

# **Optima Bank OJSC**

## **Financial statements**

*for the year ended 31 December 2024  
together with independent auditor's report*

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## Independent auditor's report

To the Shareholders and Board of Directors of Optima Bank OJSC

### Opinion

We have audited the financial statements of Optima Bank OJSC (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The financial statements of Optima Bank OJSC for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 11 March 2024.

### 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.



Key audit matter	How our audit addressed the key audit matter
<b><i>Allowance for expected credit losses on loans to customers</i></b>	
<p>Estimation of allowance for expected credit losses on loans to customers in accordance with IFRS 9 <i>Financial Instruments</i> is a key area of the Bank's management judgement.</p>	<p>Our audit procedures included analysis of the methodology for the estimation of expected credit losses on loans to customers. We also performed the analysis and testing of controls on identification of factors of significant increase in credit risk since initial recognition of an asset, including the period during which the debt is overdue and debt restructuring related to the deterioration in credit quality. We analyzed the judgements used by the Bank's management in determining significant increase in credit risk and default criteria.</p>
<p>Identification of factors of significant increase in credit risk since initial recognition of an asset, determination of probability of default and loss given default require significant use of professional judgment, assumptions and analysis of various historical, current and forward-looking information.</p>	<p>As a part of our audit procedures we performed, on a sample basis, testing of input data and analysis of assumptions used by the Bank in estimating the allowance for expected credit losses on loans to customers on a collective basis, which comprise statistical data on debt servicing and expected recoveries in the event of default. We also performed analysis of forward-looking information, used by the Bank in its expected credit loss model.</p>
<p>The use of different models and assumptions may significantly affect the amount of allowance for expected credit losses on loans to customers.</p>	<p>In respect of an individual assessment of allowance for expected credit losses we analyzed, on a sample basis, financial and non-financial information on borrowers, as well as assessment of the recoverable amount from repossession of collateral in the event of default.</p>
<p>Due to the substantial amount of loans to customers as at 31 December 2024 and the significant use of professional judgment, estimation of allowance for expected credit losses was a key audit matter.</p>	<p>We recalculated the allowance for expected credit losses.</p>
<p>Information on expected credit losses on loans to customers and the Bank's management approach to the estimation of allowance for expected credit losses is presented in <i>Note 4</i> Significant accounting judgements and estimates, <i>Note 15</i> Loans to customers and <i>Note 24</i> Risk management to the financial statements.</p>	<p>We analyzed the information on allowance for expected credit losses on loans to customers disclosed in the Notes to the financial statements.</p>



### ***Responsibilities of management and the Audit Committee for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Audit Committee is 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, 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.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.


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

The partner in charge of the audit resulting in this independent auditor's report is Olga Khegay.



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Olga Khegay  
Audit Partner



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Paul Cohn  
Auditor / General Director  
Ernst & Young Audit LLC

Qualification certificate of the auditor:  
Series A No. 0366, registration number  
No. 0446 of 22 October 2018  
Individual registration number No. 11030  
dated 11 July 2023

Individual registration number of Ernst & Young  
Audit LLC in the Unified State Register of Audit  
Organisations admitted to audit entities of  
public interest, large businesses No. 2100201  
dated 22 June 2023 issued by the Office for  
Regulation and Supervision of the Financial  
Market under the Ministry of Economy and  
Commerce of the Kyrgyz Republic

