excludes overcollateralisation.

The recoverability of loans which are neither past due nor impaired primarily depends on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

Loans to small and medium-size businesses

The following table provides information on collateral and other credit enhancements securing loans to small and medium-size businesses, net of loss allowance, by types of collateral, excluding overcollateralisation:

	31 December 2023 KGS'000	31 December 2022 KGS'000
Commercial real estate	10,974,255	9,476,280
Residential real estate	3,844,370	3,683,514
Movable property	183,367	334,087
Cash	94,183	102,407
Other collateral	550,185	327,271
Total loans to small and medium-size businesses	**15,646,360**	**13,923,559**

As at 31 December 2023 the net carrying amount of credit-impaired loans to small businesses amounts to KGS 937,074 thousand (31 December 2022: KGS 1,567,126 thousand) and the value of collateral held against those loans amounts to KGS 934,624 thousand (31 December 2022: KGS 1,564,339 thousand), excluding effect of overcollateralisation.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Other retail loans are secured by housing real estate, equipment, and other collateral. According to the Bank's policy, a retail loan-to-value ratio should be maximum 70%.

The following table provides information on collateral and other credit enhancements securing loans to retail customers, net of loss allowance, by types of collateral, excluding overcollateralisation:

	31 December 2023 KGS'000	31 December 2022 KGS'000
Commercial real estate	224,808	238,057
Residential real estate	1,640,941	1,469,238
Movable property	177,647	61,709
Cash	89,239	4,914
Other collateral	1,838,884	889,581
Total loans to retail customers	**3,971,519**	**2,663,499**

As at 31 December 2023, the net carrying amount of credit-impaired loans to retail customers amounts to KGS 107,942 thousand (31 December 2022: KGS 133,450 thousand) and the value of collateral held against those loans amounts to KGS 56,325 thousand (31 December 2022: KGS 99,500 thousand), excluding effect of overcollateralisation.

(iii) Repossessed collateral

During the year ended 31 December 2023, the Bank obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KGS 210,489 thousand (2022: KGS 350,510 thousand). As at 31 December 2023 and 31 December 2022, the repossessed collateral comprises:

	31 December 2023 KGS'000	31 December 2022 KGS'000
Real estate	422,456	474,548
Other assets	-	10,276
Total repossessed collateral	**422,456**	**484,824**

The Bank's policy is to sell these assets as soon as it is practicable.

At 31 December 2023, the Bank held financial instruments of KGS 96,110 thousand (31 December 2022: KGS 98,721 thousand) for which no loss allowance is recognised because of collateral.

Loans to customers were issued primarily to customers located within the Kyrgyz Republic who operate in the following economic sectors:

	31 December 2023 KGS'000	31 December 2022 KGS'000
Loans to corporate customers and small and medium-size businesses		
Trade	9,965,554	8,766,836
Services	2,898,284	2,985,798
Manufacturing	2,002,566	2,914,215
Real estate	2,339,545	2,610,160
Agriculture	1,747,480	1,799,534
Transport	210,679	226,034
Other	1,894,704	1,478,474
Loans to individuals		
Mortgage loans	1,181,936	1,188,157
Consumer loans	2,838,612	1,314,645
Credit cards	90,091	288,749
	25,169,451	**23,572,602**
Loss allowance	(2,103,114)	(2,450,128)
	23,066,337	**21,122,474**

Significant credit exposures

As at 31 December 2023 the Bank has no borrowers or group of connected borrowers (31 December 2022: none), whose loan balances exceed 10% of equity.

17 Property, plant and equipment and intangible assets

KGS'000	Buildings	Right-of-use asset	Furniture and office equipment	Equipment	Vehicles	Construction-in-progress	Computer software and licenses	Total
Cost								
Balance at 1 January 2023	270,823	649,839	674,222	356,260	85,961	165,188	452,259	2,654,552
Additions/modification	15,403	93,407	112,980	31,763	23,985	454,567	112,228	844,333
Impairment	-	-	-	-	-	-	(3,416)	(3,416)
Disposals	(194)	(24,616)	(35,033)	(13,096)	-	-	(44,541)	(117,480)
Transfers	6,070	-	65,828	271,218	43	(343,159)	-	-
At 31 December 2023	**292,102**	**718,630**	**817,997**	**646,145**	**109,989**	**276,596**	**516,530**	**3,377,989**
Depreciation and amortisation								
Balance at 1 January 2023	(79,044)	(197,278)	(427,352)	(209,106)	(43,515)	-	(324,613)	(1,280,908)
Depreciation and amortisation for the year	(18,174)	(122,776)	(87,615)	(65,632)	(6,150)	-	(42,588)	(342,935)
Disposals	194	19,023	34,990	13,139	-	-	44,541	111,887
At 31 December 2023	**(97,024)**	**(301,031)**	**(479,977)**	**(261,599)**	**(49,665)**	**-**	**(322,660)**	**(1,511,956)**
Carrying amount								
At 31 December 2023	**195,078**	**417,599**	**338,020**	**384,546**	**60,324**	**276,596**	**193,870**	**1,866,033**

KGS'000	Buildings	Right-of-use asset	Furniture and office equipment	Equipment	Vehicles	Construction-in-progress	Computer software and licenses	Total
Cost								
Balance at 1 January 2022	246,742	481,123	545,782	300,149	79,845	142,714	419,895	2,216,250
Additions/modification	24,139	184,586	122,281	37,448	6,116	62,543	33,256	470,369
Disposals	(2,613)	(15,870)	(11,239)	(1,397)	-	(56)	(892)	(32,067)
Transfers	2,555	-	17,398	20,060	-	(40,013)	-	-
At 31 December 2022	**270,823**	**649,839**	**674,222**	**356,260**	**85,961**	**165,188**	**452,259**	**2,654,552**
Depreciation and amortisation								
Balance at 1 January 2022	(71,547)	(104,069)	(374,979)	(170,481)	(38,750)	-	(283,917)	(1,043,743)
Depreciation and amortisation for the year	(10,110)	(107,618)	(63,612)	(40,022)	(4,765)	-	(41,588)	(267,715)
Disposals	2,613	14,409	11,239	1,397	-	-	892	30,550
At 31 December 2022	**(79,044)**	**(197,278)**	**(427,352)**	**(209,106)**	**(43,515)**	**-**	**(324,613)**	**(1,280,908)**
Carrying amount								
At 31 December 2022	**191,779**	**452,561**	**246,870**	**147,154**	**42,446**	**165,188**	**127,646**	**1,373,644**

As at 31 December 2023 buildings used to collateralise loans from the Russian Kyrgyz Development Fund amounted to KGS 121,152 thousand (2022: KGS 119,402 thousand) (Note 21).

As at 31 December 2023 a right-of-use asset of KGS 417,599 thousand (2022: KGS 452,561 thousand) comprises leased premises.

