RSK BANK
OPEN JOINT STOCK COMPANY

Financial statements
for the year ended December 31, 2023

and independent auditor's report

bakertilly

RSK BANK OPEN JOINT STOCK COMPANY

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RSK BANK OPEN JOINT STOCK COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditors' report, is made with a view to distinguish the respective responsibilities of management and those of the independent auditor in relation to the financial statements of the RSK Bank Open Joint Stock Company (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at December 31, 2023, the results of its operations, cash flows and changes in shareholders' capital for the year then ended, in accordance with International Financial Reporting Standards (hereinafter the "IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- compliance with IFRS; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with /standard/;
- maintaining statutory accounting records in compliance with legislation, accounting standards of the Kyrgyz Republic and requirements set by the National bank of the Kyrgyz Republic;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended December 31, 2023 were approved and authorized for issue on March 15, 2024 by the Management of the Bank.

On behalf of the Management of the Bank:

Nogaev U.M.
Chairman of Management Board

March 15, 2024
Bishkek, the Kyrgyz Republic

Chubarova A.A.
Chief Accountant

March 15, 2024
Bishkek, the Kyrgyz Republic

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103, Ibraimov str.
BC "Victory", 7th floor
Bishkek, 720011
Kyrgyz Republic

T: +996 (312) 90 05 05
F: +996 (312) 91 05 05
contact@bakertilly.kg
www.bakertilly-ca.com

INDEPENDENT AUDITOR'S REPORT

To Shareholder and Board of Directors of the RSK Bank OJSC:

Opinion

We have audited the financial statements of the RSK Bank OJSC (the "Bank"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (the "ISAs") and the requirements prescribed by the Regulation "On minimum requirements for external audit of banks and other financial and credit institutions licensed by the National Bank of the Kyrgyz Republic" (the "NBKR"), approved by the NBKR Board Resolution No. 2017-P-12/25-2 dated June 15, 2017. (date of last revision is December 28, 2022) (the "NBKR Requirements"). Our responsibilities under those standards are further described in the Auditor's 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' Code of Ethics for Professional Accountants (the "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.

Allowance for expected credit losses

The Bank evaluates financial assets in accordance with the requirements of IFRS 9 "Financial Instruments". Valuation of financial assets and allowances for expected credit losses requires a significant level of judgement from management of the Bank. Identification of signs of significant increase in credit risk, assessment of the probability of default and calculation of the amount of the allowance include the analysis of various factors. The use of different models and judgements can significantly influence the level of the Bank's allowance for expected credit losses.

We analysed the methodology for estimation of the Bank's expected credit losses and reviewed the models used in calculation of expected credit losses. We have checked the accuracy of calculations of the probability of default and the level of losses in case of default on a sample basis and ensured the reasonableness of the judgments used by the management of the Bank.

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 general principles of preparation of financial statements and regulations of the NBKR, 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.

Auditor's 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 auditor's 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 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.

As part of an audit in accordance with ISAs and regulations of the NBKR, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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.

Report on the procedures performed in accordance with the Regulation of the National Bank of the Kyrgyz Republic No.2017-P-12/25-2-(Legal Act) "On minimum requirements for the external audit of banks and other financial and credit institutions licensed by the National Bank of the Kyrgyz Republic" dated June 15, 2017

Management of the Bank is responsible for the implementation of the regulatory requirements established by the National Bank of the Kyrgyz Republic (the "NBKR") and for compliance of internal control with the requirements set by the NBKR.

In accordance with the Regulation of the NBKR No.2017-P-12/25-2-(Legal Act) "On minimum requirements for the external audit of banks and other financial and credit institutions licensed by the NBKR" dated June 15, 2017 in the course of audit of the Bank's financial statements as at December 31, 2023 and for the year then ended we examined accounting and classification of the Bank's assets and disclosure of transactions with related parties and affiliates to be in compliance with the regulatory requirements of the NBKR.

The review was limited to the procedures selected on the basis of our judgement, which included requests, analysis, examination of documents, comparison of requirements, procedures and methods approved by the Bank with requirements set by the NBKR, as well as recalculation, reconciliation of estimates and other information. We discussed the identified issues related to internal controls and procedures with the Bank's management and the relevant points where applicable were presented in the Management Letter.

The procedures performed and the results of the review are presented below:

1. With respect to compliance of the Bank's accounting and classification of assets with legislation of the Kyrgyz Republic, the regulatory requirements of the NBKR, accounting policy and procedures of the Bank, the relevant procedures have been performed within the framework of the audit conducted in accordance with International Standards on Auditing and the requirements of the NBKR necessary for expressing an opinion on compliance of the Bank's financial statements, in all material aspects, to the generally accepted principles of preparation and presentation of the financial statements:

- We obtained and analysed the Bank's loan policies approved by the Board of Directors of the Bank dated December 15, 2023 and February 18. 2022.
- We obtained the loan portfolio of the Bank as at December 31, 2023. During the statistical sampling analysis of the customer loan files, the following was determined:
  - A loan application is completed at the moment of loan origination. The application indicates preliminary information about the loan objectives and customer's capabilities on the basis of which customer's initial analysis is made;
  - customer loan files are formed in accordance with the provisions and requirements set by the NBKR;
  - monitoring of the loan status is performed with the periodicity established by the Bank's policies and regulations after the loan is issued. A report which describes activities performed by the Bank (calls, visits to the client, etc.), appropriateness of the intended use of the loan, financial condition of the customer and conditions of the collateral is completed based on the results of the monitoring;
  - if evidence of the customer's financial condition worsening is available, restructuring of the loan is made after detailed analysis of the customer's financial performance and approval by the credit committee is made.
- Classification and evaluation of the loan portfolio and other assets are made in accordance with the requirements of the regulations of the NBKR. We performed analysis of the methodology for impairment evaluation and estimation of the impairment allowance within the framework of the audit. We checked the adequacy of the assessment procedures of the loan portfolio and other assets of the Bank on sample basis;
- When assessing collateral, the Bank follows provisions of collateral policy and instruction for valuation of foreclosed assets. During sample base analysis of the loan portfolio and other property transferred to the Bank's ownership we assured that:
  - the Bank values foreclosed assets when registering collateral for originated loans;
  - the Bank takes into account the cost of the collateral, its market value, the presence or absence of defects, as well as other qualitative characteristics for estimation of fair value.
- The Bank follows policies for the management of other property when dealing with foreclosed assets that became property of the Bank;
- We requested confirmation letters on balances with customers on a sample basis during analysis of the Bank's loan portfolio. As a result of reviewing the received documents we assured that the data indicated in the confirmations corresponds to the values in the Bank's accounts;
- Confirmations with correspondent banks were requested on a sample basis during analysis of Nostro accounts of the Bank. Based on the documents received, we made sure that the amounts stated in the reconciliation reports correspond to the data in the Bank's accounting.;
- During analysis of the Bank's obligations we assured that all liabilities are classified in accordance with the requirements of the NBKR, IFRS and internal policies of the Bank.
- We received a securities portfolio of the Bank as at December 31, 2023 and a report on all securities transactions performed during 2023. During the statistical sampling analysis of the transactions the following was assured:
  - when concluding securities transactions, the Bank is guided by the internal investment policy;
  - all transactions were approved by the Asset and Liability Management Committee of the Bank;
  - availability of a purchase request on each selected transaction;

- availability of the confirming documents generated by an automated trading system ("ATS") for completed transactions.

2. With respect to the compliance of accounting and disclosure of the Bank's transactions with affiliates and related parties we identified the following:

- The Bank has a regulation on the Board of Directors which states that all decisions on transactions with affiliated and related parties are approved by the Board of Directors;
- As at the reporting date all related parties are determined by the Bank. Information on balances and transactions with related parties is disclosed in the financial statements;
- During the audit we have identified balances and transactions with related parties which correspond to the list of transactions with related parties of the Bank. In addition, on a sample basis, we assured the availability of approvals by the Board of Directors;
- As at reporting date we conducted the following procedures on transactions with related parties:

  - basis received confirmations of balances on a sample (loans issued, loans received, other assets) if the related party is a legal entity;

  - assured that all transactions with related parties were carried out by the Bank in compliance with all generally accepted procedures of banking practice without granting any exemptions or privileges.

3. With respect to examination of internal control and its structure we identified the following:

- In order to post all transactions in accounting books and prepare reliable financial statements the Bank developed accounting policy, job descriptions for employees and other guidelines and instructions regulating the activities of all employees of the Bank. In order to perform a systematic and independent evaluation of the reliability and effectiveness of the internal control system and to increase the accounting efficiency, the Bank conducts internal audit examinations. The internal audit is carried out by the internal auditor, who is reportable to the Board of Directors;
- The Bank established an effective system of risk management and internal control to provide assurance of sufficient confidence in achieving the Bank's goals. An effective system of risk management and internal control is implemented at all levels of management. Systematic and independent evaluation of the reliability and effectiveness of the internal control system is performed by the internal auditor who is reportable to the Board of Directors. The internal auditor performs tasks based on the principles of independence, objectivity, competence and professional attitude to work, as well as on the legislation of the Kyrgyz Republic, legal acts of the NBKR, internal audit standards determined by the International Standards for the Professional Practice of Internal Audit and the Code of Ethics of the Institute of Internal Auditors. The Board of Directors approves work plans and reviews reports;
- When examining the activities of the Bank's branches we identified that periodicity and sequence of the reports prepared by branches and internal auditor of the Bank during the year ended December 31, 2023 related to credit, operational, market, interest, legal risks and risk of the Bank's liquidity loss complied with the internal documents of the Bank;
- We received the internal documents of the Bank effective as at December 31, 2023 and during the year ended on this date which establish methods of identifying and managing significant credit, operational, market, interest, legal, and liquidity risks, and made sure that they are approved by the Bank in accordance with the requirements and recommendations of the NBKR;
- We received management letter on the results of the audit for the previous reporting year. We reviewed the issues indicated in the letter and assured that the Bank's management took appropriate efforts for elimination of deficiencies in the system of internal controls. In case the same deficiency remains from previous years we include it into the management letter by the results of the audit for the current year with note "Recurring".

4. During examination of compliance of operations and procedures of the Bank related to payments and settlements with the legislation of the Kyrgyz Republic and the regulatory requirements of the NBKR we established the following:

Within a substantive testing of certain captions of the financial statements (loans issued, loans received, deposits, income and expenses) we made a statistical sample of transactions to test that:

- Hard copy payment documents correspond to the figures in the system;
- Confidentiality and security matters during execution of electronic payments as well as the rules for storage and use comply with the requirements of the NBKR;
- Payments are made on time;
- The requirements for filling details of payment documents are appropriately executed.

5. With respect to compliance with the requirements of International Standards on Auditing regarding the responsibility of the Bank's external auditor to review fraudulent activities and errors during the audit of the financial statements of the Bank, we performed all audit procedures in accordance with NBKR and ISA which we considered necessary for expressing our opinion on the financial statements of the Bank.

6. Previous an external audit of the Bank's information systems including analysis and assessment of the compliance of information systems with the legislation of the Kyrgyz Republic and regulatory acts of the National Bank of the Kyrgyz Republic regarding information security and internal policies/procedures of information systems approved by the Management of the Bank was conducted on February 13, 2023.

Kubat Alymkulov

Certified accountant, FCCA
Certificate of auditor of the Kyrgyz Republic
No. A 0069 dated October 19, 2009
Audit Partner, Baker Tilly Bishkek LLC

Baker Tilly Bishkek LLC is registered in the "Register of audit organizations admitted for audit of public Interest entities and large entrepreneurship entities" of the Unified state register of auditors, audit organizations, professional audit associations. Individual registration number 2101510 dated August 9, 2023

March 15, 2024
Bishkek, Kyrgyz Republic

RSK BANK OPEN JOINT STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income calculated using the effective interest method	6	5,299,920	3,633,560
Interest expenses	6	(1,743,838)	(1,343,098)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS		3,556,082	2,290,462
Recovery / (accrual) of allowance for expected credit losses on interest bearing assets	7	404,132	(264,100)
NET INTEREST INCOME		3,960,214	2,026,362
Commission income	8	1,366,460	824,763
Commission expenses	8	(644,436)	(368,205)
Net (loss) / income on financial instruments at fair value through profit or loss		(39,065)	79,681
Net gain on foreign exchange operations	9	1,481,092	705,366
Accrual of allowance for other assets and other liabilities		(232,822)	(30,941)
Income on modification of financial instruments		632	-
Other income		17,530	17,135
NET NON-INTEREST INCOME		1,949,391	1,227,799
Operating expenses	10	(3,118,048)	(1,818,101)
PROFIT BEFORE INCOME TAX		2,791,557	1,436,060
Income tax	11	(295,148)	(155,570)
NET PROFIT		2,496,409	1,280,490
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:		-	-
Net change in fair value of investment securities measured at fair value through other comprehensive income		20,481	(119,187)
Total comprehensive income		2,516,890	1,161,303

On behalf of the Management of the Bank:

Nogaev U.M.
Chairman of Management Board

March 15, 2024
Bishkek, the Kyrgyz Republic

Chubarova A.A.
Chief Accountant

March 15, 2024
Bishkek, the Kyrgyz Republic

The notes on pages 13-72 form an integral part of the financial statements. The independent auditor's report is on pages 3-7.