Toktogul Str., 125/1, 720001  
Bishkek, Kyrgyz Republic

17 March 2025




**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the year ended 31 December 2024***(in thousands of Kyrgyz Som)*

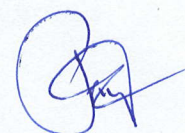
	<i>Notes</i>	<i>2024</i>	<i>2023*</i>
Interest revenue calculated using the effective interest rate	5	5,273,238	4,798,866
Other interest revenue	5	38,146	42,869
Interest expense	5	(1,009,510)	(803,284)
<b>Net interest income</b>		<b>4,301,874</b>	<b>4,038,451</b>
Income from reversal of credit losses	9	310,510	273,810
<b>Net interest income after income from reversal of credit losses</b>		<b>4,612,384</b>	<b>4,312,261</b>
Fee and commission income	6	2,054,291	1,942,324
Fee and commission expense	7	(1,261,510)	(1,331,008)
<b>Net fee and commission income</b>		<b>792,781</b>	<b>611,316</b>
Net gains on financial instruments at fair value through profit or loss		25,526	65,049
Net gains from foreign currencies	8	1,737,186	1,387,430
Net gains from modification of financial assets measured at amortised cost	15	10,948	—
Other operating income		51,399	38,098
<b>Operating income</b>		<b>7,230,224</b>	<b>6,414,154</b>
Personnel expenses	10	(2,738,011)	(2,242,935)
Other general and administrative expenses	10	(1,481,496)	(1,117,088)
Other impairment and provision		(31,776)	42,124
<b>Profit before income tax</b>		<b>2,978,941</b>	<b>3,096,255</b>
Income tax expense	11	(319,629)	(311,140)
<b>Profit for the year</b>		<b>2,659,312</b>	<b>2,785,115</b>
Other comprehensive income, net of income tax		—	—
<b>Total comprehensive income for the year</b>		<b>2,659,312</b>	<b>2,785,115</b>
<b>Earnings per share</b>			
<b>Basic and diluted earnings per share, in soms</b>	23	<b>63.32</b>	<b>94.92</b>

\* Certain amounts given in this column are not consistent with the financial statements for the year ended 31 December 2023 as they reflect the reclassifications and correction of error disclosed in detail in Note 3.

The financial statements were approved by management on 17 March 2025.



  
 Ms. D. Osmonova  
 Chief Accountant



The accompanying notes on pages 5-57 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION****As at 31 December 2024***(in thousands of Kyrgyz Som)*

	<i>Notes</i>	<i>31 December 2024</i>	<i>31 December 2023*</i>	<i>1 January 2023*</i>
<b>Assets</b>				
Cash and cash equivalents	12	35,685,077	30,028,984	23,400,230
Investment securities at amortised cost	13	1,160,337	817,204	1,109,922
Loans and advances to banks and other financial institutions	14	2,943,503	1,522,327	1,124,953
Loans to customers				
- Loans to legal entities	15	22,883,060	19,094,818	18,458,975
- Loans to retail customers	15	6,972,862	3,971,519	2,663,499
Property and equipment and right-of-use assets	16	1,754,432	1,672,163	1,245,998
Intangible assets	16	357,911	193,870	127,646
Other assets	17	1,601,969	1,918,909	1,582,828
<b>Total assets</b>		<b>73,359,151</b>	<b>59,219,794</b>	<b>49,714,051</b>
<b>Liabilities</b>				
Derivative financial liabilities		21,447	13,329	8,305
Amounts due to banks and other financial institutions	18	2,413,110	639,217	635,216
Current accounts and deposits of customers				
- Current accounts and deposits of legal entities	19	25,902,387	19,140,950	15,354,300
- Current accounts and deposits of retail customers	19	26,152,531	22,386,467	18,513,943
Other borrowed funds	20	469,814	1,005,471	2,196,444
Current income tax liabilities		55,286	41,953	6,961
Deferred income tax liabilities	11	322,687	283,724	292,266
Lease liabilities	21	376,071	461,546	478,991
Other liabilities	22	1,688,946	1,235,577	1,001,180
<b>Total liabilities</b>		<b>57,402,279</b>	<b>45,208,234</b>	<b>38,487,606</b>
<b>Equity</b>				
Share capital and provisions	23	2,100,000	2,100,000	1,050,000
Retained earnings		13,856,872	11,911,560	10,176,445
<b>Total equity</b>		<b>15,956,872</b>	<b>14,011,560</b>	<b>11,226,445</b>
<b>Total liabilities and equity</b>		<b>73,359,151</b>	<b>59,219,794</b>	<b>49,714,051</b>

\* Certain amounts given in these columns are not consistent with the financial statements for the year ended 31 December 2023 as they reflect the reclassifications and correction of error disclosed in detail in Note 3.