18 Other assets

	31 December 2023 KGS'000	31 December 2022 KGS'000
Finance lease receivables	330,428	335,969
Money transfer receivables	68,018	29,190
Card settlement receivables	1,100,413	939,237
Other receivables	68,752	78,276
Loss allowance	(147,837)	(168,972)
Total other financial assets	**1,419,774**	**1,213,700**
Foreclosed property (Note 16 (d)(iii))	422,456	484,824
Advance payments	262,158	118,303
Materials	76,674	54,541
Impairment allowance	-	(12,263)
Total other non-financial assets	**761,288**	**645,405**
Total other assets	**2,181,062**	**1,859,105**

The Bank has concluded a number of preliminary sale and purchase contracts with payments by instalments for repossessed collateral. These contracts are classified by the Bank as finance lease receivables under IFRS 16 because the Bank has transferred these assets to the lessee for a fee, and the rights of ownership of the assets are transferred to the customer by the end of the contract, and the present value of payments amounts to substantially all of the fair value of the asset being sold at the beginning of the contract.

These contracts have maturity dates of up to 3 years and do not provide for interest payments. The rate of 28.7% (2022: 21.6%) was used to discount the cash flows from contracts.

The components of finance lease receivables as at 31 December 2023 are as follows:

	31 December 2023 KGS'000	31 December 2022 KGS'000
Within one year	277,880	266,679
From one year to two years	155,389	84,616
From two years to three years	-	15,524
From three years to four years	-	11,734
Minimum lease payments	**433,269**	**378,553**
Within one year	43,329	24,613
From one year to two years	59,512	13,426
From two years to three years	-	3,458
From three years to four years	-	1,087
Unearned finance income	**102,841**	**42,584**
Total finance lease receivables net of unearned finance income	**330,428**	**335,969**
Loss allowance	(94,309)	(102,691)
Net finance lease receivables	**236,119**	**233,278**

Quality of finance lease receivables as at 31 December 2023 is as follows:

KGS'000	Stage 1	Stage 2	Stage 3	POCI	Total
- not overdue	23,530	-	4,286	134,196	162,012
- overdue less than 30 days	-	-	-	304	304
- overdue 30-89 days	-	-	-	9,518	9,518
- overdue 89-179 days	-	-	-	76,149	76,149
- overdue 180-359 days	-	-	-	13,872	13,872
- overdue more than 360 days	-	-	-	68,573	68,573
Finance lease receivables	**23,530**	**-**	**4,286**	**302,612**	**330,428**
Loss allowance	(122)	-	(9)	(94,178)	(94,309)
Net finance lease receivables	**23,408**	**-**	**4,277**	**208,434**	**236,119**

Quality of finance lease receivables as at 31 December 2022 is as follows:

KGS'000	Stage 1	Stage 2	Stage 3	POCI	Total
- not overdue	38,838	-	-	62,382	101,220
- overdue less than 30 days	5,263	-	2,965	3,999	12,227
- overdue 30-89 days	-	1,698	-	26,366	28,064
- overdue 89-179 days	-	-	114,426	8,123	122,549
- overdue more than 180 days	-	-	17,427	54,482	71,909
Finance lease receivables	**44,101**	**1,698**	**134,818**	**155,352**	**335,969**
Loss allowance	(966)	(140)	(61,669)	(39,916)	(102,691)
Net finance lease receivables	**43,135**	**1,558**	**73,149**	**115,436**	**233,278**

Movement in the allowance for finance lease receivables for the year ended 31 December 2023 is as follows:

KGS'000	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January	966	140	61,669	39,916	102,691
Net movement in loss allowance	(863)	(140)	(61,660)	7,644	(55,019)
New financial assets originated or purchased	19	-	-	46,618	46,637
Balance at 31 December	**122**	**-**	**9**	**94,178**	**94,309**

Finance lease receivables relate to retail customers. Key assumptions used to determine the impairment allowance for finance lease are disclosed in Note 16(c).

Movement in the allowance for finance lease receivables for the year ended 31 December 2022 is as follows:

KGS'000	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January	3,001	1,443	9,412	5,188	19,044
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(1,988)	-	1,988	-	-
Net movement in loss allowance	(1,006)	(1,443)	50,269	34,728	82,548
New financial assets originated or purchased	959	140	-	-	1,099
Balance at 31 December	**966**	**140**	**61,669**	**39,916**	**102,691**

Analysis of movements in the loss allowance

Movements in the loss allowance on other financial assets and impairment allowance of non-financial assets for the year ended 31 December 2023 are as follows:

KGS'000	Other financial assets	Finance lease receivables	Other non-financial assets	Total
Balance at the beginning of the year	66,281	102,691	12,263	181,235
Net charge/(reversal) of loss allowance/impairment allowance	6,714	(8,382)	(40,456)	(42,124)
Write-offs	(16,133)	-	28,193	12,060
Effect of foreign currency translation	(3,334)	-	-	(3,334)
Balance at the end of the year	**53,528**	**94,309**	**-**	**147,837**

Movements in the loss allowance for the year ended 31 December 2022 are as follows:

KGS'000	Other financial assets	Finance lease receivables	Other non-financial assets	Total
Balance at the beginning of the year	64,423	19,044	12,472	95,939
Net charge/(reversal) of loss allowance/impairment allowance	1,573	83,647	(29,373)	55,847
Write-offs	(308)	-	29,164	28,856
Effect of foreign currency translation	593	-	-	593
Balance at the end of the year	**66,281**	**102,691**	**12,263**	**181,235**

As at 31 December 2023, included in other assets are overdue receivables of KGS 3,277 thousand which are overdue for less than one year and of KGS 50,251 which are overdue for more than one year. As at 31 December 2022, included in other assets are overdue receivables of KGS 2,554 thousand which are overdue for less than one year and of KGS 63,727 which are overdue for more than one year. These receivables are fully impaired and designated to Stage 3. The remaining amount of other receivables of KGS 1,183,655 thousand (2022: KGS 980,442 thousand) is not overdue and designated to Stage 1.

19 Deposits and balances from banks and other financial institutions

	31 December 2023 KGS'000	31 December 2022 KGS'000
Current accounts and term deposits from banks and other financial institutions	388,252	207,144
Loro accounts	61,486	116,766
	449,738	**323,910**

As at 31 December 2023 the Bank has no counterparties (2022: none), whose balances exceed 10% of the Bank's equity.

20 Current accounts and deposits from customers

	31 December 2023 KGS'000	31 December 2022 KGS'000
Current accounts and deposits from legal entities		
- Current accounts and demand deposits	19,334,483	15,812,312
- Term deposits	216,369	233,255
	19,550,852	**16,045,567**
Current accounts and deposits from retail customers		
- Current accounts and demand deposits	15,138,687	12,774,608
- Term deposits	7,553,535	5,844,685
	22,692,222	**18,619,293**
	42,243,074	**34,664,860**

As at 31 December 2023, the Bank maintained customer deposit balances of KGS 196,660 thousand (2022: KGS 183,240 thousand) that served as collateral for loans to customers and KGS 37,353 thousand (2022: KGS 81,830 thousand) that served as collateral for off-balance sheet credit instruments granted by the Bank.

As at 31 December 2023, the Bank had one customer (2022: none), whose balances exceeded 10% of equity. The gross value of these balances as at 31 December 2023 was KGS 2,219,581 thousand.