RSK BANK OPEN JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(in thousands of Kyrgyz soms)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	12	21,646,329	15,069,068
Due from banks	13	4,456,228	6,787,845
Non-pledged investment securities	14	10,518,270	5,952,565
Pledged investment securities	14	901,521	938,936
Loans and advances to banks and other financial institutions	15	285,221	187,683
Loans to customers		29,238,854	21,159,677
Loans to corporate customers	16	8,402,936	7,384,622
Loans to retail customers	16	20,835,918	13,775,055
Financing under Islamic principles	17	212,172	1,206
Property, equipment and intangible assets	18	1,405,861	1,322,976
Other assets	19	1,847,959	957,911
TOTAL ASSETS		70,512,415	52,377,867
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits and balances from banks and other financial institutions	20	185,376	235,344
Current accounts and deposits from customers		50,159,675	36,756,102
Current accounts and deposits from corporate customers	21	31,285,937	20,874,617
Current accounts and deposits from retail customers	21	18,873,738	15,881,485
Other borrowed funds	22	5,593,219	5,643,294
Lease liabilities		119,593	142,818
Other liabilities	23	2,144,419	1,176,548
		58,202,282	43,954,106
EQUITY:			
Share capital	24	9,400,822	7,079,184
Funds received from the increase in the authorized capital		143,362	-
Fair value revaluation reserve	24	(74,591)	(95,072)
Retained earnings		2,840,540	1,439,649
		12,310,133	8,423,761
TOTAL LIABILITIES AND EQUITY		70,512,415	52,377,867

On behalf of the Management of the Bank:

Nogaev U.M.
Chairman of Management Board

March 15, 2024
Bishkek, the Kyrgyz Republic

Chubarova A.A.
Chief Accountant

March 15, 2024
Bishkek, the Kyrgyz Republic

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RSK BANK OPEN JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands of Kyrgyz soms)

	Note	Share capital	Funds received from the increase in the authorized capital	Fair value revaluation reserve	Retained earnings	Total equity
Balance at December 31, 2021		3,379,184	2,000,000	24,115	477,018	5,880,317
Comprehensive income						
Profit		-	-	-	1,280,490	1,280,490
Fair value revaluation reserve (debt instruments)		-	-	(119,187)	-	(119,187)
Total comprehensive income		-	-	(119,187)	1,280,490	1,161,303
Transactions with owners						
Dividends declared	23, 24	-	-	-	(317,859)	(317,859)
Funds received from the increase in the authorized capital		-	(2,000,000)	-	-	(2,000,000)
Shares issued	24	3,700,000	-	-	-	3,700,000
Total transactions with owners		3,700,000	(2,000,000)	-	(317,859)	1,382,141
Balance at December 31, 2022	24	7,079,184	-	(95,072)	1,439,649	8,423,761
Comprehensive income						
Profit		-	-	-	2,496,409	2,496,409
Fair value revaluation reserve (debt instruments)		-	-	20,481	-	20,481
Total comprehensive income		-	-	20,481	2,496,409	2,516,890
Transactions with owners						
Dividends declared	23, 24	-	-	-	(1,095,518)	(1,095,518)
Funds received from the increase in the authorized capital	24	-	143,362	-	-	143,362
Shares issued		2,321,638	-	-	-	2,321,638
Total transactions with owners		2,321,638	143,362	-	(1,095,518)	1,369,482
Balance at December 31, 2023	24	9,400,822	143,362	(74,591)	2,840,540	12,310,133

On behalf of the Management of the Bank:

Nogaev U.M.
Chairman of Management Board

March 15, 2024
Bishkek, the Kyrgyz Republic

Chubarova A.A.
Chief Accountant

March 15, 2024
Bishkek, the Kyrgyz Republic

The notes on pages 13-72 form an integral part of the financial statements. The independent auditor's report is on pages 3-7.

RSK BANK OPEN JOINT STOCK COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		2,791,557	1,436,060
Adjustments for:			
Movement in allowance for expected credit losses on interest-bearing assets	7	(404,132)	264,100
Change in the allowance for expected credit losses for other assets and other liabilities		232,822	30,941
Interest income	6	(5,299,920)	(3,633,560)
Interest expenses	6	1,743,838	1,343,098
Income on modification of financial instruments		(632)	-
Depreciation of property, equipment and amortisation of intangible assets	18	235,778	184,393
Foreign exchange difference	9	172,081	84,479
Cash flows before changes in working capital:		(528,608)	(290,489)
Change in operating assets and liabilities:			
(Increase) / decrease in operating assets:			
Loans and advances to banks and other financial institutions		(36,251)	(251,309)
Loans to customers		(7,625,245)	(4,588,954)
Due from banks		2,382,089	(6,528,568)
Financing under Islamic principles		(198,976)	(1,200)
Deposits pledged with banks and other financial and credit institutions		-	265,430
Other assets		(916,434)	(74,486)
Increase / (decrease) in operating liabilities:			
Deposits and balances from banks and other financial institutions		(52,102)	144,593
Current accounts and deposits from customers		12,866,618	13,869,815
Other liabilities		836,233	550,970
Cash inflow from operating activities before interests and income tax		6,727,324	3,095,802
Interest received		5,373,755	3,567,234
Interest paid		(1,704,380)	(1,306,183)
Interest paid on financing under Islamic principles		(5,553)	-
Income tax paid		(37,302)	(272,556)
Net cash inflow from operating activities		10,353,844	5,084,297

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 (CONTINUED)
(in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	18	(379,191)	(244,279)
Gain from disposal of property, equipment		401	1,944
Purchase of investment securities		(4,406,349)	(3,844,810)
Proceeds from sale of investment securities		-	2,105,911
Net cash outflow from investing activities		(4,785,139)	(1,981,234)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	23	(1,095,518)	(317,859)
Increase share capital	24	2,321,638	1,700,000
Prepayment of the contribution to the share capital		143,362	-
Proceeds from other borrowed funds	22	1,208,023	2,814,071
Repayment of lease liabilities		(39,469)	(38,127)
Repayment of other borrowed funds	22	(1,338,313)	(1,627,529)
Net cash inflow from financing activities		1,199,723	2,530,556
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,768,428	5,633,619
Effect of foreign exchange differences on cash and cash equivalents		(190,739)	(700,374)
Effect of changes in expected credit losses on cash and cash equivalents	7	(428)	(21,638)
CASH AND CASH EQUIVALENTS, at the beginning of the year	12	15,069,068	10,157,461
CASH AND CASH EQUIVALENTS, at the end of the year	12	21,646,329	15,069,068

On behalf of the Management of the Bank:

Nogaev U.M.
Chairman of Management Board

March 15, 2024
Bishkek, the Kyrgyz Republic

Chubarova A.A.
Chief Accountant

March 15, 2024
Bishkek, the Kyrgyz Republic

The notes on pages 13-72 form an integral part of the financial statements. The independent auditor's report is on pages 3-7.

1. BACKGROUND

Organization and operations

RSK Bank OJSC (the "Bank") was established in the Kyrgyz Republic on July 22, 1996, as "Settlement and Savings Company". Core business activity of the Bank is to accept deposits, open and manage customer accounts, transfer payments, issue loans and guarantees, provide 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 carries out its operations in accordance with the General Licenses No. 33 and 33/1 dated October 3, 2008 and is a member of the state system of deposit insurance in the Kyrgyz Republic.

The Bank's registered office is 80/1, Moscovskaya Str., Bishkek, 720010, the Kyrgyz Republic.

The Bank's Head Office is located in Bishkek. As at December 31, 2023, the Bank has 54 branches and 40 sub-branches (as at December 31, 2022: 53 branches and 38 sub-branches) located in Bishkek and other cities of the Kyrgyz Republic.

Number of employees of the Bank as at December 31, 2023 and 2022 amounted to 2,060 and 1,798 employees, respectively.

As at December 31, 2023, 100% of shares are owned by the Cabinet of Ministers of the Kyrgyz Republic represented by the State Agency for State Property Management under the Cabinet of Ministers of the Kyrgyz Republic. As at December 31, 2022, 75.9859% of the Bank's shares were owned by the State Property Management Fund under the Government of the Kyrgyz Republic and 24.0141% of the Bank's shared were owned by the Ministry of Finance of the Kyrgyz Republic.

The financial statements were approved by Management of the Bank on March 15, 2024.

Leasing

New leasing products under state programs and for individuals will be approved, following amendments to the Law "On Financial Lease (Leasing)". A new structural subdivision for leasing operations - Leasing Division under the Credit Department - was established and its staff schedule was approved. Continuous training of branch employees on leasing operations is carried out.

To date, the Bank has signed a framework agreement with China National Heavy Machinery Corporation for the supply of equipment and special machinery for a total amount of 110,000 thousand CNY (equivalent to 15,000 thousand US dollars). Under the above agreement, the Bank plans to offer equipment and special machinery of the Chinese company at the manufacturer's prices.

The target group for the project is legal entities (LE), individual entrepreneurs (IE), business entities of the Kyrgyz Republic, operating and registered in the Kyrgyz Republic in the form of individual entrepreneurs, peasant (farmer) farms, municipal enterprises, as well as commercial organizations.

The first delivery of equipment and special machinery for the Bank's clients is expected in spring 2024 after the opening of the Warranty Service of the Chinese company. At present, the Bank is taking appropriate measures to realize this task. To date, potential leasing applications for the amount of 84,000 thousand soms are in process in the branches.

2. PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

b. Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through other comprehensive income.

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 KGS 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 judgments made in applying accounting policies that have the most significant effects 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(f)(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.
- Determining fair value of loans to customers issued under governmental programs – Note 29.
- Determining fair value of other borrowed funds – Note 29.

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 December 31, 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. SIGNIFICANT 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 expected credit 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)(iv).

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 on debt instruments measured at fair value through other comprehensive income.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measures 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.

The contract with a customer, which resulted in a financial instrument recognised in the financial statements of the Bank may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expense includes mostly the service costs, which are expensed as soon as the respective services are received.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, nostro accounts held with the NBKR 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. Cash and cash equivalents are recognised at amortised cost in the statement of financial position.

e. Financial assets and financial liabilities

i. Classification

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 select to present subsequent changes in fair value in other comprehensive income. This selection 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(o)(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.

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; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its 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, 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider 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; and
- 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.

ii. 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.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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.

iii. 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 NBKR 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.

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)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income 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:

- the change in the currency of a financial asset;
- 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.

iv. 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;
- financial guarantee contracts issued; and
- loan commitments issued.

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 security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and

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 for which a 12-month ECL is recognised are referred to as 'Stage 2' and 'Stage 3' financial instruments.

ECL measurement

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 Bank 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(e)(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 are credit-impaired (categorised to 'Stage 3' financial assets). 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 past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

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 decrease in carrying amount of these 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; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

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 'recovery (charge) of impairment losses on interest- bearing assets' 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.

f. Loans to customers

'Loans to customers' caption in the statement of financial position include loans to customers measured at amortised cost (see Note 3(e)(i)). Loans to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

g. Financing under Islamic principles and leasing

In order to expand the range and accessibility of financial services to all segments of the population, the Bank has started introducing financial services based on Islamic principles of financing. At the initial stage, the Bank plans to introduce such products as Mudaraba, Murabaha and Kard.

Taking into account the dynamics of growing interest of the business environment in financial lease (leasing), the Bank has introduced this financial instrument. At the initial stage, the Bank developed and approved new internal regulations on leasing operations:

1) Regulations on Financial Lease (Leasing), Instruction on the Procedure for Granting Financial Lease (Leasing) with annexes;

2) Instruction on warranty and service maintenance of leasing items;

3) as well as the Instruction on Accounting of Financial Lease (Leasing).

The Leasing loan product was approved on October 10, 2023, and from the moment of approval the Bank started accepting applications for the new product.

h. Investment securities

The "Investment securities" in the statement of financial position comprises debt investment securities at fair value through other comprehensive income.

i. Deposits, 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.

j. 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.

For other loan commitments the Bank recognises loss allowance. (See Note 4).

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

k. Property, plant and equipment

Owned assets

Items of property and equipment are stated 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.

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 different items of property and equipment are as follows:

Buildings and constructions	5-50 years
Furniture and equipment	5-10 years
Computer equipment	5 years
Vehicles	5 years
Improvements to leased property	2-5 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 of intangible assets range from 5 to 20 years.

m. Leases

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

n. Foreclosed property

Foreclosed assets are measured at the lower of cost or 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.

Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

i. Ordinary shares

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

ii. Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the 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.

Current tax

Current tax is calculated on the basis of estimated amount of the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and the income tax adjustment for the previous years.

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 initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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. 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 judgments about future events. New information may become available that causes the Bank to change its judgment 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 Operating Segments. The Bank's assets are concentrated in Kyrgyzstan, and revenues are derived from operations in, and connected with, Kyrgyzstan. The chief operating decision maker, in the case of the Bank, the Chairman, only receives and reviews the information on the Bank as a whole.

Areas of significant use of estimates and assumptions of management

The preparation of financial statements requires from Management to make estimates and assumptions that have an influence on reported amounts of assets and liabilities of the Bank, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Bank's management conducts evaluations and judgments on an ongoing basis, based on previous experience and a number of other factors that are considered reasonable in the current environment. Actual results could differ from those estimates. The following estimates and assumptions are important to present financial position of the Bank.

Allowance for expected credit losses of loans and accounts receivable

The Bank regularly reviews its loans for impairment. Allowances for expected credit losses of the Bank are established to recognize incurred expected credit losses in its portfolio of loans and receivables. The Bank considers accounting estimates related to the allowance for expected credit loss of loans and receivables, a key source of uncertainty of estimation due to the fact that (i) they are highly susceptible to change from period to period as the assumptions on future non-compliance indicators and assessment of potential losses related to impaired loans and receivables, based on recent work, and (ii) any significant difference between the estimated losses and actual losses of the Bank requires from the Bank to create reserves, which could have a material impact on its financial statements in future periods.

The Bank uses management judgment to estimate the amount of any impairment loss in cases where the borrower has financial difficulties and there is little historical data relating to similar borrowers.

Analogously, the Bank estimates changes in future cash flows based on past experience, the client's behavior in the past, the available data, indicating an adverse change in the status of repayment by borrowers in the group, as well as national or local economic conditions that correlate with defaults on assets in this group. Management uses estimates based on historical experience of losses on assets with credit risk characteristics and objective evidence of impairment similar to those in this group of loans. The Bank uses an assessment of Management for adjusting the available data on a group of loans to reflect current circumstances not reflected in historical data.

It should be taken into account that the assessment of expected credit losses includes a subjective factor. The Bank's management believes that the amount of the recognised impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is possible that in certain periods the Bank may incur losses greater than the created reserve for expected credit losses.

The allowances for expected credit losses of financial assets in the financial statements have been determined on the basis of existing economic conditions.