**STATEMENT OF CASH FLOWS****For the year ended 31 December 2024***(in thousands of Kyrgyz Som)*

	<i>Notes</i>	<i>2024</i>	<i>2023</i>
<b>Cash flows from operating activities</b>			
Interest received		4,989,102	4,653,552
Interest paid		(989,911)	(771,170)
Fee and commission received		2,037,187	2,010,783
Fee and commission paid		(1,233,025)	(1,332,090)
Realised gains less losses from financial instruments at fair value through profit or loss		35,332	54,357
Realized gains less losses from foreign currencies		1,768,439	1,357,932
Other income received		52,167	21,804
Personnel and other general and administrative expenses paid		(3,636,287)	(3,002,949)
<i>Net (increase)/decrease in operating assets</i>			
Loans and advances to banks and other financial institutions		(1,451,450)	(443,167)
Loans to customers		(6,658,241)	(1,329,211)
Other assets		268,389	113,502
<i>Net increase in operating liabilities</i>			
Amounts due to banks and other financial institutions		1,787,881	124,815
Current accounts and deposits of customers		11,334,205	6,850,229
Other liabilities		396,750	—
<b>Net cash flows from operating activities before income tax</b>		<b>8,700,538</b>	<b>8,308,387</b>
Income tax paid		(267,333)	(284,690)
<b>Net cash flow from operating activities</b>		<b>8,433,205</b>	<b>8,023,697</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities at amortised cost		(2,196,917)	—
Proceeds from redemption of investment securities at amortised cost		2,026,077	341,562
Purchase of property and equipment and intangible assets		(654,474)	(750,926)
<b>Net cash used in investing activities</b>		<b>(825,314)</b>	<b>(409,364)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to the Shareholders		(693,759)	—
Repayment of other borrowed funds	20	(521,220)	(1,214,015)
Repayment of principal portion of lease liabilities		(145,693)	(119,222)
<b>Net cash used in financing activities</b>		<b>(1,360,672)</b>	<b>(1,333,237)</b>
Effect of exchange rates changes on cash and cash equivalents		(587,936)	346,636
Effect of expected credit losses on cash and cash equivalents	9	(3,190)	1,022
<b>Net increase in cash and cash equivalents</b>		<b>5,656,093</b>	<b>6,628,754</b>
Cash and cash equivalents as at the beginning of the year		30,028,984	23,400,230
<b>Cash and cash equivalents as at the end of the year</b>	12	<b>35,685,077</b>	<b>30,028,984</b>

*The accompanying notes on pages 5-57 are an integral part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2024***(in thousands of Kyrgyz Som)*

	<i>Notes</i>	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
<b>As at 1 January 2023</b>		1,050,000	10,292,243	11,342,243
Correction of errors	3	—	(115,798)	(115,798)
<b>As at 1 January 2023 (restated*)</b>		1,050,000	10,176,445	11,226,445
Profit for the year (restated*)		—	2,785,115	2,785,115
Other comprehensive income for the year		—	—	—
<b>Total comprehensive income for the year (restated*)</b>	3	—	2,785,115	2,785,115
Increase in share capital	23	1,050,000	(1,050,000)	—
<b>As at 31 December 2023 (restated*)</b>		<b>2,100,000</b>	<b>11,911,560</b>	<b>14,011,560</b>
Profit for the year		—	2,659,312	2,659,312
Other comprehensive income for the year		—	—	—
<b>Total comprehensive income for the year</b>		—	2,659,312	2,659,312
Dividends declared	23	—	(714,000)	(714,000)
<b>As at 31 December 2024</b>		<b>2,100,000</b>	<b>13,856,872</b>	<b>15,956,872</b>

\* Certain amounts given in these lines are not consistent with the financial statements for the year ended 31 December 2023 as they reflect the reclassifications and correction of error disclosed in detail in Note 3.



(in thousands of Kyrgyz Som)

## 1 General information

### Organisational structure and activities

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

The main activities of the Bank include attracting deposits, opening and maintaining customer accounts, granting loans and guarantees, providing cash and settlement services, conducting transactions with securities and foreign currency. The activities of the Bank are regulated by the National Bank of the Kyrgyz Republic (hereinafter – the “NBKR”). The Bank has a general banking license and is a member of the State Deposit Insurance System in the Kyrgyz Republic. The Bank’s registered head office is: 493, Zhibek Zholu Avenue, Bishkek, 720070, Kyrgyz Republic.

The Bank has 21 branches (2023: 21 branches) from which it conducts business throughout the Kyrgyz Republic. The majority of the Bank’s assets and liabilities are located in the Kyrgyz Republic.

The Bank is a subsidiary of First Heartland Jusan Bank JSC (the “Parent”).

As at 31 December 2024, the Parent Company owned 97.14% of the Bank’s outstanding shares (31 December 2023: 97.14%).