21 Other borrowed funds

	31 December 2023 KGS'000	31 December 2022 KGS'000
Loans from financial institutions	735,217	1,725,819
Loan from the Ministry of Finance of the Kyrgyz Republic ("MFKR")	270,254	470,625
	1,005,471	**2,196,444**

The following table summarises information on loans from other banks and financial institutions as at 31 December:

Counterparty	Currency	31 December 2023 KGS'000	31 December 2022 KGS'000
Russian-Kyrgyz Development Fund	USD	598,172	971,391
Russian-Kyrgyz Development Fund	KGS	137,045	224,278
European Bank for Reconstruction and Development (EBRD)	KGS	-	530,150
		735,217	**1,725,819**

(a) Loans from Russian-Kyrgyz Development Fund ("RKDF")

On 18 April 2017 within the program of the Russian Kyrgyz Development Fund (the "RKDF") for the provision of small and medium enterprises with access to loan resources, the Bank signed the loan agreement with the Russian Kyrgyz Development Fund for the total amount of USD 10 million or equivalent amount in KGS. In 2019, the Russian Kyrgyz Development Fund reissued this credit facility and made it a revolving credit line. On 22 July 2019 a new loan agreement was signed between the Bank and the Russian Kyrgyz Development Fund to issue a new revolving credit line for the total amount of USD 10 million or equivalent amount in KGS. The interest rate of loans to customers, issued by the Bank, should not exceed the interest rate at which the Bank borrowed funds by more than 4%.

As there is no actual market for this type of financing, provided by international non-government organisations, aimed to aid the small and medium enterprises, operating in the specific sectors of economy, these RKFD loans represent a separate market segment. Accordingly, at the initial recognition the Bank does not discount them.

As at 31 December 2023 the loans from RKDF were collateralised by loans to customers in the amount of KGS 456,164 thousand (2022: KGS 1,021,652 thousand) (Note 16), investments in securities of KGS 793,761 thousand (2022: KGS 783,362 thousand) (Note 14), loans and advances to banks and financial institutions in the amount of KGS 178,171 thousand (2022: KGS 171,360 thousand) (Note 15) and real estate in the amount of KGS 121,152 thousand (2022: KGS 119,402 thousand) (Note 17).

(b) Loans from the Ministry of Finance of the Kyrgyz Republic

On 21 September 2016, the first agreement was signed with the Ministry of Finance of the Kyrgyz Republic (hereinafter the "MFKR") under KfW programme "Financing Agriculture Value Chains", the main goal of which is to promote development of agriculture value chains and advance the best practices in production of competitive agricultural products for a total amount in the national currency equivalent to EUR 3 million. Interest rate on special-purpose loans issued by the Bank should not exceed 13.5-16.5% under the first tranche, and 12-14% for the remaining tranches, depending on the terms of the loans.

On 16 June 2020, a new agreement was signed with the MFKR on the targeted use of bank term deposits in the amount of KGS 200,000 thousand, the main goal of which is to promote development of micro, small and medium-size businesses in rural areas through financing aimed at improving their productivity and competitiveness, as well as to stimulate employment in rural areas. The interest rate on special-purpose loans issued by the Bank should not exceed 6%.

In July and September 2020, the new loans were received from MFKR under the "Financing of Business Entities" programme. The main goal of this MFKR programme is to provide state financial support to small entrepreneurs, small and medium-size businesses and large business entities affected by the consequences of the COVID-19 pandemic, by providing concessionary credit funds in the amount of KGS 410,000 thousand. The interest rate on special-purpose loans issued by the Bank should not exceed 6-11% depending on the purpose of the loans.

Loans from the MFKR were provided to banks of the Kyrgyz Republic within as part of the state programmes approved by the Government of the Kyrgyz Republic and therefore constitute a separate market segment. Accordingly, the Bank did not discount these loans upon initial recognition.

(c) Covenants

As at 31 December 2023, there were the following breaches of covenants on loans received:

- Loans from MFKR under KfW programme: breach of 1 covenant “Credit portfolio at risk PAR>90”, the actual share of which as at 31 December 2023 was 6.0% with a limit being 5.0%. As at the reporting date a permission/waiver was received from the creditor for temporary non-compliance with this covenant until 1 April 2024.

According to the contracts, said loans mature on 22 March 2024 and breach of the covenant has no effect on the Bank’s liquidity.

As at 31 December 2022, there were the following breaches of covenants on loans received:

- Loans from MFKR under KfW programme: breach of 1 covenant “Credit portfolio at risk PAR>90”, the actual share of which as at 31 December 2022 was 9.6% with a limit being 5.0%. As at the reporting date a permission/waiver was received from the creditor for temporary non-compliance with this covenant for a period from 30 June 2021 to 1 April 2023.
- Loans from MFKR under deposit auctions: breach of 1 covenant “Credit portfolio at risk PAR>90”, the actual share of which as at 31 December 2022 was 9.6% with a limit being 7.0%. As at the reporting date a permission/waiver was received from the creditor for temporary non-compliance with this covenant for a period until 1 April 2023.
- Loans from EBRD: breach of 1 covenant OCER due to granted deferrals on the payment because of COVID-19, the actual share of which as at 31 December 2022 was 17.1% with a limit being 15.0%. As at the reporting date, a waiver was received from the lender according to which the limit for the covenant had been increased to 50% for a period until 31 March 2023.

(d) Maturity of other borrowed funds

Maturity of other borrowed funds as at the reporting date is presented in Note 25(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

As permissions/waivers have been received from all lenders on whose loans the covenants were breached (Note 21(b), loans from MFKR under KfW programme, loans from MFKR under deposit auctions, and loans from EBRD are classified as “from 3 to 12 months” (short-term) as at 31 December 2022.

(e) Reconciliation of changes in liabilities and cash flows arising from financing activities

The table below shows the reconciliation of changes in liabilities and cash flows from financing activities as at 31 December 2023.

KGS'000	Loan from the Ministry of Finance of the Kyrgyz Republic	Loans from financial institutions	Total
Balance as at 1 January 2023	**470,625**	**1,725,819**	**2,196,444**
Changes from financing cash flows			
Repayment of borrowed funds	(199,450)	(1,014,565)	(1,214,015)
Total changes from financing cash flows	**(199,450)**	**(1,014,565)**	**(1,214,015)**
Effect of changes in foreign exchange rates	**-**	**32,623**	**32,623**
Other changes			
Interest expense	8,037	44,790	52,827
Interest paid	(8,958)	(53,450)	(62,408)
Balance at 31 December 2023	**270,254**	**735,217**	**1,005,471**

The table below shows the reconciliation of changes in liabilities and cash flows from financing activities as at 31 December 2022.