As at December 31, 2023 and 2022 the carrying amount of the allowance for expected credit losses on loans to customers amounted to 1,473,447 thousand soms and 1,749,655 thousand soms, respectively (Note 16). As at December 31, 2023 and 2022, the carrying amount of loan impairment allowances under the NBKR requirements amounted to 1,805,157 thousand soms and 2,155,042 thousand soms, respectively.

Leases

The two main areas of judgment with regards to quantification of the ROU asset and lease liability are the determination of lease term and the discount rate.

Determining lease term

The Bank's expectation of exercising the option to renew a lease will be determined by assessing if the Bank is "reasonably certain" to exercise that option. The Bank will be reasonably certain to exercise an option when factors create a significant economic incentive to do so. This assessment will require a significant level of judgement as it is based on current expectations of future decisions. The lease term will have an impact on the calculation of the ROU asset and the lease liability; the longer the lease term, the higher the ROU asset and the related lease liability. Changes in the economic environment may impact the Bank's assessment of lease term, and any changes in the estimate of lease terms may have a material impact on the Bank's ROU assets and lease liabilities.

Discount rate

At commencement date, the Bank measures the lease liability at the present value of the future lease payments, discounted using the Bank's incremental borrowing rate. The Bank will consider a broad range of factors to determine the appropriate discount rate. These will include the Bank's credit risk, term of the lease, the economic environment and geographical location in which the lease is entered into.

Application of new and revised international financial reporting standards (IFRSs)

The Bank has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Bank's financial statement for the year ended December 31, 2023:

- Amendments to IAS 1 Presentation of Financial Statements, which issued non-mandatory practical recommendations for making judgments about materiality required in making decisions about disclosures in financial statements.
- Amendments to IAS 12 Income Taxes, which addresses the accounting for deferred tax in certain transactions.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which clarify the relationship between accounting policies and accounting estimates by specifying that the Bank develops accounting estimates to achieve the objective set out in the accounting policies.
- The new standard IFRS 17 Insurance Contracts is effective for annual periods beginning on or after January 1, 2023. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The adoption of the new or revised standards did not have significant effect on the financial position or performance of the Bank in the financial statements.

New and revised IFRSs in issue but not yet effective

A number of new Standards and Interpretations has been issued and not yet adopted as at December 31, 2023 and had not been applied in preparation of these financial statements. Following Standards and Interpretations are relevant to operations of the Bank. The Bank intends to adopt these Standards and Interpretations from their effective dates. The Bank has not analyzed potential effect of adoption of these standards on its financial statements.

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not mandatorily yet effective, and which the Bank has not early adopted:

- Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures" which will introduce targeted disclosure requirements that will enhance transparency of supplier finance arrangements and their effects on Bank's liabilities and cash flows.

- Amendments to IAS 1 "Presentation of Financial Statements" requires to classify liabilities as current or noncurrent based on Bank's rights to defer settlement for at least 12 months which must exist and have a substance as at the reporting date. Only covenants with which a company must comply on or before the reporting date may affect this right.
- Amendments to IFRS 16 "Leases" which introduce a new model for accounting of variable payments and will require seller-lessees to reassess and possibly restate sale-leaseback transactions.
- Introduction of IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" which provide a framework for Banks to report on all sustainability-related topics across the areas of governance, strategy and risk management. These standards are also designed to disclose information that is expected to affect the assessments that investors make about Bank's future cash flows.

The Bank intends to adopt these new standards and amendments, if applicable, when they become effective.

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 28.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.

Significant increase in credit risk

When determining whether the risk of default on 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 expert 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 parameter determining the increase in credit risk of loans at the Bank is the number of days overdue, as well as obtaining information about significant financial difficulties of the borrower, for example, loss of work, loss of a permanent source of income or signs of bankruptcy of the borrower, prolongation or restructuring of the loan ('qualitative characteristics of a significant increase in credit risk').

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant will differ for different types of lending, in particular between corporate and retail.

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.

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

- deterioration of the borrower's operating results, including revenue and net profit for the last six months compared to the same period of the previous year;
- qualitative indicators;
- compliance with the industry in which the borrower operates, the consequences of the COVID-19;
- the appearance of a default on other obligations of the borrower.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an 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 probation period during which the financial asset is required to demonstrated 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 is past due more than 90 days on any material credit obligation to the Bank for loans to corporate and retail customers. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- 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.

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 issuer 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.

Incorporating of forward-looking information

The Bank incorporates forward-looking information into its estimates of expected credit losses by analyzing the impact of economic conditions on loan portfolio default rates by industry segment.

External information taken into account may include economic data and forecasts published by government authorities of the countries where the Bank operates, such as the National Statistical Committee and the Ministry of Economy and Commerce of the Kyrgyz Republic, as well as data from international institutions such as the World Bank and the International Monetary Fund.

The Bank has identified and documented the main factors affecting expected credit losses for each portfolio of financial instruments and, using analysis of historical data, assessed the relationship between macroeconomic variables and default rates.

The projected relationships of the key indicator and default rates for the various portfolios of financial assets were developed by analyzing historical data for 2015 - 2023.

Default rates were calculated as the ratio of the number of loans in default within the last year to the number of "healthy" loans as of the reporting date minus one year. Macro indicators and their derivatives were tested as parameters, and based on the results of the correlation regression analysis, an appropriate indicator was selected separately for each segment.

Legal entities	Exchange rate (average, USD)
Industry and agriculture	GDP growth
Construction and mortgage	GDP growth
Consumer	GDP growth
Other	GDP growth

The basis scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies in the country where the Bank operates, such as the National Statistic Committee and the Ministry of Economy of the Kyrgyz Republic, as well as data from international institutions such as the World Bank and the International Monetary Fund.

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 variable and credit risk and credit losses.

The economic scenarios used for credit portfolios as at December 31, 2023 included the following key indicators for the Kyrgyz Republic for the year ended December 31, 2024.

	Basic
GDP growth	4.00%
Exchange rate (average, USD)	89.78

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the customer. 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 loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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 Group'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)(iv)). 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 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.

Generating the term structure of PD

The probability of default (PD, %) for loan is calculated using the Markov chains method, namely, stochastic loan transition matrices over the intervals of overdue periods during a given analysed period.

To build a transition matrix, the Bank uses detailed information on loan portfolios for the period under review. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Calculation of LGD:

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Calculation of EAD:

EAD represents the expected exposure as at the date of default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, 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 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.

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

- instrument type;
- credit risk ratings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

	Credit risk exposure	External benchmarks used PD	External benchmarks used LGD
Cash and cash equivalents	13,430,321	Moody's default study	Moody's recovery studies
Investment securities	11,419,791	Moody's default study	Moody's recovery studies

5. RECLASSIFICATION OF FINANCIAL STATEMENTS

Certain reclassifications have been made to the financial statements as at December 31, 2022 and for the year then ended to conform to the presentation as at December 31, 2023 and for the year then ended as current year presentation provides better view of the financial position of the Bank. The impact of the change on the financial statements of the Bank for the year ended December 31, 2022 is presented below:

	Initially recognized in financial statements as at December 31, 2022	Amount of reclassification	December 31, 2022 (reclassified)
Statement of financial position			
Loans to customers	21,160,883	(1,206)	21,159,677
Financing under Islamic principles	-	1,206	1,206
Other assets under the Islamic financing principles	251	(251)	-
Other liabilities under the Islamic financing principles	(251)	251	-

6. NET INTEREST INCOME

Interest income and expenses for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income calculated using the effective interest method		
Loans to customers	3,034,702	2,418,648
Investment securities	1,686,364	977,631
Cash and cash equivalents and due from banks	523,036	217,273
Loans and advances to banks and other financial institutions	46,413	14,768
Financing under Islamic principles	6,311	6
Interest income on receivables under reverse repurchase agreements	3,094	5,234
	5,299,920	3,633,560
Interest expense calculated using the effective interest method		
Current accounts and deposits from customers	1,614,513	1,191,653
Other borrowed funds	112,109	123,539
Lease liabilities	9,465	7,215
Deposits and balances from banks and other financial institutions	7,751	20,691
	1,743,838	1,343,098
Net interest income before accrual of allowance for expected credit losses on interest-bearing assets	3,556,082	2,290,462

7. RECOVERY / (ACCRUAL) OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST-BEARING ASSETS

Recovery / (accrual) of allowance for expected credit losses on interest-bearing assets for the years ended December 31, 2023 and 2022 is presented as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Loans to customers	365,413	(159,017)
Loans and advances to banks and other financial institutions	60,987	(65,187)
Investment securities	(21,840)	(18,258)
Cash and cash equivalents	(428)	(21,638)
	404,132	(264,100)

8. COMMISSION INCOME AND EXPENSES

Commission income and expenses for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Commission income		
Cash operations	409,863	297,620
Payment cards	392,706	242,377
Bank accounts maintenance	254,095	117,018
Money transfers	49,922	60,100
Letters of credit and bank guarantees issues	25,247	11,069
Other	234,627	96,579
	1,366,460	824,763

	For the year ended December 31, 2023	For the year ended December 31, 2022
Commission expenses		
Payment cards	421,442	307,213
Interbank operations	146,371	27,569
Opening and maintenance of corresponding accounts	56,489	11,617
Gross transactions	20,134	21,806
	644,436	368,205

Performance obligations and revenue recognition policies:

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it provides a service to a customer.

Nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies is as follows:

The Bank provides banking services to retail and corporate customers, including account management, cash and settlement transactions, foreign currency transactions and servicing fees.

Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate customers.

Fees for exchange transactions, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.

Servicing fees are charged on a monthly basis and are based on fixed rates.

Revenue from account maintenance is recognised over time as the services are provided.

Revenue related to transactions is recognised at the point in time when the transaction takes place.

9. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations for the years ended December 31, 2023 and 2022 comprises:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Dealing operations, net	1,462,434	789,845
Translation effect, net	18,658	(84,479)
	1,481,092	705,366

10. OPERATING EXPENSES

Operating expenses of the Bank for the years ended December 31, 2023 and 2022 comprise:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Employee compensation	1,874,698	966,819
Payroll related taxes and benefits	320,403	164,749
	2,195,101	1,131,568
Depreciation of property, plant and equipment and amortisation of intangible assets	235,778	184,393
Repair and maintenance expenses	175,584	148,251
Security	136,516	70,665
Contributions to Deposits Insurance Fund	77,719	49,746
Advertising and marketing	43,724	17,614
Stationery	33,249	23,647
Communications services	25,061	19,808
Information technology expenses	24,033	11,073
Cash collection expenses	22,754	15,899
Rent of premises	20,649	11,216
Business travel expenses	18,880	9,661
Utilities	13,325	11,117
Representation expenses	10,525	2,654
Taxes other than on income	4,491	11,010
Legal and professional services	4,297	3,271
Personnel training	3,212	2,561
Charity and sponsorship	873	793
Other	72,277	93,154
	922,947	686,533
	3,118,048	1,818,101

11. INCOME TAX

The Bank measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Kyrgyz Republic, which may differ from IFRS. For the year ended December 31, 2023 income tax rate for legal entities was equal to 10% on the territory of the Kyrgyz Republic.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2023 and 2022 relate mostly to different methods of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current income tax expenses	279,790	136,277
Using of interest expense accrued and not deductible in 2022	(10,851)	-
Expenses in deferred income tax	26,209	19,293
Income tax expense	295,148	155,570

Reconciliation of tax and accounting profits for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023	Effective tax rate	For the year ended December 31, 2022	Effective tax rate
Profit before income tax	2,791,557		1,436,060	
Tax at statutory rate (10%)	279,156	10%	143,606	10%
Tax effect on permanent differences	15,992	1%	11,964	1%
Income tax expense	295,148	11%	155,570	11%

Tax effect from temporary differences as at December 31, 2023 and 2022 is presented below:

	December 31, 2023	December 31, 2022
Deferred income tax assets:		
Lease liabilities	119,593	142,818
Allowance for expected credit losses on cash and cash equivalents	23,973	23,545
Unused vacation provision	9,681	6,623
Allowance for expected credit losses on financing under Islamic principles	3,178	-
Accrued interests	-	108,513
Allowance for expected credit losses on other assets	-	63,984
Provision for contingent liabilities	-	47,633
Total deferred income tax asset	156,425	393,116
Deferred income tax liabilities:		
Allowance for expected credit losses on loans to customers	526,809	503,467
Depreciation of property, equipment and amortization of intangible assets	483,801	488,074
Provision for contingent liabilities	7,707	-
Unamortized portion of commission expenses on other borrowed funds	2,886	4,263
Total deferred income tax liabilities	1,021,203	995,804
Net deferred income tax liabilities	(864,778)	(602,688)
Net deferred income tax liabilities at statutory tax rate (10%)	(86,478)	(60,269)

Temporary differences between tax accounting and current financial statement lead to deferred tax liabilities as at December 31, 2023 and 2022 as a result of the following:

	December 31, 2022	Recognized in the statement of profit and loss	Recognized in capital	December 31, 2023
Temporary differences				
Depreciation of property equipment and amortization of intangible assets	(48,807)	427	-	(48,380)
Allowance for expected credit losses on loans to customers	(50,347)	(2,333)	-	(52,680)
Unamortized portion of commission expenses on other borrowed funds	(426)	137	-	(289)
Accrued interests	10,851	(10,851)	-	-
Lease liabilities	14,282	(2,323)	-	11,959
Allowance for expected credit losses on other assets	6,398	(6,398)	-	-
Provision for contingent liabilities	4,763	(5,534)	-	(771)
Allowance for expected credit losses on cash and cash equivalents	2,355	42	-	2,397
Unused vacation provision	662	306	-	968
Allowance for expected credit losses on financing under Islamic principles	-	318	-	318
	(60,269)	(26,209)	-	(86,478)

	December 31, 2021	Recognized in the statement of profit and loss	Recognized in capital	December 31, 2022
Temporary differences				
Depreciation of property, equipment and amortization of intangible assets	(38,343)	(10,464)	-	(48,807)
Allowance for expected credit losses on loans to customers	(16,558)	(33,789)	-	(50,347)
Investments in securities	(2,105)	-	2,105	-
Unamortized portion of commission expenses on other borrowed funds	-	(426)	-	(426)
Accrued interests	-	10,851	-	10,851
Lease liabilities	8,665	5,617	-	14,282
Allowance for expected credit losses on other assets	4,225	2,173	-	6,398
Provision for contingent liabilities	844	3,919	-	4,763
Allowance for expected credit losses on cash and cash equivalents	191	2,164	-	2,355
Unused vacation provision	-	662	-	662
	(43,081)	(19,293)	2,105	(60,269)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Cash on hand	8,216,008	4,823,333
Nostro accounts with the NBKR	5,629,362	3,682,344
Allowance for expected credit losses	(1,603)	(413)
Nostro accounts with the NBKR, net	5,627,759	3,681,931
Nostro accounts with other banks		
- rated from AA- to AA+	5,265,593	833,521
- rated from A- to A+	764,284	753,022
- rated from BBB- to BBB+	47,196	2,823
- rated from BB to BB+	34,991	66
- rated from B- to B+	243,229	20,827
- not rated	1,270,149	441,719
Total nostro accounts with other banks	7,625,442	2,051,978
Allowance for expected credit losses	(22,307)	(17,266)
Total nostro accounts with banks net	7,603,135	2,034,712
Cash equivalents		
Term deposits with the NBKR with original maturities of less than 3 months	-	100,028
Total term deposits with the NBKR, net	-	100,028
Notes of the National Bank of the Kyrgyz Republic with original maturity less than three months	199,490	4,434,930
Allowance for expected credit losses	(63)	(5,866)
Notes of the NBKR net of loss allowance	199,427	4,429,064
Accounts receivable under reverse repurchase agreements	-	-
Total cash equivalents	199,427	4,529,092
Allowance for expected credit losses	(23,973)	(23,545)
	21,646,329	15,069,068

In accordance with the NBKR requirements, the funds on correspondent account should comprise no less than 70% of the Bank's statutory reserves, on a daily basis, to comply with the reserve requirements. As at December 31, 2023 and 2022 the statutory reserves held in the accounts with the NBKR amounted to 3,554,310 thousand soms and 3,076,819 thousand soms, respectively. The Bank's ability to withdraw funds from such accounts is not restricted by Kyrgyz legislation. The Bank is allowed to use remaining balance of correspondent account within a banking day, however, at the end of the day the balance has to make up at least 70% of statutory reserve requirements

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale. No placements with banks are past due. As at December 31, 2023 the Bank has three banks (2022: Bank does not have any correspondent accounts balances), whose balances exceed 10% of equity. The gross value of these balances as at December 31, 2023 is 6,471,551 thousand soms.

The following tables show reconciliations from the opening to the closing balances of the loss allowance for cash and cash equivalents:

	December 31, 2023		December 31, 2022	
	Stage 1	Total	Stage 1	Total
Cash and cash equivalents				
Balance as at January 1	23,545	23,545	1,907	1,907
Net remeasurement of loss allowance	428	428	21,638	21,638
Balance as at December 31	23,973	23,973	23,545	23,545

13. DUE FROM BANKS

Due from banks as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Interbanks deposits	4,456,228	6,787,845
	4,456,228	6,787,845

Due from banks consists of a deposit with Landensbank Baden-Wuerttemberg in the amount of 50,000 thousand US dollars. The maturity date is February 1, 2024. The interest rate is 5.3%.

14. INVESTMENT SECURITIES

Investment securities of the Bank as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Investment securities measured at fair value through other comprehensive income		
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic	1,199,011	1,226,196
Financial instruments at amortised cost		
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	10,220,780	5,665,305
	11,419,791	6,891,501

(a) Credit quality of investment securities

	December 31, 2023		December 31, 2022	
	Stage 1	Total	Stage 1	Total
Investment securities measured at fair value through other comprehensive income				
rated BB-	1,199,011	1,199,011	1,226,196	1,226,196
Financial instruments at amortised cost				
rated BB-	10,220,780	10,220,780	5,665,305	5,665,305
Carrying amount	11,419,791	11,419,791	6,891,501	6,891,501

(b) Analysis of movements in the loss allowance

	December 31, 2023		December 31, 2022	
	Stage 1	Total	Stage 1	Total
Investment securities measured at fair value through other comprehensive income				
Balance as at January 1	13,009	13,009	16,651	16,651
Net remeasurement of loss allowance	(3,014)	(3,014)	(3,642)	(3,642)
Balance as at December 31	9,995	9,995	13,009	13,009

The loss allowance for investment securities is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

	December 31, 2023		December 31, 2022	
	Stage 1	**Total**	**Stage 1**	**Total**
Financial instruments at amortised cost				
Balance as at January 1	56,789	56,789	34,889	34,889
Net remeasurement of loss allowance	(9,825)	(9,825)	21,000	21,000
New financial assets originated or purchased	34,679	34,679	900	900
Balance as at December 31	81,643	81,643	56,789	56,789

As at December 31, 2023 and 2022 treasury bonds of the Ministry of Finance of the Kyrgyz Republic in the amount of 901,521 thousand soms and 938,936 thousand soms, respectively, served as a collateral for the loans received (Note 22). None of the investment securities are past due.

15. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Loans to banks and microfinance organisations		
Stage 1	289,421	252,870
Stage 3	3,124	3,124
Allowance for expected credit losses	(7,324)	(68,311)
	285,221	187,683

Analysis of movements in the loss allowance on loans to banks and other financial institutions

The following table sets out information about the credit quality of loans to banks and other financial institutions as at December 31, 2023 and 2022.

		December 31, 2023	
	Stage 1	**Stage 3**	**Total**
Balance at January 1	65,187	3,124	68,311
Net remeasurement of loss allowance	(60,987)	-	(60,987)
Balance at December 31	4,200	3,124	7,324

		December 31, 2022	
	Stage 1	**Stage 3**	**Total**
Balance at January 1	-	3,124	3,124
New financial assets originated or purchased	65,187	-	65,187
Balance at December 31	65,187	3,124	68,311

As at December 31, 2023 the Bank issued six loans to microfinance organizations with a gross value of 290,915 thousand soms (December 31, 2022: 254,786 thousand soms). As at December 31, 2023 and 2022 the Bank has no balances with banks and other financial institutions, balances of which exceed 10% of equity.

16. LOANS TO CUSTOMERS

Loans to customers as at December 31, 2023 and 2022 valued at amortized cost consisted of the following:

	December 31, 2023	December 31, 2022
Loans to corporate customers	9,036,731	8,570,456
Loans to retail customers		
Loans to small and medium-size businesses	13,445,895	9,340,092
Consumer loans	8,229,675	4,998,784
	21,675,570	14,338,876
Gross loans to customers	30,712,301	22,909,332
Allowance for expected credit losses	(1,473,447)	(1,749,655)
	29,238,854	21,159,677

The Bank among other market participants, participates in a number of government programs for providing affordable financing to borrowers that meet certain criteria to be eligible for financing. The Bank considers loans provided under these programs as having a distinct nature and representing separate segments. As a result, loans issued under these programs are considered as part of a normal transaction and, as such, the consideration given is considered to represent fair value as at the date of recognition. Details of these programs are disclosed in Note 22 and the amounts of loans issued under these programs are presented in Note 16 (e) below.

a. Analysis of movements in the loss allowance on loans to customers measured at amortised cost

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	1,044,997	26,974	677,684	1,749,655	194,609	20,952	1,337,377	1,552,938
Transfer to stage 1	28,617	(28,617)	-	-	94,683	(94,683)	-	-
Transfer to stage 2	(19,257)	49,054	(29,797)	-	(5,934)	298,081	(292,147)	-
Transfer to stage 3	-	(31,198)	31,198	-	-	(15,945)	15,945	-
Net remeasurement of loss allowance	(815,412)	2,414	93,229	(719,769)	3,990	(202,277)	(510,709)	(708,996)
New financial assets originated or purchased	330,056	37,612	28,745	396,413	752,488	20,646	76,491	849,625
Unwinding of discount on present value of ECLs	-	-	41,149	41,149	-	-	47,263	47,263
Movements in foreign exchange rates and other movements	576	1,085	4,338	5,999	5,161	200	3,464	8,825
Balance at December 31	569,577	57,324	846,546	1,473,447	1,044,997	26,974	677,684	1,749,655

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

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	794,572	16,350	374,912	1,185,834	111,111	5,921	907,758	1,024,790
Transfer to stage 1	-	-	-	-	2,619	(2,619)	-	-
Transfer to stage 2	(55)	55	-	-	-	201,738	(201,738)	-
Transfer to stage 3	-	(10,723)	10,723	-	-	-	-	-
Net remeasurement of loss allowance	(717,866)	(6,615)	24,120	(700,361)	67,867	(205,216)	(380,678)	(518,027)
New financial assets originated or purchased	81,916	35,921	8,984	126,821	608,151	16,350	25,390	649,891
Unwinding of discount on present value of ECLs	-	-	17,120	17,120	-	-	21,296	21,296
Movements in foreign exchange rates and other movements	189	1,083	3,109	4,381	4,824	176	2,884	7,884
Balance at December 31	158,756	36,071	438,968	633,795	794,572	16,350	374,912	1,185,834

Analysis of movements in the loss allowance for loans to small and medium-size entities

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	159,012	5,229	167,335	331,576	57,118	12,619	304,587	374,324
Transfer to stage 1	20,595	(20,595)	-	-	71,481	(71,481)	-	-
Transfer to stage 2	(15,716)	37,013	(21,297)	-	(3,438)	73,558	(70,120)	-
Transfer to stage 3	-	(15,532)	15,532	-	-	(12,764)	12,764	-
Net remeasurement of loss allowance	(55,968)	10,419	74,578	29,029	(48,424)	2,100	(113,109)	(159,433)
New financial assets originated or purchased	179,526	849	12,363	192,738	81,939	1,173	11,362	94,474
Unwinding of discount on present value of ECLs	-	-	18,376	18,376	-	-	21,296	21,296
Movements in foreign exchange rates and other movements	243	2	946	1,191	336	24	555	915
Balance at December 31	287,692	17,385	267,833	572,910	159,012	5,229	167,335	331,576

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

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	91,413	5,395	135,437	232,245	26,380	2,412	125,032	153,824
Transfer to stage 1	8,022	(8,022)	-	-	20,583	(20,583)	-	-
Transfer to stage 2	(3,486)	11,986	(8,500)	-	(2,496)	22,785	(20,289)	-
Transfer to stage 3	-	(4,943)	4,943	-	-	(3,181)	3,181	-
Net remeasurement of loss allowance	(41,578)	(1,390)	(5,469)	(48,437)	(15,453)	839	(16,922)	(31,536)
New financial assets originated or purchased	68,614	842	7,398	76,854	62,398	3,123	39,739	105,260
Unwinding of discount on present value of ECLs	-	-	5,653	5,653	-	-	4,671	4,671
Movements in foreign exchange rates and other movements	144	-	283	427	1	-	25	26
Balance at December 31	123,129	3,868	139,745	266,742	91,413	5,395	135,437	232,245

Significant changes in the gross carrying amount of financial instruments during the period that contributed to changes in loss allowance were as follows:

The increase in gross carrying amount of loans in Stage 2 by 54,702 thousand soms resulted in an increase in provisions by 30,350 thousand soms, of which:

- On loans issued to corporate customers, where the gross carrying amount of loans in Stage 2 increased by 33,608 thousand soms, with a corresponding increase in provisions by 19,721 thousand soms;
- For loans to SMEs, the increase in gross carrying amount of loans in Stage 2 amounted to 24,943 thousand soms, with a corresponding increase in provisions by 12,156 thousand soms;
- The movement of loans to corporate customers with gross carrying amount of 89,694 thousand soms from Stage 2 to Stage 3 contributed to the increase of allowance by 10,673 thousand soms.

In addition, for loans in Stage 3 there is an increase in provisions due to deterioration of repayment schedules during 2023 of three large customers.

Change of classification by credit products

During 2023 and 2022, the Bank applied the loan portfolio classification as follow:

- Loans to corporate customers include loans to legal entities and individual entrepreneurs for the amount exceeding 35,000 thousand soms or foreign currency equivalent (in 2022: the Bank classified loans to corporate customers for the amount exceeding 300 thousand US dollars regardless of the legal form of the borrowers (legal entities, entrepreneurs and individuals));
- Loans to small business customers include loans to legal entities and individual entrepreneurs for the amount less than 35,000 thousand soms or equivalent in foreign currency for commercial purposes (in 2022: the Bank classified loans to small business customers for commercial purposes for the amount less than 300 US dollars thousand regardless of the organizational-legal form of the borrowers (legal entities, entrepreneurs and individuals));
- Loans to individuals include loans granted to individuals for non-commercial purposes, including consumer loans and mortgage loans irrespective of the initial loan amount (in 2022: the Bank classified loans to individuals granted for non-commercial purposes (including consumer loans, mortgage loans, overdrafts of less than 300 thousand US dollars).

b. Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at December 31, 2023.

Explanation of the terms: Stage 1 assets, Stage 2 assets, and Stage 3 assets are included in Note 3(e)(iv).

The Bank classifies loans to customers based on its overdue status in the following categories:

– not overdue;
– overdue up to 30 days;
– overdue 30-59 days;
– overdue 60-89 days;
– overdue 90-179 days;
– overdue 180-360 days;
– overdue more than 360 days.