KGS'000	Loan from the Ministry of Finance of the Kyrgyz Republic	Loan from the National Bank of the Kyrgyz Republic	Loans from financial institutions	Total
Balance as at 1 January 2022	**670,910**	**472,901**	**3,284,551**	**4,428,362**
Changes from financing cash flows				
Receipts of borrowed funds	-	-	140,759	140,759
Repayment of borrowed funds	(199,450)	(470,901)	(1,683,352)	(2,353,703)
Total changes from financing cash flows	**(199,450)**	**(470,901)**	**(1,542,593)**	**(2,212,944)**
Effect of changes in foreign exchange rates	**-**	**-**	**(1,879)**	**(1,879)**
Other changes				
Interest expense	13,753	9,137	173,518	196,408
Interest paid	(14,588)	(11,137)	(187,778)	(213,503)
Balance at 31 December 2022	**470,625**	**-**	**1,725,819**	**2,196,444**

22 Other liabilities

	31 December 2023 KGS'000	31 December 2022 KGS'000
Lease liabilities	461,546	478,991
Provision for vacation payments and other amounts due to employees	150,885	116,156
Card settlement liabilities	123,513	160,864
Dividends payable	766	766
Other financial liabilities	173,268	145,668
Total other financial liabilities	**909,978**	**902,445**
Other taxes payable	260,967	92,415
Current tax liabilities	62,116	19,828
Total other non-financial liabilities	**323,083**	**112,243**
Total other liabilities	**1,233,061**	**1,014,688**

The table below shows the reconciliation of changes in lease liabilities and cash flows from financing activities as at 31 December 2023 and 31 December 2022:

	2023 KGS'000	2022 KGS'000
Balance at 1 January	**478,991**	**403,306**
Changes from financing cash flows		
Payments under lease agreements	(119,222)	(98,309)
Total changes from financing cash flows	**(119,222)**	**(98,309)**
Effect of changes in foreign exchange rates	13,963	(9,131)
Other changes		
Interest expense	27,664	28,002
Interest paid	(27,445)	(29,357)
Increase in lease liabilities	87,595	184,480
Balance at 31 December	**461,546**	**478,991**

23 Share capital and reserves

(a) Issued share capital

As at 31 December 2023 the authorised, issued and outstanding share capital comprises 21,000 thousand ordinary shares (2022: 21,000 thousand ordinary shares). All shares have a nominal value of KGS 50.

On 25 May 2023 the General Shareholders' Meeting approved the issue of additional 21,000 thousand ordinary shares at their nominal value through the transfer of the amount of KGS 1,050,000 thousand from retained earnings to share capital. On 25 July 2023 the National Bank of the Kyrgyz Republic sent a letter to the Ministry of Justice and the State Service on Regulation and Supervision of Finance Market under the Government of the Kyrgyz Republic, on its consent on re-registration of the Bank's Charter in connection with the increase of the Bank's share capital. The share issue was registered on 8 August 2023.

(b) Dividends

Dividends payable are restricted by the support factor of the bank's additional capital buffer (capital buffer index) determined in accordance with the requirements of the Resolution of the National Bank of the Kyrgyz Republic dated 12 October 2022, and dividends are estimated at the lower of net profit calculated in accordance with IFRS and prudential requirements.

In accordance with the requirements of the NBKR's Regulations "On Systemic Criteria of Commercial Banks and Non-banking Financial and Credit Institutions", the Bank has been defined as a systemically important bank. The capital buffer index is set at no less than 25% for this category of banks (2022: 25%), and the index is set at no less than 29% (2022: 29%), if the ratio of deposits of individuals and legal entities exceeds 75.0% of liabilities (2022: if the ratio of risk-weighted balance sheet assets to risk-weighted off-balance sheet liabilities less provisions for losses (NRA) to assets exceeds 90%).

The Supervisory Committee of the National Bank of the Kyrgyz Republic has set a capital buffer requirement for the Bank at no less than 29% (2022: 25%). The capital buffer index is a ratio of net total capital calculated in compliance with the NBKR requirements to risk-weighted balance sheet assets and risk-weighted off-balance sheet liabilities less provisions for losses (NAC/NRA) and as at 31 December 2023 actually amounts to 29.2% (2022: 27.1%) (see Note 26). Therefore, the Bank declared no dividends in 2023 (2022: no dividends were declared by the Bank).

24 Earnings per share

The calculation of earnings per share is based on the profit, and a weighted average number of ordinary shares outstanding during the year. The Bank has no dilutive potential ordinary shares.

Basic and diluted earnings per share for 2023 was based on a number of ordinary shares as at 31 December 2023 due to a bonus issue of 21,000 thousand additional shares in 2023 (Note 22(a)). The basic and diluted earnings per share for 2022 were recalculated in the same way.

	2023 KGS'000	2022 KGS'000
Profit for the year	2,850,787	3,318,378
Number of ordinary shares as at 31 December	42,000,000	42,000,000
Basic and diluted earnings per share, in KGS	**67,88**	**79,01**

25 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank risk management policies aim to identify, measure, control, analyse, monitor, and develop preventive measures to minimise the risks faced by the Bank, to set risk limits, and to continuously measure risk levels and monitor adherence to the limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and regulative requirements.

The Bank registers operational risk events in the database with detailed description of the occurrence and cause of operational risk, response measures and other required information.

Alongside with the above information the Bank's operational risks are managed comprehensively and simultaneously at all levels of the Bank's operations, including:

- a strategic level, which covers the functions of the Board of Directors and Management Board of the Bank;
- macro-level, which covers the functions of the Bank's business units, mid-level executives and heads of business units;
- micro-level, which covers activity of persons/employees who take operational risk on behalf of the Bank and is limited by following operational procedures, internal control procedures and other instructions established by management of the Bank.

In addition, for the purpose of efficient management of operational risks, the Bank has acquired the property insurance policies (buildings, ATMs, motor vehicles, payment terminals), Banker Blanket Bond (BBB) for package insurance of bank risks and electronic and computer crimes, civil liability insurance and employee accident insurance.

The Bank exercises compliance control which is a package of organisational measures of internal controls and control over compliance with the laws of the Kyrgyz Republic, international treaties and internal regulations of the Bank; the Bank also manages a conflict of interest.

Special attention is paid to compliance with the laws and international standards in the area of anti-money laundering and counter-terrorist financing.

A package of measures undertaken by the Bank as part of anti-money laundering and counter-terrorist financing includes but is not limited to the following:

- the Bank has in place the Compliance Control Department;
- observance of the Policy and internal control rules for anti-money laundering and counter-terrorist financing;
- measures undertaken to follow the Know Your Customer principle (KYC), which sets a certain level of awareness of a customer and customer’s activity;
- customer assessment in terms of the risk of involvement in money laundering and terrorist financing;
- identification and investigation of suspicious transactions, blocking transactions with those who appear on the national and international lists of persons involved in terroristic activity;
- measures aimed at fulfilment of embargo and sanction requirements.

As at 31 December 2023, the Bank’s internal documentation establishing the procedures and methodologies for identification, managing and stress-testing the Bank’s significant risks, was approved by the authorized management bodies of the Bank in accordance with regulations and recommendations issued by the NBKR.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Head of the Risk Management Department is responsible for the overall risk management and compliance with requirements of the current legislation, and for daily bank risk management activity. The Head of the Risk Management Department reports directly to the Board of Directors.