The following table provides information on the credit quality of loans to customers for the years ended December 31, 2023 and 2022:

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers								
- not overdue	7,888,151	-	227,218	8,115,369	6,995,014	-	467,655	7,462,669
- overdue up to 30 days	6,118	-	30,072	36,190	-	132,195	90,308	222,503
- overdue 30-59 days	-	933	-	933	-	-	28,265	28,265
- overdue 60-89 days	-	164,708	-	164,708	-	-	28,869	28,869
- overdue 90-179 days	-	-	87,630	87,630	-	-	-	-
- overdue 180-360 days	-	-	302,596	302,596	-	-	418,997	418,997
- overdue more than 360 days	-	-	329,305	329,305	-	-	409,153	409,153
	7,894,269	165,641	976,821	9,036,731	6,995,014	132,195	1,443,247	8,570,456
Allowance for expected credit losses	(158,756)	(36,071)	(438,968)	(633,795)	(794,572)	(16,350)	(374,912)	(1,185,834)
	7,735,513	129,570	537,853	8,402,936	6,200,442	115,845	1,068,335	7,384,622

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers								
Loans to small and medium-sized entities								
- not overdue	12,488,739	-	186,410	12,675,149	8,464,456	11,313	164,607	8,640,376
- overdue up to 30 days	148,299	-	82,610	230,909	84,479	12,581	35,231	132,291
- overdue 30-59 days	-	18,758	4,594	23,352	-	18,975	56,539	75,514
- overdue 60-89 days	-	67,486	4,161	71,647	-	18,761	43,143	61,904
- overdue 90-179 days	-	-	157,123	157,123	-	-	122,126	122,126
- overdue 180-360 days	-	-	75,508	75,508	-	-	154,752	154,752
- overdue more than 360 days	-	-	212,207	212,207	-	-	153,129	153,129
	12,637,038	86,244	722,613	13,445,895	8,548,935	61,630	729,527	9,340,092
Allowance for expected credit losses	(287,691)	(17,385)	(267,834)	(572,910)	(159,012)	(5,229)	(167,335)	(331,576)
	12,349,347	68,859	454,779	12,872,985	8,389,923	56,401	562,192	9,008,516

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers								
Consumer loans								
- not overdue	7,857,224	-	25,914	7,883,138	4,602,802	4,370	70,501	4,677,673
- overdue up to 30 days	79,005	-	3,240	82,245	72,258	52	14,610	86,920
- overdue 30-59 days	-	12,593	2,671	15,264	-	16,018	9,453	25,471
- overdue 60-89 days	-	13,657	5,801	19,458	-	10,173	10,688	20,861
- overdue 90-179 days	-	512	60,504	61,016	-	-	18,331	18,331
- overdue 180-360 days	-	-	42,203	42,203	-	-	110,091	110,091
- overdue more than 360 days	13,248	-	113,103	126,351	7,205	-	52,232	59,437
	7,949,477	26,762	253,436	8,229,675	4,682,265	30,613	285,906	4,998,784
Allowance for expected credit losses	(123,129)	(3,868)	(139,745)	(266,742)	(91,413)	(5,395)	(135,437)	(232,245)
	7,826,348	22,894	113,691	7,962,933	4,590,852	25,218	150,469	4,766,539

c. Collateral held and other credit enhancements

The following table provide information on collateral and other credit enhancements securing loans to customers by types of collateral as at December 31, 2023:

	Gross carrying amount	Loss allowance	Carrying amount	Collateral (without overcollateralisation) Real estate	Collateral-free (unsecured)	Total
Loans to corporate customers	9,036,731	(633,795)	8,402,936	6,796,758	1,606,178	8,402,936
Loans to small and medium-sized entities	13,445,895	(572,910)	12,872,985	12,716,170	156,815	12,872,985
Consumer loans	8,229,675	(266,742)	7,962,933	6,275,293	1,687,640	7,962,933
	30,712,301	(1,473,447)	29,238,854	25,788,221	3,450,633	29,238,854

The following table provide information on collateral and other credit enhancements securing loans to customers by types of collateral as at December 31, 2022:

	Gross carrying amount	Loss allowance	Carrying amount	Collateral (without overcollateralisation) Real estate	Collateral-free (unsecured)	Total
Loans to corporate customers	8,570,456	(1,185,834)	7,384,622	7,383,578	1,044	7,384,622
Loans to small and medium-sized entities	9,340,092	(331,576)	9,008,516	8,697,809	310,707	9,008,516
Consumer loans	4,998,784	(232,245)	4,766,539	4,025,673	740,866	4,766,539
	22,909,332	(1,749,655)	21,159,677	20,107,060	1,052,617	21,159,677

Consumer loans comprise mortgage and consumer loans secured by underlying real estate and unsecured consumer loans.

The following table provide information about loans to customers that are credit-impaired as at December 31, 2023, and about collateral securing these loans, which have been provided to reduce possible losses:

	Gross carrying amount	Loss allowance	Carrying amount	Collateral (without overcollateralisation) Real estate	Collateral-free (unsecured)	Total
Loans to corporate customers	976,821	(438,968)	537,853	528,444	9,409	537,853
Loans to small and medium-sized entities	722,613	(267,834)	454,779	454,690	89	454,779
Consumer loans	253,436	(139,745)	113,691	86,353	27,338	113,691
	1,952,870	(846,547)	1,106,323	1,069,487	36,836	1,106,323

The following table provide information about loans to customers that are credit-impaired as at December 31, 2022, and about collateral securing these loans, which have been provided to reduce possible losses:

	Gross carrying amount	Loss allowance	Carrying amount	Collateral (without overcollateralisation) Real estate	Collateral-free (unsecured)	Total
Loans to corporate customers	1,443,247	(374,912)	1,068,335	1,068,335	-	1,068,335
Loans to small and medium-sized entities	729,527	(167,335)	562,192	562,192	-	562,192
Consumer loans	285,906	(135,437)	150,469	150,469	-	150,469
	2,458,680	(677,684)	1,780,996	1,780,996	-	1,780,996

d. Repossessed collateral

During 2023, the Bank obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of 336,690 thousand soms (2022: 171,332 thousand soms). During 2023, the Bank sold repossessed collateral with a net carrying amount of 138,629 thousand soms (2022: 361,689 thousand soms).

As at December 31, 2023, the repossessed collateral comprises:

	Gross carrying amount	Allowance for expected credit losses
Real estate	562,903	397,791
Other assets	64,687	31,276
	627,590	429,067

As at December 31, 2022, the repossessed collateral comprises:

	Gross carrying amount	Allowance for expected credit losses
Real estate	349,844	545,498
Other assets	75,573	70,277
	425,417	615,775

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

As at December 31, 2023 the Bank had no financial instruments in respect of which no loss allowance was recognised due to it being secured by pledged collateral.

During 2023, there were no changes in the Bank's collateral policies.

e. Pledged assets

As at December 31, 2023 consumer loans with a net carrying amount of 2,661,167 thousand soms (December 31, 2022: 2,218,982 thousand soms) served as collateral for loans provided to the Bank by the State Mortgage Company OJSC (Note 22).

As at December 31, 2023 loans to corporate customers and small and medium-sized entities, with a net carrying amount of 1,320,881 thousand soms (December 31, 2022: 1,735,647 thousand soms) served as collateral for the loans provided to the Bank by the Russian-Kyrgyz Development Fund (Note 22).

f. Industry and geographical analysis of the loan portfolio

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

	December 31, 2023	December 31, 2022
Agriculture	8,361,322	6,969,557
Consumer loans	7,946,279	4,758,097
Trade	5,592,042	4,427,335
Manufacturing	3,114,015	2,062,851
Services	2,455,462	1,930,155
Construction and repair	1,413,982	1,380,401
Transportation and communication	1,274,106	839,508
Other	555,093	541,428
Allowance for expected credit losses	(1,473,447)	(1,749,655)
	29,238,854	21,159,677

g. Significant credit exposures

As at December 31, 2023 the Bank did have one borrower (December 31, 2022: did not have borrowers) whose loan balance exceeded 10% of equity. The gross value of these loans as at December 31, 2023 is 1,500,000 thousand soms.

h. Loan maturities

The maturity of the Bank's loan portfolio as at the reporting date is presented in Note 29, which shows the remaining period from the reporting date to the contractual maturity of the loans.

17. FINANCING UNDER ISLAMIC PRINCIPLES

Financing under Islamic principles as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Financing under Islamic principles	214,460	1,200
Mark-up receivable	82,377	257
Deferred income	(81,487)	(251)
Allowance for expected credit losses	(3,178)	-
Net financing under Islamic principles	212,172	1,206

For the year 2023, the Bank carried out banking operations within the Islamic window in accordance with Shariah requirements and AAOIFI standards.

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

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	-	-	-	-	-	-	-	-
New financial assets originated or purchased	3,178	-	-	3,178	-	-	-	-
Balance at December 31	3,178	-	-	3,178	-	-	-	-

The following table provides information on the quality of financing under Islamic principles for the years ended December 31, 2023 and 2022:

	December 31, 2023				December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financing under Islamic principles								
- not overdue	215,350	-	-	215,350	1,206	-	-	1,206
- overdue up to 30 days	-	-	-	-	-	-	-	-
- overdue 30-59 days	-	-	-	-	-	-	-	-
- overdue 60-89 days	-	-	-	-	-	-	-	-
- overdue 90-179 days	-	-	-	-	-	-	-	-
- overdue 180-360 days	-	-	-	-	-	-	-	-
- overdue more than 360 days	-	-	-	-	-	-	-	-
	215,350	-	-	215,350	1,206	-	-	1,206
Allowance for expected credit losses	(3,178)	-	-	(3,178)	-	-	-	-
	212,172	-	-	212,172	1,206	-	-	1,206

18. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets as at December 31, 2023 and 2022 consisted of the following:

	Land plots	Construction and equipment to be installed	Buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Improvement of leased property	Intangible assets	Right-of-use assets	Total
At cost										
December 31, 2021	22,859	16,076	556,278	495,776	306,429	118,163	22,621	472,151	137,363	2,147,716
Additions	-	80,729	1,948	70,163	29,454	12,169	379	49,437	109,903	354,182
Disposal	-	(2,588)	(213)	(36,668)	(9,911)	(9,268)	-	(4,256)	(60,180)	(123,084)
Internal movement	-	(3,998)	3,223	10	583	-	182	-	-	-
December 31, 2022	22,859	90,219	561,236	529,281	326,555	121,064	23,182	517,332	187,086	2,378,814
Additions	-	18,424	-	177,668	81,012	82,789	3,622	15,676	28,719	407,910
Disposal	-	(1,145)	(103)	(63,966)	(30,581)	(15,841)	(3,622)	(1,038)	(30,675)	(146,971)
Internal movement	-	(18,824)	366	14,469	2,331	-	1,658	-	-	-
December 31, 2023	22,859	88,674	561,499	657,452	379,317	188,012	24,840	531,970	185,130	2,639,753
Accumulated depreciation										
December 31, 2021	-	-	124,650	328,961	177,439	70,559	20,436	184,183	69,024	975,252
Charge for the year	-	-	12,725	51,104	32,756	14,617	1,051	47,710	40,033	199,996
Disposal	-	-	(112)	(35,896)	(9,698)	(9,268)	-	(4,256)	(60,180)	(119,410)
December 31, 2022	-	-	137,263	344,169	200,497	75,908	21,487	227,637	48,877	1,055,838
Charge for the year	-	-	12,254	62,425	41,409	22,038	970	54,667	42,015	235,778
Disposal	-	-	(65)	(19,072)	(16,636)	(2,321)	-	(798)	(18,832)	(57,724)
December 31, 2023	-	-	149,452	387,522	225,270	95,625	22,457	281,506	72,060	1,233,892
Net book value										
As at December 31, 2022	22,859	90,219	423,973	185,112	126,058	45,156	1,695	289,695	138,209	1,322,976
As at December 31, 2023	22,859	88,674	412,047	269,930	154,047	92,387	2,383	250,464	113,070	1,405,861

As at December 31, 2023 and 2022 there were no property, equipment and intangible assets that were pledged as collateral for liabilities.

As at December 31, 2023 and 2022 fully depreciated property, equipment and intangible assets in use equaled to 480,440 thousand soms and 380,037 thousand soms, respectively. There are no capitalised borrowing costs related to the acquisition or construction of items of property and equipment as at December 31, 2023 and 2022.

19. OTHER ASSETS

Other assets as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Other financial assets		
Accounts receivable on other transactions of the Bank	653,368	161,742
Cash settlement	470,446	281,720
Accounts receivable on money transfers and other commissions receivable	247,404	175,243
Financial instruments at fair value through profit or loss	98,593	-
Accounts receivable on payment systems	25,274	10,091
Other	226,707	50,786
Allowance for expected credit losses	(210,873)	(63,984)
	1,510,919	615,598
Other non-financial assets		
Foreclosed collateral	627,590	425,418
Inventories	63,809	39,456
Prepayments	47,972	46,621
Corporate income tax paid in advance	-	115,140
Advances to employees	27,787	13,240
Allowance for impairment	(430,118)	(297,562)
	337,040	342,313
	1,847,959	957,911

Financial instruments measured at fair value represent outstanding spot transactions as at December 31, 2023.

Credit quality of other financial assets

The following table sets out information about the credit quality of other financial assets as at December 31, 2023 and 2022.

	December 31, 2023		
	Stage 1	Stage 3	Total
Other financial assets			
- not overdue	1,510,919	-	1,510,919
- uncollectable	-	210,873	210,873
	1,510,919	210,873	1,721,792
Allowance for expected credit losses	-	(210,873)	(210,873)
	1,510,919	-	1,510,919

	December 31, 2022		
	Stage 1	**Stage 3**	**Total**
Other financial assets			
- not overdue	615,598	-	615,598
- uncollectable	-	63,984	63,984
	615,598	63,984	679,582
Allowance for expected credit losses	-	(63,984)	(63,984)
	615,598	-	615,598

Analysis of movements in allowance for expected credit losses

Movements in the allowance for expected credit losses for the year ended December 31, 2023 are as follows:

	Other financial assets	**Other non-financial assets**	**Total**
Allowance for expected credit losses as at the beginning of the year	63,984	297,562	361,546
Net charge	151,109	132,556	283,665
Effect of exchange differences	(4,220)	-	(4,220)
Allowance for expected credit losses as at the end of the year	210,873	430,118	640,991

Movements in the allowance for expected credit losses for the year ended December 31, 2022 are as follows:

	Other financial assets	**Other non-financial assets**	**Total**
Allowance for expected credit losses as at the beginning of the year	42,242	341,213	383,455
Net recovery	20,584	(43,651)	(23,067)
Effect of exchange differences	1,158	-	1,158
Allowance for expected credit losses as at the end of the year	63,984	297,562	361,546

20. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits and balances from banks and other financial institutions as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	**December 31, 2022**
Current accounts and deposits from banks and other financial institutions	185,376	235,344
	185,376	235,344

As at December 31, 2023 and 2022, the Bank had no banks or financial institutions, whose loan balances exceeded 10% of the Bank's equity.

21. CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS

Current accounts and deposits from customers as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Current accounts and deposits from corporate customers		
- Current accounts and demand deposits	29,157,778	18,758,891
- Term deposits	2,128,159	2,115,726
	31,285,937	20,874,617
Current accounts and deposits from retail customers		
- Current accounts and demand deposits	14,071,351	11,711,185
- Term deposits	4,802,387	4,170,300
	18,873,738	15,881,485
	50,159,675	36,756,102

As at 31 December 2023 the Bank has six customers whose account balances exceeded 10% of the bank equity (as at December 31, 2022 there were 5 customers).

As at December 31, 2023 and 2022, the gross value of balances of said counterparties was 13,098,051 thousand soms and 10,159,186 thousand soms respectively.

22. OTHER BORROWED FUNDS

Other borrowed funds as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Loans from State Mortgage Company OJSC	2,338,746	2,241,543
Loans from Russian-Kyrgyz Development Fund	1,434,009	1,565,928
Loans from the Ministry of finance of the Kyrgyz Republic	971,597	481,371
Loans from Incofin	678,617	869,673
Guarantee Fund OJSC	170,250	179,843
Loans from China Development Fund	-	304,936
	5,593,219	5,643,294

The Bank received loans from the following organisations and financial institutions:

Name of the organisation	Currency	Interest rate	Maturity	December 31, 2023	December 31, 2022
State Mortgage Company OJSC	Kyrgyz som	3.00-7.00%	Jan 2, 2031	1,963,656	2,095,006
State Mortgage Company OJSC (KFW)	Kyrgyz som	5.00%	Jul 20, 2035	375,090	146,537
Incofin	US dollars	4.80%	Feb 3, 2026	678,617	869,673
Russian-Kyrgyz Development Fund	US dollars	1.00-3.00%	Dec 28, 2026	762,824	731,220
Russian-Kyrgyz Development Fund	US dollars	1.00%	Nov 23, 2026	281,736	254,852
Russian-Kyrgyz Development Fund	US dollars	1.00%	Jul 2, 2026	173,182	207,212
Russian-Kyrgyz Development Fund	US dollars	1.00-3.00%	Apr 29, 2025	99,797	186,960
Russian-Kyrgyz Development Fund	Kyrgyz som	5.00-6.00%	Sep 2, 2026	85,030	132,923
Russian-Kyrgyz Development Fund	Kyrgyz som	5.00-6.00%	Jul 15, 2026	29,746	49,569
Russian-Kyrgyz Development Fund	Kyrgyz som	5.00-8.00%	Aug 12, 2025	1,694	3,192
Ministry of finance of the Kyrgyz Republic	Kyrgyz som	0.00%	Jun 8, 2028	539,535	88,750
Ministry of finance of the Kyrgyz Republic	Kyrgyz som	0.00%	Jun 16, 2028	199,520	25,915
Ministry of finance of the Kyrgyz Republic	Kyrgyz som	1.50-3.50%	Aug 20, 2025	90,533	165,431
Ministry of finance of the Kyrgyz Republic	Kyrgyz som	2.00%	Dec 12, 2025	79,700	79,700
Ministry of finance of the Kyrgyz Republic	Kyrgyz som	1.50, 3.50, 5.50%	Dec 25, 2024	61,815	120,653
Ministry of finance of the Kyrgyz Republic	US dollars	1.00%	Jul 15, 2024	494	922
Guarantee Fund OJSC	Kyrgyz som	2.00%	Jun 2, 2024	150,247	150,247
Guarantee Fund OJSC	Kyrgyz som	2.00%	Apr 29, 2024	20,003	20,003
Guarantee Fund OJSC	Kyrgyz som	2.00%	Sep 16, 2023	-	9,593
China Development Fund	US dollars	6-month LIBOR + 3.60%	Oct 21, 2024	-	304,936
				5,593,219	5,643,294

The Bank participates in a number of government development programs to provide affordable financing to specific borrowers that meet certain criteria to be eligible for financing (Note 16).

Russian Kyrgyz Development Fund

As part of the program of the Russian-Kyrgyz Development Fund for the provision to small and medium-sized entities of the access to credit resources, the Bank signed two agreements with the Russian-Kyrgyz Development Fund for the total amount of 950,000 thousand soms. On July 11, 2016, the Bank signed the third and fourth agreements with the RKDF for the total amount of 14,000,000 US dollars.

The interest rate of target loans issued by the Bank should not exceed the interest rate at which the Bank borrowed funds more than 5%. As discounting of loans received and issued at a rate lower than the market would have a mutually eliminating effect and would not significantly affect the Bank's financial statements, management decided not to take into account the effect of discounting on loans received and issued under the program financed by the RKDF.

State Mortgage Company

On February 1, 2016, as part of implementation of the programme of the Government of the Kyrgyz Republic "Affordable Housing 2015-2020" (the "Programme"), the Bank signed a General Agreement for Cooperation with the State Mortgage Company OJSC (the "SMC"). In accordance with this agreement, the SMC will provide funds in the form of loans totalling to 1,000,000 thousand soms to be allocated by the Bank to issue and refinance mortgage loans of the citizens of the Kyrgyz Republic who are the civil servants. The interest rate on mortgage loans issued by the Bank should not exceed the interest rate on loans received by the Bank by more than 4%. Due to the fact that these loans were issued to the Bank as part of the implementation of the Government programme to provide affordable housing to civil servants, these loans represent a separate market segment.

Ministry of Finance of the Kyrgyz Republic

As part of the state programmes for concessionary lending of the population, the Bank has a number of loan agreements with the Ministry of Finance of the Kyrgyz Republic, under which:

- In November 2019, the Bank signed an agreement under the programme of financing of the projects aimed at development of the regions of the Kyrgyz Republic, as part of which the Bank received loans for the total amount of 250,000 thousand soms. Interest rates on the loans received vary from 1.5% to 5.5% depending on a goal, loan term and region in which the borrowers operate.
- In March 2020, the Bank signed an agreement under the agriculture financing program as a part of which the Bank received loans for the total amount of 500,000 thousand soms, the interest rates of which vary from 1.5% to 5.5% depending on a goal, loan term and the region in which the borrowers operate;
- In July 2020, the Bank signed two agreements under the programme of financing of business entities, as a part of which the Bank received loans for the total amount of 600,000 thousand soms, the interest rates for which vary from 0.1% to 6.5% depending on a goal, loan term and the region in which the borrowers operate.
- In March 2022, the Bank signed an agreement under the Emergency Support Program for Micro, Small and Medium Enterprises (MSMEs), under which the Bank received funds in the amount of 581,175 thousand soms with zero interest rates.

Due to the fact that discounting of loans received and issued at a rate lower than the market would have a mutually eliminating effect and would not significantly affect the Bank's financial statements, management decided not to take into account the effect of discounting on loans received and issued. Through participation in the National Bank's credit auction, the Bank has raised the following short-term funds in the amount of 250,000 thousand soms bearing the interest rate of 4.25% in 2019.

As at December 31, 2023 and 2022 collateral for other borrowed funds consisted of the following:

	December 31, 2023	December 31, 2022
Assets restricted:		
Investment securities	901,521	938,936
Loans to customers	3,982,048	3,954,629
Cash	-	-
	4,883,569	4,893,565
Secured liabilities	3,459,579	3,499,858

The Bank is obligated to comply with financial covenants in relation to due to and loans from financial institutions above. These covenants include the established ratios including debt to equity ratio and other ratios used to assess financial performance. As at December 31, 2023, the Bank was in compliance with all established ratios.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other borrowed funds
Balance at December 31, 2021	4,407,375
Changes from financing cash flows	
Proceeds from other borrowed funds	2,814,071
Repayment of other borrowed funds	(1,627,529)
Total changes from financing cash flows	1,186,542
Effect of movements in foreign exchange	31,672
Other changes	
Interest expense	123,539
Interest paid	(105,834)
Balance at December 31, 2022	5,643,294
Changes from financing cash flows	
Proceeds from other borrowed funds	1,208,023
Repayment of other borrowed funds	(1,338,313)
Total changes from financing cash flows	(130,290)
Effect of movements in foreign exchange	87,159
Other changes	
Interest expense	110,732
Depreciation of commission expenses	1,378
Interest paid	(119,054)
Balance at December 31, 2023	5,593,219

23. OTHER LIABILITIES

Other liabilities as at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Other financial liabilities		
Repurchase agreements	1,463,740	803,985
Unused vacation provision	66,799	62,187
Accounts payable for payment systems	61,653	-
Accounts payable for money transfer systems	13,453	62,522
Unused vacation provision	9,681	6,623
Bonus provision	1,309	1,309
Other	146,096	2,263
Total other financial liabilities	1,762,731	938,889
Other non-financial liabilities		
Income tax payable	116,498	-
Interest prepaid by the Ministry of Finance of the KR	105,486	155,549
Deferred tax liability	86,478	60,269
Other taxes payable	73,226	21,841
Total other non-financial liabilities	381,688	237,659
	2,144,419	1,176,548

Payments to providers of utilities comprise payments accepted from the population for utilities and which need to be transferred to the accounts of the housing maintenance and utilities companies.

In accordance with the Agreement No. 19-05/17 dated March 23, 2015 between the Ministry of Finance of the Kyrgyz Republic (hereinafter the "MFKR") and the RSK Bank OJSC, the Bank provides loans to agricultural manufacturers bearing interest rates of 6-10% per annum and receives compensation of interest from the MF KR based on the amount of the loans issued.

The MFKR, in its turn, has a right to exercise control over the proper use of the grant and request information on the amount of loans issued. If the MFKR is not satisfied with the use of the funds, the funds may be withdrawn. Interest income is recognised over the period equal to the maturity of the portfolio of loans issued as part of the project.

During 2023 the amount of government grants recognised in profit and loss included in the interest income was 264,534 thousand soms (2022: 358,806 thousand soms).

Table below provides the movement of dividends:

	December 31, 2023	December 31, 2022
as at January 1	-	-
Declared	1,095,518	317,859
Paid	(1,095,518)	(317,859)
as at December 31	-	-

24. SHARE CAPITAL

a. Share capital

In 2023, the General Meeting of Shareholders made a decision to increase the share capital of the Bank in the amount of 2,321,638 thousand soms through issuing 4,643,277 shares of the nominal value of one share is 500 soms, by using Shareholders's funds. In 2022, the General Meeting of Shareholders made decision to increase the share capital of the Bank by 3,700,000 thousand soms through issuing 7,400,000 shares with nominal value of 500 soms each, by using Shareholder's funds.

As at December 31, 2023 and 2022 the amount of registered and paid share capital was 9,400,822 thousand soms and 7,079,184 thousand soms, respectively. As at December 31, 2023 the Bank's share capital consists of 18,801,644 ordinary shares with nominal value of 500 soms each (December 31, 2022: 14,158,367 ordinary shares with nominal value of 500 soms each).

As at December 31, 2023, 100% of shares are owned by the Cabinet of Ministers of the Kyrgyz Republic represented by the State Agency for State Property Management under the Cabinet of Ministers of the Kyrgyz Republic. As at December 31, 2022, 75,9859% of the Bank's shares owned by the State Property Management Fund under the Government of the Kyrgyz Republic and 24,0141% of the Bank's shared owned by the Ministry of Finance of the Kyrgyz Republic.

b. Dividends

Dividends payable are limited by the maximum amount of retained earnings determined in accordance with the requirements of the legislation of the Kyrgyz Republic.

During 2023 and 2022 the Bank declared dividends of 1,095,518 thousand soms (131.69 som per share) and 317,859 thousand soms (78.0 som per share), respectively.

According to the NBKR Instruction "On establishment of capital adequacy standards for commercial banks of the Kyrgyz Republic" approved by the Resolution No.18/2 dated July 21, 2004 of the Management Board of the NBKR (last revised on December 27, 2019), banks are not allowed to make decision on payment of dividends, if the "capital buffer" index calculated with due account of deduction of the amount of dividends planned to be paid, is below the value established by the NBKR. NBKR established the requirement for the value of the "capital buffer" index at the level not less than 25%. Also, in accordance with clause 8.4 of this instruction, the Bank is obligated to obtain permission from the National Bank to pay dividends to the Bank's shareholders, and at the time when this issue is considered the Bank is obligated to comply with the "capital buffer" index, taking into account the planned payment of dividends.

In 2023, the "capital buffer" index requirements were met and the Bank paid dividends in the amount of 1,095,518 thousand soms for 2022. In 2022, the Bank paid dividends in the amount of 317,859 thousand soms for 2021 to the Shareholder.

Revaluation reserve of investment securities

Revaluation reserve for state treasury bonds of the Ministry of Finance of the Kyrgyz Republic includes the accumulated net change in fair value until derecognition or impairment of the assets. As at December 31, 2023 and 2022 the reserve amounted to 74,591 thousand soms and 97,541 thousand soms, respectively.

25. CONTINGENT LIABILITIES

Capital expenditure commitments

As at December 31, 2023 and 2022 the Bank had no capital expenditure commitments.

Loan related commitments, guarantees and other financial contracts

In the normal course of business, the Bank provides its customers a variety of financial instruments that are accounted on off-balance sheet accounts and have different degrees of risk. Nominal or contract value of such obligations as at December 31, 2023 and 2022 was as follows:

	December 31, 2023	December 31, 2022
Off-balance sheet liabilities		
Guarantees	760,285	416,494
Credit lines	568,150	421,416
Letter of credits	404,146	478,768
Allowance for expected credit losses	(13,453)	(62,522)
	1,719,128	1,254,156

Credit quality of other contingent liabilities

The following table provides information on the credit quality of the contingent liabilities as at December 31, 2023 and 2022.