The Board of Directors is responsible for: a) the risk management and degree of risk that the Bank accepts as well as for the measures to manage these risks; b) consideration and approval of the Bank risk appetite developed jointly with the Management Board and Risk Management and oversight over the Bank’s compliance with requirements to risk appetite, risk management policy and risk limits and for promotion of development of the sustainable risk culture in the Bank. With the view of controlling effectiveness of the Bank’s risk management procedures and their consistent application the Board of Directors and management bodies of the Bank periodically receive reports prepared by the Management Board, the Internal Audit Department and the Risk Management Department, discuss the contents of these reports and consider proposed corrective actions.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees with strictly defined powers depending on the type and amount of the risk and credit quality.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors operational risks by harmonisation of internal regulations of the Bank, taking part in various commissions, and holding training workshops.

(b) Market risk

Market risk is the risk of losses to which the Bank is exposed in case of unfavourable changes in the value of the Bank's balance sheet and off-balance sheet assets and liabilities as a result of fluctuations in the market interest rates, exchange rates, stock prices and/or prices of goods. There are few types of market risk, including interest rate risk, currency risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Bank Management Board Chairman.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Management Board, ALCO, Risk Management Committee and BD.

(i) Interest rate risk

Interest rate risk is a risk of losses to which the Bank's capital and rate of return are exposed as a result of fluctuations in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

KGS'000	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Carrying value
31 December 2023						
ASSETS						
Cash and cash equivalents	9,083,943	-	-	-	20,945,041	30,028,984
Investment securities	302,768	514,436	-	-	-	817,204
Loans and advances to banks and other financial institutions	1,144,629	-	-	-	317,178	1,461,807
Loans to customers	3,110,747	6,729,732	13,054,510	171,348	-	23,066,337
	13,642,087	**7,244,168**	**13,054,510**	**171,348**	**21,262,219**	**55,374,332**
LIABILITIES						
Deposits and balances from banks and other financial institutions	95,346	-	-	-	354,392	449,738
Current accounts and deposits from customers	9,228,061	4,202,120	1,936,567	18,734	26,857,592	42,243,074
Other borrowed funds	160,811	369,133	475,527	-	-	1,005,471
	9,484,218	**4,571,253**	**2,412,094**	**18,734**	**27,211,984**	**43,698,283**
	4,157,869	**2,672,915**	**10,642,416**	**152,614**	**(5,949,765)**	**11,676,049**

KGS'000	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Carrying value
31 December 2022						
ASSETS						
Cash and cash equivalents	8,447,029	-	-	-	14,953,201	23,400,230
Investment securities	335,504	16,735	757,683	-	-	1,109,922
Loans and advances to banks and other financial institutions	705,903	-	-	-	271,438	977,341
Loans to customers	2,960,933	6,001,577	11,987,215	172,749	-	21,122,474
	12,449,369	**6,018,312**	**12,744,898**	**172,749**	**15,224,639**	**46,609,967**
LIABILITIES						
Deposits and balances from banks and other financial institutions	65,464	-	-	-	258,446	323,910
Current accounts and deposits from customers	5,852,801	3,065,192	1,844,091	12,057	23,890,719	34,664,860
Other borrowed funds	204,078	768,368	1,223,998	-	-	2,196,444
	6,122,343	**3,833,560**	**3,068,089**	**12,057**	**24,149,165**	**37,185,214**
	6,327,026	**2,184,752**	**9,676,809**	**160,692**	**(8,924,526)**	**9,424,753**

Other borrowed funds which have variable interest rates were presented at the earliest repricing dates.

Average interest rate

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2023 and 31 December 2022.

	2023 Average effective interest rate, %		**2022 Average effective interest rate, %**	
	KGS	**USD**	**KGS**	**USD**
Interest-bearing assets				
Cash and cash equivalents	12.60	-	13.17	-
Investment securities	12.20	-	11.13	-
Loans and advances to banks and other financial institutions	-	4.61	-	3.46
Loans to customers	19.99	9.59	17.60	10.00
Interest-bearing liabilities				
Deposits and balances from banks				
- Current accounts and deposits	1.18	0.10	1.10	0.09
Current accounts and deposits from customers				
- Current accounts and deposits	4.85	1.70	4.03	1.23
- Term deposits	11.87	1.99	10.97	2.02
Other borrowed funds	2.98	1.06	6.62	1.10
Lease liabilities	10.60	5.23	9.97	5.20

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2023 and 31 December 2022 is as follows:

	2023		**2022**	
KGS'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	40,094	40,094	54,798	54,798
100 bp parallel fall	(40,094)	(40,094)	(54,798)	(54,798)

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

As at 31 December 2023 and 31 December 2022, the Bank had no significant exposure to other price risks.

(iii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is a risk that the Bank will incur expenses (losses) from changes in currency exchange rates while carrying its activity and if the Bank has an open position for certain currency. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023:

KGS'000	**KGS**	**USD**	**Other currencies**	**Total**
ASSETS				
Cash and cash equivalents	20,127,790	7,231,059	2,670,135	30,028,984
Investment securities	817,204	-	-	817,204
Loans and advances to banks and other financial institutions	144,399	1,317,408	-	1,461,807
Loans to customers	12,771,553	10,294,784	-	23,066,337
Other financial assets	1,121,320	270,628	27,826	1,419,774
	34,982,266	**19,113,879**	**2,697,961**	**56,794,106**
LIABILITIES				
Deposits and balances from banks and other financial institutions	271,524	158,975	19,239	449,738
Current accounts and deposits from customers	24,276,499	15,235,868	2,730,707	42,243,074
Other borrowed funds	407,299	598,172	-	1,005,471
Other financial liabilities	387,615	503,817	18,546	909,978
	25,342,937	**16,496,832**	**2,768,492**	**44,608,261**
Net position	**9,639,329**	**2,617,047**	**(70,531)**	**12,185,845**
Total effect of derivatives held for risk management				
- Outflow	-	(420,340)	-	(420,340)
- Inflow	407,011	-	-	407,011
Net position as at 31 December 2023	**10,046,340**	**2,196,707**	**(70,531)**	**12,172,516**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

KGS'000	KGS	USD	Other currencies	Total
ASSETS				
Cash and cash equivalents	14,740,581	6,543,693	2,115,956	23,400,230
Investment securities	1,109,922	-	-	1,109,922
Loans and advances to banks and other financial institutions	105,186	872,155	-	977,341
Loans to customers	11,630,921	9,491,553	-	21,122,474
Other financial assets	995,253	214,697	3,750	1,213,700
	28,581,863	**17,122,098**	**2,119,706**	**47,823,667**
LIABILITIES				
Deposits and balances from banks and other financial institutions	136,502	174,755	12,653	323,910
Current accounts and deposits from customers	18,896,923	13,372,848	2,395,089	34,664,860
Other borrowed funds	1,225,052	971,392	-	2,196,444
Other financial liabilities	358,879	543,007	559	902,445
	20,617,356	**15,062,002**	**2,408,301**	**38,087,659**
Net position	**7,964,507**	**2,060,096**	**(288,595)**	**9,736,008**
Total effect of derivatives held for risk management				
- outflow	-	(149,512)	-	(149,512)
- inflow	141,207	-	-	141,207
Net position as at 31 December 2022	**8,105,714**	**1,910,584**	**(288,595)**	**9,727,703**

A weakening of the KGS, as indicated below, against the following currencies at 31 December 2023 and 31 December 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2023		**2022**	
KGS'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
30% appreciation of USD against KGS	593,111	593,111	515,858	515,858
30% appreciation of other currencies against KGS	(19,043)	(19,043)	(77,921)	(77,921)

A strengthening of the KGS against the above currencies at 31 December 2023 and 31 December 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

Credit risk is the risk of the customers' failure to meet their contractual obligations in accordance with the terms and conditions of the contracts. The Bank manages credit risk using the approved policies and procedures, including guidelines for identification, measurement and monitoring of credit risk, and by the establishment of the Credit Committees to actively monitor credit risk.