	December 31, 2023		December 31, 2022	
	Stage 1	Total	Stage 1	Total
Off-balance sheet liabilities	568,150	568,150	421,416	421,416
Total contingent credit related liabilities	568,150	568,150	421,416	421,416
Allowance for expected credit losses	(13,453)	(13,453)	(62,522)	(62,522)
Carrying amount (loss allowance)	554,697	554,697	358,894	358,894

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

Legal proceedings

From time to time in the Bank's customers and counterparties claim against the Bank and the Bank claims against customers. As at the reporting date the Bank was not involved in legal proceedings which could lead to changes in the financial statements.

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

Operating environment

The results of socio-economic development of the Kyrgyz Republic for 2023 under conditions of global uncertainty showed high results. Economic growth over the last three years by an average of 6.9 percent (2021 - 105.5 percent, 2022 - 109.0 percent, 2023 - 106.2 percent) indicates the sustainability of the economy and its gradual adaptation to the post-covid situation and the current prevailing situation. 106.2 percent) testifies to the sustainability of the economy and its gradual adaptation to the post-covid situation and the current geopolitical situation (disruptions in logistics supply chains, sanctions, volatility in the commodity and financial markets, increasing costs of production, global nature of inflation, etc.), which is due to the successful implementation of a set of measures to stimulate sectors of the economy, effective management of resources and fiscal reforms.

The main result of socio-economic development of the Kyrgyz Republic for 2023 is to ensure macroeconomic stability and timely fulfillment of all planned obligations of the state in the field of social protection and pension provision.

According to preliminary estimates of the National Statistical Committee of the Kyrgyz Republic, for January-December 2023 the volume of gross domestic product (hereinafter - GDP) amounted to 1,228.9 billion soms and the real growth rate amounted to 106.2 percent (for 2022 - 109.0 percent).

In the sectors of economy the indicators were as follows: in construction the volumes of production increased by 10.3 percent, in the sphere of services - by 6.2 percent, in industry - by 2.7 percent, in agriculture - by 0.6 percent.

Due to the emerging trends in the economy, the share of goods-producing industries in the structure of nominal GDP amounted to 32.3 percent, and the share of service-providing industries - 50.8 percent.

The main objectives of the policy of the Cabinet of Ministers of the Kyrgyz Republic for 2024 are to ensure macroeconomic stability, including taking effective measures to contain the growth of consumer prices, prevent and minimize the impact of crisis manifestations with the application of additional support from policy measures.

The policy will be implemented through the implementation of the National Development Program of the Kyrgyz Republic until 2026 and the measures laid down in it, aimed at strengthening the economy, strengthening the capacity and development of regions, as well as improving the quality and welfare of the people.

Under the conditions of continuing trend of slowing economic growth in the world, geo-economic tension in the region, which create difficult external conditions for the functioning of the economy of the Republic, the activities of the Cabinet of Ministers of the Kyrgyz Republic will be aimed at creating favorable conditions for entrepreneurship, taking urgent measures aimed at mitigating the shock impact on the economy from the negative processes associated with the deterioration of the global environment.

The main actions in 2024 will be aimed at ensuring the implementation of the Action Plan of the Cabinet of Ministers of the Kyrgyz Republic for 2024 (Order of the Cabinet of Ministers of the Kyrgyz Republic dated January 24, 2024 № 14-p), which provides for measures aimed at ensuring sustainable economic development and social stability.

Target macroeconomic indicators will be achieved through the implementation of investment projects, effective management of state assets of the country, reforming the system of state regulation to stimulate all sectors of the economy.

The main actions of the Cabinet of Ministers will be:

1. Continuous monitoring of macroeconomic indicators in order to timely identify threats and prevent risks to bring the economy to the projected level of economic growth;

2. prompt monitoring and assessment of factors affecting changes in consumer prices. Development of a package of preventive measures/recommendations aimed at preventing sharp fluctuations in prices for the most important goods;

3. Timely adoption of urgent measures by line ministries, administrative departments, state services, authorized representatives of the President of the Kyrgyz Republic in the oblasts, mayor's offices of Bishkek and Osh cities, aimed at the fulfillment of target indicators established within the framework of the approved forecast for 2024;

4. active implementation of measures to integrate the Kyrgyz economy into the regional economic system (EAEU) through diversification of exports and maintaining a liberal foreign trade policy;

5. Continuation of administrative-territorial reform, development of green economy;

6. Commissioning of at least 100 production enterprises, continuation of work on modernization of Mailuu-Suu plant, construction of a new plant for production of asphalt concrete mixtures in Tokmok, creation of training and logistics centers "One Village - One Product" in Osh, Jalal-Abad, Batken regions and other regions and others;

7. Strengthening of widespread work on import substitution to increase the competitiveness of domestic goods in the markets of the EAEU countries;

8. Intensify the work of development funds to obtain the greatest effect for the country's economy;

9. Ensuring revenue receipts in accordance with the established parameters for 2024 and fulfillment of social obligations;

10. Preventing the Social Fund from reducing the level of insurance premiums collection;

11. Active promotion of issues in the Jogorku Kenesh of the Kyrgyz Republic on the adoption of the introduced draft normative legal acts.

26. TRANSACTIONS WITH RELATED PARTIES

a. Control relationships

The Bank's ultimate controlling party is the Cabinet of Ministers of the Kyrgyz Republic represented by the State Agency for State Property Management under the Cabinet of Ministers of the Kyrgyz Republic. No publicly available financial statements are produced by the Bank's ultimate controlling party. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties include the Government of the Kyrgyz Republic and other state-owned entities.

b. Transactions with members of the Board of Directors and Management Board

Total remuneration included in personnel expenses is as follows (see Note 10):

	December 31, 2023	December 31, 2022
Members of the Board of Directors	10,104	9,700
Members of the Management Board	36,599	31,438
	46,703	41,138

In the statement of financial position as at December 31, 2023 and 2022 the following amounts were represented which arose due to transactions with related parties:

	December 31, 2023			December 31, 2022		
	Weighted average rate	Related party transactions	Total category as per the financial statements caption	Weighted average rate	Related party transactions	Total category as per the financial statements caption
Assets						
Cash and cash equivalents	0.50%	5,828,852	21,646,329	7.04%	8,117,274	15,069,068
Investment securities	5.86%	11,375,483	11,419,791	5.82%	6,876,933	6,891,501
Loans to customers	11.00%	13,275	29,238,854	12.35%	6,361	21,159,677
Liabilities						
Current accounts and deposits from customers	8.84%	2,678,635	50,159,675	4.42%	2,530,214	36,756,102
Other borrowed funds	3.72%	5,190,350	5,593,219	4.23%	4,287,506	5,643,294
Other liabilities	0.00%	105,486	2,144,419	0.00%	155,549	1,176,548

In the statement of profit or loss and other comprehensive income for the years ended December 31, 2023 and 2022 the following amounts were represented which arose due to transactions with related parties:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	2,133,445	5,299,920	1,378,245	3,633,560
Interest expenses	(231,363)	(1,743,838)	(220,582)	(1,343,098)
Commission income	211,639	1,366,460	153,340	824,763

27. 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 12.5%, 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 December 31, 2023 and 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 December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Movement in capital		
At the beginning of the year	8,423,761	3,880,317
Profit	2,475,913	1,280,490
Change in revaluation reserves	23,495	(119,187)
Dividends declared	(1,095,518)	(317,859)
Shares issued	2,321,638	3,700,000
At the end of the year	12,149,289	8,423,761

	December 31, 2023	December 31, 2022
Statutory capital composition:		
Total tier 1 capital	9,150,358	6,789,487
Total tier 2 capital	2,809,206	1,323,334
Total capital	11,959,564	8,112,821
Risk-weighted assets	43,617,738	33,900,733
Bank book	43,617,738	33,900,733

Capital amounts and ratios	Actual amount	For Capital Adequacy purposes	Ratio for Capital Adequacy purposes	Minimum Required Ratio
As at December 31, 2023				
Total capital	12,149,289	11,959,564	25.63%	12.50%
Tier 1 capital	9,649,881	9,150,358	20.98%	9.50%
Tier 2 capital	2,499,408	2,809,206		
As at December 31, 2022				
Total capital	8,423,761	8,112,821	22.29%	12.00%
Tier 1 capital	7,262,458	6,789,487	20.03%	6.00%
Tier 2 capital	1,161,303	1,323,334		

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.

The Bank is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Bank. As at December 31, 2023 the Bank was in compliance with NBKR economic ratios.

28. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's business. The risk management function within the Bank is carried out in respect of financial risks, operational risks, including legal risks, and reputational risk. Financial risks comprise market risk (which for the Bank includes currency risk and interest rate risk), credit risk and liquidity risk. The primary objective of the financial risk management function is to set appropriate risk limits in accordance with the Bank's risk appetite and then ensure that exposure to risks stays within these limits, thereby allowing the Bank to take risks in a controlled manner without jeopardizing financial stability. Operational and reputational risk management is also ensured by appropriate limits, internal policies and procedures to minimize these risks.

The risk management system is a part of the Bank's overall internal control system and is aimed at ensuring the Bank's sustainable development.

To ensure an efficient and effective risk management policy, the Bank has established key risk management principles, the main purpose of which is to protect the Bank from existing risks and allow it to achieve its performance targets. These principles are utilized by the Bank in managing the following risks:

a. Operational risk

Operational risk is the risk of losses resulting from non-compliance of the Bank's internal procedures and procedures for banking operations and other transactions with the nature and scope of the Bank's activities and (or) requirements of the current legislation, their violation by the Bank's employees and (or) other persons (due to unintentional or intentional acts or omissions), disproportionality (insufficiency) of functional capabilities of information, technological and other systems used by the Bank and (or) their failures (malfunctioning), as well as the risk of losses resulting from the Bank's failure to comply with the requirements of the current legislation.

All structural units of the Bank are involved in operational risk management. The operational risk management system provides for effective segregation of duties, access rights, approval and reconciliation procedures, and personnel training.

b. Credit risk

Credit risk is the risk arising from the possibility that a borrower or counterparty will fail to discharge a contractual obligation to the Bank. The Bank manages credit risk through the application of approved policies, procedures and limits, including requirements to identify, measure and monitor credit risk, and through Credit Committees, which are responsible for monitoring credit risk. The Credit Committees, the Asset and Liability Management Committee ("ALCO"), the Management Board and the Board of Directors are the collective credit bodies that implement the Bank's Credit Policy and ensure consistency of credit decisions.

Prior to any direct action by the Credit Committee, all recommendations on credit processes (borrower restrictions or amendments to loan agreements, etc.) are reviewed and approved by management. Daily risk management activities are performed by the Bank's branches, Credit Department, Loan Repayment Department, Collateral Management Department and Credit Administration Department. The Risk Management Department assesses credit risk in general for the entire loan portfolio of the Bank, including stress tests. The results of the credit risk stress test are submitted to the Risk Management Committee and the Board of Directors of the Bank.

The Bank has developed internal policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment and operation of a Credit Committee, which monitors credit risk. The Bank's credit policy is reviewed and approved by the Risk Management Committee on a periodic basis and is further reviewed and approved by the Board of Directors of the Bank. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry sectors. Actual exposures are monitored daily against limits set.

Exposure to credit risk is monitored on a regular basis through analysis and monitoring of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. To mitigate the risk of borrowers defaulting on their obligations, the Bank accepts collateral in the form of cash, immovable and movable property, as well as guarantees and sureties. The market value of collateral pledged as security is reduced by applying reduction factors established by the Bank's internal regulations. In order to exercise proper control over fulfillment of the borrower's obligations to the Bank, the Bank performs periodic monitoring of loans issued. The frequency and methods of such monitoring correspond to the Bank's existing lending programs taking into account the target groups of borrowers.

Off-balance sheet credit commitments represent unused credit lines, guarantees or letters of credit. The credit risk on financial instruments carried on off-balance sheet accounts is defined as a probability of losses due to the inability of the borrower to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet financial instruments, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of off-balance sheet contingencies because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets. For financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

Collateral pledged is determined based on its estimated fair value on the loan issuance date and limited to the outstanding balance of each loan as at reporting date.

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

	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	13,430,321	10,245,735
Due from banks	4,456,228	6,787,845
Loans to customers	29,238,854	21,159,677
Investment securities	11,419,791	6,891,501
Loans and advances to banks and other financial institutions	285,221	187,683
Financing under Islamic principles	212,172	1,206
Other financial assets	1,510,919	615,598
Total maximum exposure to credit risk	60,553,506	45,889,245

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 25.

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

c. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in obtaining funds to meet obligations as they become due and meet the needs in cash during the process of customer lending.

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 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 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.

Management controls this type of risk through performance of several Committees (Committee of Assets and Liabilities Management, Investment Committee) on portfolio level as well as on particular agreement level through an analysis of cash inflows and outflows and an analysis of maturity of assets and liabilities, determining the Bank's strategy for the next fiscal period. Current liquidity is managed by the Treasury Department, which supports the current level of liquidity sufficient to minimize liquidity risk.

The following tables show the undiscounted cash flows on financial assets and liabilities and credit-related commitments on the basis of their remaining 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.