Credit policy determines the approaches and methods that the Bank management has adopted to manage risks arising from lending and ensure effective management of the loan portfolio.

Loan applications from the Bank's clients and their initial assessment is made by the specialists of the lending business units, loan security business units and security service. Conclusions in the form of the Offers (drafts) of a lending business unit are based on a structured analysis focusing on the customer's business and financial performance. In accordance with the lending procedures, the Offer is passed on for a second opinion to the Risk Management Department that expresses its expert opinion on the Offer. The Offer, including conclusions and expert opinion of the above-mentioned business units of the Bank are submitted to the Bank's authorised body for consideration and making decision.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank.

The credit portfolio is assessed by the Risk Management Department with regard to credit risk on the portfolio and sub-portfolio basis (stress tests). Stress test results are submitted to the Bank's authorised body for consideration.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2023 KGS'000	31 December 2022 KGS'000
ASSETS		
Nostro accounts and cash equivalents	24,146,822	16,384,029
Investment securities	817,204	1,109,922
Loans and advances to banks and other financial institutions	1,461,807	977,341
Loans to customers	23,066,337	21,122,474
Other financial assets	1,419,774	1,213,700
Total maximum exposure	**50,911,944**	**40,807,466**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 16.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 27.

As at 31 December 2023 and 31 December 2022 the Bank has one counterparty (31 December 2022: one counterparty), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for this counterparty as at 31 December 2023 is KGS 16,867,889 thousand (31 December 2022: KGS 11,423,972 thousand).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar financial instruments include derivative financial assets.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements:

KGS'000	Gross amounts of recognised financial assets/(liabilities)	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets/(liabilities) presented in the statement of financial position	Net amount
31 December 2023				
Derivative financial instruments	407,011	(420,340)	(13,329)	(13,329)
	407,011	**(420,340)**	**(13,329)**	**(13,329)**
31 December 2022				
Derivative financial instruments	141,207	(149,512)	(8,305)	(8,305)
	141,207	**(149,512)**	**(8,305)**	**(8,305)**

(d) Liquidity risk

Liquidity risk is a risk of losses to which the Bank is exposed if it is unable to fulfil its liabilities in time without unacceptable losses (i.e. to achieve liquidity only through sale of assets that will results in unacceptable losses). Liquidity risk implies inability to manage the unscheduled changes in the sources of financing. Liquidity risk also arises if the Bank refuses to recognise or respond to changes in market environment that can affect the Bank's ability to sell quickly and with minimum losses for asset value.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed by the Management Board and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the Management Board, approved by the Board of Directors and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The maturity analysis for financial liabilities as at 31 December 2023 is as follows:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities						
Deposits and balances from banks and other financial institutions	449,746	-	-	-	449,746	449,738
Current accounts and deposits from customers	35,217,979	881,602	4,450,832	2,140,518	42,690,931	42,243,074
Other borrowed funds	66,510	105,531	374,733	486,235	1,033,009	1,005,471
Other financial liabilities	454,211	22,300	102,587	330,880	909,978	909,978
Derivative financial liabilities						
- Inflow	(142,354)	(264,657)	-	-	(407,011)	-
- Outflow	146,866	273,474	-	-	420,340	13,329
Total liabilities	**36,192,958**	**1,018,250**	**4,928,152**	**2,957,633**	**45,096,993**	**44,621,590**
Credit related commitments	**881,149**	**-**	**-**	**-**	**881,149**	**881,149**

The maturity analysis for financial liabilities as at 31 December 2022 is as follows:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities						
Deposits and balances from banks and other financial institutions	323,920	-	-	-	323,920	323,910
Current accounts and deposits from customers	29,016,726	735,415	3,225,911	2,005,960	34,984,012	34,664,860
Other borrowed funds	78,619	125,944	1,149,364	917,199	2,271,126	2,196,444
Other financial liabilities	418,622	18,591	95,523	369,709	902,445	902,445
Derivative financial liabilities						
- Inflow	(40,159)	(52,617)	(48,431)	-	(141,207)	-
- Outflow	42,412	55,692	51,408	-	149,512	8,305
Total liabilities	**29,840,140**	**883,025**	**4,473,775**	**3,292,868**	**38,489,808**	**38,095,964**
Credit related commitments	**1,420,008**	**-**	**-**	**-**	**1,420,008**	**1,420,008**

In accordance with Kyrgyz legislation, depositors (retail customers) can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contractual maturity dates. The amount of such deposits, by each time band as at 31 December, is as follows:

	2023 KGS'000	2022 KGS'000
demand and less than 1 month	727,097	386,592
less than 3 months	804,648	691,415
from 3 to 12 months	4,136,590	2,957,131
more than 1 year	1,885,200	1,809,547
	7,553,535	**5,844,685**

The Bank seeks to actively support a diversified and stable funding base comprising long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The Bank's liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Bank. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis.

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2023:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	28,757,343	1,271,641	-	-	-	-	-	30,028,984
Investment securities	-	302,768	514,436	-	-	-	-	817,204
Loans and advances to banks and other financial institutions	1,289,919	-	-	171,888	-	-	-	1,461,807
Loans to customers	1,321,030	1,481,648	6,729,732	13,054,510	171,348	-	308,069	23,066,337
Property, plant and equipment and intangible assets	-	-	-	-	-	1,866,033	-	1,866,033
Other assets	1,560,091	34,264	85,022	501,685	-	-	-	2,181,062
Total assets	**32,928,383**	**3,090,321**	**7,329,190**	**13,728,083**	**171,348**	**1,866,033**	**308,069**	**59,421,427**
LIABILITIES								
Financial instruments measured at fair value through profit or loss	4,512	8,817	-	-	-	-	-	13,329
Deposits and balances from banks and other financial institutions	449,738	-	-	-	-	-	-	449,738
Current accounts and deposits from customers	35,216,620	869,033	4,202,120	1,936,567	18,734	-	-	42,243,074
Other borrowed funds	55,562	105,249	369,133	475,527	-	-	-	1,005,471
Other liabilities	777,294	22,300	386,312	299,438	31,441	-	-	1,516,785
Total liabilities	**36,503,726**	**1,005,399**	**4,957,565**	**2,711,532**	**50,175**	**-**	**-**	**45,228,397**
Net position	**(3,575,343)**	**2,084,922**	**2,371,625**	**11,016,551**	**121,173**	**1,866,033**	**308,069**	**14,193,030**

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2022:

KGS'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	22,073,818	1,326,412	-	-	-	-	-	23,400,230
Investment securities	-	335,504	16,735	757,683	-	-	-	1,109,922
Loans and advances to banks and other financial institutions	811,944	-	-	165,397	-	-	-	977,341
Loans to customers	1,328,549	1,327,512	6,001,577	11,987,215	172,749	-	304,872	21,122,474
Property, plant and equipment and intangible assets	-	-	-	-	-	1,373,644	-	1,373,644
Other assets	1,244,333	11,000	54,712	549,060	-	-	-	1,859,105
Total assets	**25,458,644**	**3,000,428**	**6,073,024**	**13,459,355**	**172,749**	**1,373,644**	**304,872**	**49,842,716**
LIABILITIES								
Financial instruments measured at fair value through profit or loss	2,253	3,075	2,977	-	-	-	-	8,305
Deposits and balances from banks and other financial institutions	323,910	-	-	-	-	-	-	323,910
Current accounts and deposits from customers	29,015,631	727,889	3,065,192	1,844,091	12,057	-	-	34,664,860
Other borrowed funds	78,534	125,544	768,368	1,223,998	-	-	-	2,196,444
Other liabilities	530,865	18,591	387,789	320,977	48,732	-	-	1,306,954
Total liabilities	**29,951,193**	**875,099**	**4,224,326**	**3,389,066**	**60,789**	**-**	**-**	**38,500,473**
Net position	**(4,492,549)**	**2,125,329**	**1,848,698**	**10,070,289**	**111,960**	**1,373,644**	**304,872**	**11,342,243**

The 'Overdue' category comprises completely overdue loans as well as partially overdue loans to customers in the amount of overdue payments.

Management of the Bank has assessed the liquidity position as at 31 December 2023 and considers that the liquidity gap in the less than one month category will be sufficiently covered by the prolongation of customer current accounts and deposits, and also consider that the Parent company will provide deposit facility, in order to cover liquidity gaps, should this be required.

The Bank calculates the mandatory liquidity ratio (K3) on a daily basis in accordance with the requirements of the NBKR. The liquidity ratio (K3.1) is calculated as the ratio of the weekly average highly liquid assets to the weekly average liabilities payable on demand and should be at least 45% (2022: 45%).

The Bank was in compliance with the statutory capital ratios as at 31 December 2023 and 31 December 2022. As at 31 December 2023 the K3 ratio is 75.9% (2022: 74.9%).

26 Capital management

NBKR sets and monitors capital requirements for the Bank. The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBKR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level of 12%, a ratio of tier 1 capital to risk weighted assets above the prescribed minimum level of 6%. The Bank was in compliance with the statutory capital ratios as at 31 December 2023 and 31 December 2022.

The following table shows the composition of the capital position of the Bank calculated in accordance with the requirements established by the NBKR, as at 31 December:

	2023 KGS'000	**2022 KGS'000**
Tier 1 capital		
Share capital	2,100,000	1,050,000
Retained earnings of prior years	6,461,255	5,643,104
Less: Intangible assets	(193,870)	(127,646)
Total tier 1 capital	**8,367,385**	**6,565,458**
Tier 2 capital		
Current year profit	2,956,735	1,868,152
General provisions (up to 1.25% of risk-weighted assets)	566,193	475,283
Total tier 2 capital	**3,522,928**	**2,343,435**
Total capital	**11,890,313**	**8,908,893**
Risk-weighted assets		
Bank book	40,779,362	36,627,956
Total risk-weighted assets	**40,779,362**	**36,627,956**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**26.1%**	**24.3%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**20.5%**	**17.9%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

27 Credit related commitments

The Bank has outstanding credit related commitments to extend credit. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

	31 December 2023 KGS'000	**31 December 2022 KGS'000**
Contracted amount		
Loan and credit line commitments	459,748	534,603
Guarantees and letters of credit	421,401	885,405
	881,149	**1,420,008**

The following table summarises the quality of loan and credit line commitments as well as guarantees and letters of credit by category as at 31 December 2023:

KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
With internally rated credit risk:				
Grade 1: Standard	463,508	-	-	463,508
Grade 2: Watch list	411,074	-	-	411,074
Grade 3: Substandard	-	4,568	-	4,568
Grade 4: Doubtful	-	-	1,978	1,978
Grade 5: Problem	-	-	21	21
Total financial guarantees	**874,582**	**4,568**	**1,999**	**881,149**
Loss allowance	(5,134)	(85)	(506)	(5,725)
Total net financial guarantees	**869,448**	**4,483**	**1,493**	**875,424**

The following table summarises the quality of loan and credit line commitments as well as guarantees and letters of credit by category as at 31 December 2022:

KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
With internally rated credit risk:				
Grade 1: Standard	1,024,438	-	-	1,024,438
Grade 2: Watch list	380,224	-	-	380,224
Grade 3: Substandard	-	8,133	-	8,133
Grade 4: Doubtful	-	-	3,737	3,737
Grade 5: Problem	-	-	3,476	3,476
Total financial guarantees	**1,404,662**	**8,133**	**7,213**	**1,420,008**
Loss allowance	(16,491)	(983)	(2,028)	(19,502)
Total net financial guarantees	**1,388,171**	**7,150**	**5,185**	**1,400,506**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

Loan commitments and issued financial guarantees related to scope of impairment requirements under IFRS 9 disclosed in the above table as at 31 December 2022 and 31 December 2023 are staged with due account of credit risk. Allowance for expected credit losses on credit related commitments is included in other financial liabilities and equals KGS 5,725 thousand as at 31 December 2023 (31 December 2022: KGS 19,502 thousand).

Movement in the allowance for expected credit losses on credit related commitments for the year ended 31 December 2023 is as follows:

KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	16,491	983	2,028	19,502
Transfer to Stage 1	15	-	(15)	-
Transfer to Stage 2	(7)	7	-	-
Transfer to Stage 3	(32)	-	32	-
Net remeasurement of loss allowance	(12,024)	(907)	(1,551)	(14,482)
New financial assets originated or purchased	573	-	-	573
Changes in foreign exchange rates	118	2	12	132
Balance at 31 December	**5,134**	**85**	**506**	**5,725**

Movement in the allowance for expected credit losses on credit related commitments for the year ended 31 December 2022 is as follows:

KGS'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	33,760	2,347	1,326	37,433
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(1,115)	1,115	-
Net remeasurement of loss allowance	(17,442)	(230)	(373)	(18,045)
New financial assets originated or purchased	498	-	-	498
Changes in foreign exchange rates	(325)	(19)	(40)	(384)
Balance at 31 December	**16,491**	**983**	**2,028**	**19,502**

As at 31 December 2023 and 31 December 2022 the Bank did not have significant credit concentrations related to credit related commitments.

28 Contingent liabilities

(a) Insurance

The insurance industry in the Kyrgyz Republic is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank's property or related to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

(c) Taxation contingencies

The taxation system in the Kyrgyz Republic is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

These circumstances may create tax risks in the Kyrgyz Republic that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kyrgyz tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on financial position of the Bank, if the authorities were successful in enforcing their interpretations, could be significant.

29 Related party transactions

(a) Control relationship

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The Bank's Parent is First Heartland Jusan Bank JSC.

Publicly available consolidated financial statements are produced by the Bank's Parent.