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

	Demand and less than 1 month	**From 1 to 3 months**	**From 3 to 12 months**	**1-5 years**	**Over 5 years**	**Carrying amount**
Non-derivative financial assets						
Cash and cash equivalents	21,646,329	-	-	-	-	21,646,329
Due from banks	4,456,228	-	-	-	-	4,456,228
Loans to customers	51,633	-	54,109	25,580,179	3,552,933	29,238,854
Financing under Islamic principles	-	-	524	171,387	40,261	212,172
Investment securities			204,721	5,350,223	5,864,847	11,419,791
Loans and advances to banks and other financial institutions					285,221	285,221
Other financial assets	1,510,919	-	-	-	-	1,510,919
	27,665,109	-	259,354	31,101,789	9,743,262	68,769,514
Non-derivative financial liabilities						
Deposits and balances from banks and other financial institutions	185,076	-	300	-	-	185,376
Current accounts and deposits from customers	43,255,782	1,027,699	3,658,764	1,895,181	322,249	50,159,675
Other borrowed funds	69,994	341,567	765,395	2,816,516	1,599,747	5,593,219
Lease liabilities	3,382	6,631	30,567	72,662	6,351	119,593
Other financial liabilities	1,762,731	-	-	-	-	1,762,731
	45,276,965	1,375,897	4,455,026	4,784,359	1,928,347	57,820,594
Net position	(17,611,856)	(1,375,897)	(4,195,672)	26,317,430	7,814,915	10,948,920

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	1-5 years	Over 5 years	Carrying amount
Non-derivative financial assets						
Cash and cash equivalents	15,069,068	-	-	-	-	15,069,068
Due from banks	3,540,573	685,440	2,561,832	-	-	6,787,845
Loans to customers	2,464,669	1,368,983	4,943,009	10,628,275	1,754,741	21,159,677
Financing under Islamic principles	6	-	-	1,200	-	1,206
Investment securities	142,356	-	-	2,209,029	4,540,116	6,891,501
Loans and advances to banks and other financial institutions	9,609	11,942	57,663	108,469	-	187,683
Other financial assets	615,598	-	-	-	-	615,598
	21,841,879	2,066,365	7,562,504	12,946,973	6,294,857	50,712,578
Non-derivative financial liabilities						
Deposits and balances from banks and other financial institutions	234,069	-	1,275	-	-	235,344
Current accounts and deposits from customers	31,545,235	450,037	2,416,409	1,940,441	403,980	36,756,102
Other borrowed funds	562,522	343,342	541,815	2,657,912	1,537,703	5,643,294
Lease liabilities	3,147	6,010	26,439	99,659	7,563	142,818
Other financial liabilities	938,889	-	-	-	-	938,889
	33,283,862	799,389	2,985,938	4,698,012	1,949,246	43,716,447
Net position	(11,441,983)	1,266,976	4,576,566	8,248,961	4,345,611	6,996,131

Included in category “demand and less than 1 month” the borrowing for the amount of 299,880 thousand soms on which the Bank did not comply with financial covenants (Note 22).

The table below shows an analysis, by expected maturities, of the undiscounted cash flows recognized in the statement of financial position as at December 31, 2023:

	Average-weighted interest rate	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	1-5 years	Over 5 years	Total
Non-derivative financial liabilities							
Deposits and balances from banks and other financial institutions	0.01%	185,078	-	300	-	-	185,378
Current accounts and deposits from customers	3.86%	43,393,015	1,034,220	3,764,782	2,187,797	384,443	50,764,257
Other borrowed funds	3.98%	70,223	343,802	788,261	3,264,877	1,918,076	6,385,239
Lease liabilities	7.00%	3,401	6,707	32,173	93,007	8,574	143,862
Other financial liabilities		1,762,731	-	-	-	-	1,762,731
Total liabilities		45,414,448	1,384,729	4,585,516	5,545,681	2,311,093	59,241,467

The table below shows an analysis, by expected maturities, of the undiscounted cash flows recognized in the statement of financial position as at December 31, 2022:

	Average-weighted interest rate	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	1-5 years	Over 5 years	Total
Non-derivative financial liabilities							
Deposits and balances from banks and other financial institutions	0.05%	234,079	-	1,275	-	-	235,354
Current accounts and deposits from customers	3.86%	31,645,315	452,893	2,486,428	2,240,045	481,948	37,306,629
Other borrowed funds	4.48%	263,610	345,873	684,046	3,346,922	1,882,515	6,522,966
Lease liabilities	7.00%	3,165	6,079	27,828	127,564	10,210	174,846
Other financial liabilities		938,889	-	-	-	-	938,889
Total liabilities		33,085,058	804,845	3,199,577	5,714,531	2,374,673	45,178,684

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. As at December 31, 2023 and 2022 the total amount of such deposits was 4,642,189 thousand soms and 4,020,288 thousand soms, respectively. Management of the Bank has assessed the liquidity position as at December 31, 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 by liquid investment securities that the Bank may sell or raise funding against collateral of these investment securities.

Periods of maturity of assets and liabilities and the ability to replace interest liabilities in acceptable costs (at the time of redemption) are the most important conditions in determining the liquidity of the Bank and its sensitivity to fluctuations in interest rates and exchange rates.

Market risk

Market risk includes risk of changes in interest rates, currency risk and other price risks faced by the Bank. In 2023 there was no change in the composition of these risks and methods for assessing and managing risks in the Bank.

Control over the market risk of the Bank includes management of investment portfolio and control of open currency positions, interest rates and derivative financial instruments. Assets and Liabilities Management Department sets limits on the volume of investment portfolio, open currency positions and etc. According to the internal policy on risk management, limits of the Bank have to be reconsidered not less than once a year and are subject to continuous control.

In case of receiving borrowings with the floating interest rate the Bank manages risks through maintaining appropriate mix of loans received at fixed and floating rates.

Interest rate risk

The Bank assumes the risk of deterioration of the Bank's financial position due to a decrease in capital, income and asset value as a result of changes in interest rates in the market. The main sources of interest rate risk for the Bank may include the mismatch of maturities of assets and liabilities exposed to interest rate risk, as well as interest rate revision for floating rate contracts.

In order to minimize the risk, the Bank controls the level of interest margin (the difference between interest income from earning assets and interest expense on the Bank's liabilities) required to cover operating expenses and ensure profitable operations.

Interest rate sensitivity analysis

Market risk and risk of changes in interest rates is managed by the Assets and Liabilities Management Department through controlling a position of the Bank on interest rates, ensuring positive interest margin, and through periodic evaluations of potential losses, which may arise as a result of adverse market conditions. Assets and Liabilities Management Department and other responsible departments monitor current financial position of the Bank and assess its sensitivity to changes in interest rates and its impact on profitability.

The following sensitivity analysis was conducted based on the risks of fluctuation in interest rates on non-derivative financial instruments as at the reporting date. Liabilities with floating interest rates have been analysed assuming the amount of debt remained unchanged during the year. 1.5% interest rate change is used by the Bank when reporting internally to the key management personnel during 2023 and 2022. These changes comply with the Management's expectations on reasonable and possible changes in interest rates.

Net impact on profit before tax based on the nominal value as at December 31, 2023 and 2022 is represented below:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Interest rate, +1.5%	Interest rate, -1.5%	Interest rate, +1.5%	Interest rate, -1.5%
Liabilities				
Other borrowed funds (with floating interest rate)	-	-	304,936	304,936
Net impact on profit before tax	-	-	(4,117)	4,117

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Financial position and cash flows of the Bank are exposed to impact of fluctuations in foreign currency exchange rates. Management exercises currency risk management by determining open currency position on the basis of the alleged impairment of Kyrgyz som, and other macroeconomic indicators, which enables the Bank to minimize losses from significant fluctuations in national and foreign currency.

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

	KGS	USD	Other	Total
ASSETS				
Cash and cash equivalents	10,201,847	6,475,945	4,968,537	21,646,329
Due from banks	-	4,456,228	-	4,456,228
Investment securities	9,101,478	2,318,313	-	11,419,791
Loans to customers	23,401,805	5,837,049	-	29,238,854
Financing under Islamic principles	212,172	-	-	212,172
Loans and advances to banks and other financial institutions	266,436	18,785		285,221
Other financial assets	1,277,300	93,026	42,000	1,412,326
	44,461,038	19,199,346	5,010,537	68,670,921
LIABILITIES				
Deposits and balances from banks and other financial institutions	106,500	64,675	14,201	185,376
Current accounts and deposits from customers	28,604,087	16,463,390	5,092,198	50,159,675
Other borrowed funds	3,609,968	1,983,251	-	5,593,219
Lease liabilities	119,593	-	-	119,593
Other financial liabilities	1,415,385	90,408	256,938	1,762,731
	33,855,533	18,601,724	5,363,337	57,820,594
Offsetting spot transactions	-	133,628	(35,035)	98,593
Net position	10,605,505	731,250	(387,835)	

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

	KGS	USD	Other	Total
ASSETS				
Cash and cash equivalents	11,127,715	2,651,009	1,290,344	15,069,068
Due from banks	-	6,787,845	-	6,787,845
Investment securities	6,891,501	-	-	6,891,501
Loans to customers	15,024,603	6,135,074	-	21,159,677
Financing under Islamic principles	1,206	-	-	1,206
Loans and advances to banks and other financial institutions	187,683	-	-	187,683
Other financial assets	522,108	67,041	26,449	615,598
	33,754,816	15,640,969	1,316,793	50,712,578
LIABILITIES				
Deposits and balances from banks and other financial institutions	234,142	170	1,032	235,344
Current accounts and deposits from customers	35,561,846	1,085,400	108,856	36,756,102
Other borrowed funds	3,709,887	1,933,407	-	5,643,294
Lease liabilities	142,818	-	-	142,818
Other financial liabilities	528,808	385,546	24,535	938,889
	40,177,501	3,404,523	134,423	43,716,447
Net position	(6,422,685)	12,236,446	1,182,370	

A weakening of the US dollars, as indicated below, against the following currencies at December 31, 2023 and 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on 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	
	Profit or loss	Equity	Profit or loss	Equity
10% depreciation of soms against USD	(540,320)	(540,320)	1,101,280	1,101,280
10% depreciation of soms against other currencies	(34,905)	(34,905)	106,413	106,413

A strengthening of the US dollars against the above currencies at December 31, 2023 and 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.

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.

The Bank receives and accepts collateral in the form of securities in respect of the following transactions:

- Reverse repo deals.

As at December 31, 2023 and 2022, there were no financial assets and financial liabilities subject to enforceable master netting arrangements and similar arrangements.

29. MEASUREMENT OF FAIR VALUE

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 December 31, 2023:

	Total carrying amount	Fair value
Loans to customers	29,238,854	28,319,584
Cash and cash equivalents	21,646,329	21,646,329
Investment securities	11,419,791	11,419,791
Due from banks	4,456,228	4,456,228
Loans and advances to banks and other financial institutions	285,221	284,887
Financing under Islamic principles	212,172	231,413
Other financial assets	1,510,919	1,510,919
	68,769,514	67,869,151
Current accounts and deposits from customers	50,159,675	50,199,720
Other borrowed funds	5,593,219	6,030,005
Deposits and balances from banks and other financial institutions	185,376	185,376
Lease liabilities	119,593	119,593
Other financial liabilities	1,762,731	1,762,731
	57,820,594	58,297,425

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

	Total carrying amount	Fair value
Loans to customers	21,159,677	20,314,340
Cash and cash equivalents	15,069,068	15,069,068
Investment securities	6,891,501	6,891,501
Due from banks	6,787,845	6,787,845
Loans and advances to banks and other financial institutions	187,683	188,455
Financing under Islamic principles	1,206	1,293
Other financial assets	615,598	615,598
	50,712,578	49,868,100
Current accounts and deposits from customers	36,756,102	36,763,293
Other borrowed funds	5,643,294	5,811,594
Deposits and balances from banks and other financial institutions	235,344	235,344
Lease liabilities	142,818	142,818
Other financial liabilities	938,889	938,889
	43,716,447	43,891,938

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.

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 difference between the instruments.

The Bank's valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and cash equivalents	21,646,329	-	-	21,646,329	21,646,329
Due from banks	4,456,228	-	-	4,456,228	4,456,228
Loans to customers	-	28,319,584	-	28,319,584	29,238,854
Loans and advances to banks and other financial institutions	-	284,887	-	284,887	285,221
Investment securities	1,199,011	10,220,780	-	11,419,791	11,419,791
Financing under Islamic principles	-	231,413	-	231,413	212,172
Other financial assets	-	-	1,510,919	1,510,919	1,510,919
	27,301,568	39,056,664	1,510,919	67,869,151	68,769,514
Deposits and balances from banks and other financial institutions	-	185,376	-	185,376	185,376
Current accounts and deposits	-	50,199,720	-	50,199,720	50,159,675
Other borrowed funds	-	6,030,005	-	6,030,005	5,593,219
Lease liabilities	-	-	119,593	119,593	119,593
Other financial liabilities	-	-	1,762,731	1,762,731	1,762,731
	-	56,415,101	1,882,324	58,297,425	57,820,594

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at December 31, 2022, except when the carrying amount approximates fair value:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and cash equivalents	15,069,068	-	-	15,069,068	15,069,068
Due from banks	6,787,845	-	-	6,787,845	6,787,845
Loans to customers	-	20,314,340	-	20,314,340	21,159,677
Loans and advances to banks and other financial institutions	-	188,455	-	188,455	187,683
Investment securities	1,226,196	5,665,305	-	6,891,501	6,891,501
Financing under Islamic principles	-	1,293	-	1,293	1,206
Other financial assets	-	-	615,598	615,598	615,598
	23,083,109	26,169,393	615,598	49,868,100	50,712,578
Deposits and balances from banks and other financial institutions	-	235,344	-	235,344	235,344
Current accounts and deposits	-	36,763,293	-	36,763,293	36,756,102
Other borrowed funds	-	5,811,594	-	5,811,594	5,643,294
Lease liabilities	-	-	142,818	142,818	142,818
Other financial liabilities	-	-	938,889	938,889	938,889
	-	42,810,231	1,081,707	43,891,938	43,716,447

30. EVENTS AFTER THE REPORTING DATE

In order to implement initiatives on digital transformation of the Bank by using advanced information technologies in the Bank's activities, as well as to ensure improvement of the Bank's operational efficiency, it was decided to establish a subsidiary company by Resolution of the Board of Directors No. 74/4 dated December 22, 2023. To determine the organizational and legal form of the subsidiary Limited Liability Company and to determine the corporate name - RSK Technologies LLC.

Deposit in Landensbank Baden-Wuerttemberg in the amount of 50,000 thousand US dollars was closed in February 2024.

In 2024 there was contribution to the share capital for 143,362 thousand soms in the amount of 287 thousand shares. As at the date of issuance of the financial statements, the registered and paid-in share capital amounted to 9,544,184 thousand soms and consisted of 19,088,367 ordinary shares with a nominal value of 500 soms.

As at the date of issue of these financial statements no other significant events or transactions occurred, which should be disclosed in accordance with IAS 10 “Events after the reporting period”.