(b) Ultimate controlling party

As at 31 December 2023 and 31 December 2022, the Bank's major shareholder is First Heartland Jusan Bank JSC (the "Shareholder").

As at 31 December 2023, the major shareholders of First Heartland Jusan Bank JSC comprise the Kazakhstani brokerage company First Heartland Securities JSC, which owns 79.63% of the outstanding ordinary shares and Mr. G.Sh. Yessenov, who owns 20.11% of the outstanding ordinary shares (31 December 2022: First Heartland Securities JSC, which owns 78.73% of the outstanding ordinary shares and Mr. G.Sh. Yessenov, who owns 20.11% of the outstanding ordinary shares). 100% of shares of First Heartland Securities JSC are owned by Mr. G.Sh. Yessenov.

As at 31 December 2023, the ultimate controlling party of the Bank is Mr. G.Sh. Yessenov (31 December 2022: New Generation Foundation, Inc.).

(c) Transactions with members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2023 KGS'000	**2022 KGS'000**
Members of the Board of Directors	33,152	25,385
Members of the Management Board	666,630	205,638
	699,782	**231,023**

All compensation is in form of short-term benefits.

The outstanding balances and average interest rates as at 31 December 2023 and 31 December 2022 for transactions with the members of the Board of Directors and Management Board are as follows:

	31 December 2023 KGS'000	Average interest rate, %	31 December 2022 KGS'000	Average interest rate, %
Statement of Financial Position				
ASSETS				
Loans to customers	126,661	11.06	169,775	11.23
LIABILITIES				
Current accounts and deposits from customers	13,273	3.61	17,016	0.82
Other liabilities	-	-	19,000	-

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the years ended 31 December are as follows:

	2023 KGS'000	2022 KGS'000
Statement of Profit or Loss and Other Comprehensive Income		
Interest income	25,973	11,405
Interest expense	284	346

(d) Transactions with the Parent

The outstanding balances and the related average effective interest rates as at 31 December 2023 and 31 December 2022 and related profit or loss amounts of transactions for the years ended 31 December 2023 and 31 December 2022 with the Bank's Parent are as follows:

	2023		2022	
	KGS'000	Average interest rate, %	KGS'000	Average interest rate, %
Statement of Financial Position				
ASSETS				
Cash and cash equivalents				
- in USD	451,815	-	452,792	-
- in other currencies	41,343	-	29,460	-
LIABILITIES				
Deposits and balances from banks and other financial institutions				
- in KGS	5,027	-	13,619	-
Other liabilities				
- in USD	29,398	-	42,840	-
Statement of Profit or Loss and Other Comprehensive Income				
Interest income	-	-	1,986	-
Gain on spot transactions	(6,138)	-	100,965	-
Fee and commission income	35	-	25	-
Fee and commission expense	386,335	-	428,428	-
General and administrative expenses	3,926	-	-	-

30 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2023.

KGS'000	**At fair value through profit or loss**	**At amortised cost**	**Gross carrying amount**	**Fair value**
Cash and cash equivalents	-	30,028,984	30,028,984	30,028,984
Investment securities	-	817,204	817,204	812,268
Loans and advances to banks and other financial institutions	-	1,461,807	1,461,807	1,461,807
Loans to customers	-	23,066,337	23,066,337	22,758,204
Other financial assets	-	1,419,774	1,419,774	1,419,774
	-	**56,794,106**	**56,794,106**	**56,481,037**
Financial instruments measured at fair value through profit or loss	13,329	-	13,329	13,329
Deposits and balances from banks and other financial institutions	-	449,738	449,738	449,738
Current accounts and deposits from customers	-	42,243,074	42,243,074	42,285,434
Other borrowed funds	-	1,005,471	1,005,471	1,005,471
Other financial liabilities	-	909,978	909,978	909,978
	13,329	**44,608,261**	**44,621,590**	**44,663,950**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022.

KGS'000	At fair value through profit or loss	At amortised cost	Gross carrying amount	Fair value
Cash and cash equivalents	-	23,400,230	23,400,230	23,400,230
Investment securities	-	1,109,922	1,109,922	1,109,193
Loans and advances to banks and other financial institutions	-	977,341	977,341	977,341
Loans to customers	-	21,122,474	21,122,474	20,726,779
Other financial assets	-	1,213,700	1,213,700	1,213,700
	-	**47,823,667**	**47,823,667**	**47,427,243**
Financial instruments measured at fair value through profit or loss	8,305	-	8,305	8,305
Deposits and balances from banks and other financial institutions	-	323,910	323,910	323,910
Current accounts and deposits from customers	-	34,664,860	34,664,860	34,688,641
Other borrowed funds	-	2,196,444	2,196,444	2,196,444
Other financial liabilities	-	902,445	902,445	902,445
	8,305	**38,087,659**	**38,095,964**	**38,119,745**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

- discount rates of 8.0-28.0% and 8.0-30.0% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively (2022: 4.0-30.0% and 11.5-30.0%, respectively);
- discount rate of 2.0-13.0% is used for discounting future cash flows from deposits of customers in KGS-denominated and 0.05-8.0% is used for discounting future cash flows from deposits of customers in foreign currency (2022: 2.0-13.5% и 0.01-8.0, respectively);
- discount rate of 1.0-8.0% is used for discounting future cash flows from other borrowed funds (2022: 1.0-11.6%).

(b) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments not measured at fair value at 31 December 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KGS’000	Level 2	Level 3	Total fair value	Total carrying amount
Assets				
Cash and cash equivalents	30,028,984	-	30,028,984	30,028,984
Investment securities	812,268	-	812,268	817,204
Loans and advances to banks and other financial institutions	1,461,807	-	1,461,807	1,461,807
Loans to customers	-	22,758,204	22,758,204	23,066,337
Other financial assets	1,419,774	-	1,419,774	1,419,774
	33,722,833	**22,758,204**	**56,481,037**	**56,794,106**
Liabilities				
Deposits and balances from banks and other financial institutions	449,738	-	449,738	449,738
Current accounts and deposits from customers	-	42,285,434	42,285,434	42,243,074
Other borrowed funds	-	1,005,471	1,005,471	1,005,471
Other financial liabilities	909,978	-	909,978	909,978
	1,359,716	**43,290,905**	**44,650,621**	**44,608,261**

The table below analyses financial instruments not measured at fair value at 31 December 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KGS'000	Level 2	Level 3	Total fair value	Total carrying amount
Assets				
Cash and cash equivalents	23,400,230	-	23,400,230	23,400,230
Investment securities	1,109,193	-	1,109,193	1,109,922
Loans and advances to banks and other financial institutions	977,341	-	977,341	977,341
Loans to customers	-	20,726,779	20,726,779	21,122,474
Other financial assets	1,213,700	-	1,213,700	1,213,700
	26,700,464	**20,726,779**	**47,427,243**	**47,823,667**
Liabilities				
Deposits and balances from banks and other financial institutions	323,910	-	323,910	323,910
Current accounts and deposits from customers	-	34,688,641	34,688,641	34,664,860
Other borrowed funds	-	2,196,444	2,196,444	2,196,444
Other financial liabilities	902,445	-	902,445	902,445
	1,226,355	**36,885,085**	**38,111,440**	**38,087,659**