As at 31 December 2024, the major shareholders of First Heartland Jusan Bank JSC are First Heartland Securities JSC registered in the Republic of Kazakhstan holding 79.63% of the outstanding ordinary shares (31 December 2023: 79.63%) and Mr. G. Sh. Yessenov, holding 20.11% of the outstanding ordinary shares (31 December 2023: 20.11%). Mr. G. Sh. Yessenov is the sole shareholder of First Heartland Securities JSC. As at 31 December 2024 and 2023, the ultimate controlling party of the Bank is Mr. G. Sh. Yessenov.

### Business environment

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

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

Current inflationary pressures, macroeconomic and geopolitical uncertainty, including the impacts of the conflict in Ukraine affect the assumptions and estimation uncertainties associated with the measurement of assets and liabilities.

## 2 Basis of preparation

### General

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements have been prepared under the historical cost convention except as disclosed in the «*Summary of material accounting policies*» below. For example, derivative financial instruments were measured at fair value.

The functional currency of the Bank is Kyrgyz Som (hereinafter, “Som”) as, being the national currency of the Kyrgyz Republic, reflects the economic substance of the majority of the Bank’s transactions and circumstances relevant to them that affect its activities.

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

(in thousands of Kyrgyz Som)

## 2. Basis of preparation (continued)

### General (continued)

These financial statements are presented in thousands of Kyrgyz Som (“hereinafter, KGS thousand”), except per share amounts and unless otherwise indicated.

The financial statements for the year ended 31 December 2024 were authorized for issue by the Management of the Bank on 17 March 2025.

## 3 Summary of material accounting policies

### Changes in accounting policies

The Bank applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2024.

- Amendments to IFRS 1 - *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*;
- Amendments to IFRS 16 - *Lease Liability in a Sale and Leaseback*;
- Amendments to IAS 7 and IFRS 7 – *Disclosures: Supplier Finance Arrangements*.

The new amendments had no impact on the Bank’s financial statements.

The Bank has not early adopted any standards, interpretations or amendment that has been issued but is not yet effective.

### Fair value measurement

The Bank measures financial instruments carried at fair value through profit and loss (FVPL) at fair value at each balance sheet date.

Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — valuation techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.



(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Changes in accounting policies (continued)

##### *Fair value measurement (continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial assets and liabilities

##### *Initial recognition*

###### *Date of recognition*

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

##### *Initial measurement*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to, or subtracted from, this amount.

##### *Measurement categories of financial assets and liabilities*

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVPL).

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

##### *Amounts due from credit institutions, loans to customers, investments securities at amortised cost*

The Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- 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 (SPPI).

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Financial assets and liabilities (continued)

##### *Due from credit institutions, loans to customers, investment securities at amortised cost (continued)*

###### *Business model assessment*

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

###### *The SPPI test*

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

###### *Financial guarantees, letters of credit and undrawn loan commitments*

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and an allowance for expected credit losses.



(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Financial assets and liabilities (continued)

##### *Due from credit institutions, loans to customers, investment securities at amortised cost (continued)*

##### *Financial guarantees, letters of credit and undrawn loan commitments (continued)*

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these liabilities are in the scope of the ECL requirements.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, accounts with the NBKR and other banks, and highly liquid financial assets with original maturities of less than 3 months, which are not exposed to significant risk of changes in fair value and are used by the Bank to settle short-term liabilities.

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

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

#### Borrowed funds

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to banks and other financial institutions, current accounts and deposits of customers and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

#### Leases

##### *Bank as a lessee*

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *Right-of-use assets*

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e, the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Lease (continued)

##### *Bank as a lessee (continued)*

##### *Lease liabilities (continued)*

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### *Short-term leases and leases of low-value assets*

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

##### *Finance – Bank as a lessor*

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. An offsetting right must not be preconditioned by a future event and must have a legal force at all circumstances:

- The normal course of business;
- In the event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss that is presented in profit or loss, to the extent that an impairment loss has not already been recorded.

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Renegotiated loans (continued)

For modifications not resulting in derecognition, the Bank also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 3-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least three consecutive months in accordance with the modified payment schedule.

#### Derecognition of financial assets and liabilities

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### *Write-off*

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

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.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Taxation

The current income tax expense is calculated in accordance with the regulations of the Kyrgyz Republic.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

There are various operating taxes in Kyrgyz Republic, that are assessed on the Bank activities. These taxes are included as a component of other operating expenses.



*(in thousands of Kyrgyz Som)*

### 3 Summary of material accounting policies (continued)

#### Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Furniture and office equipment	From 3 to 7 years
Equipment	5 years
Motor vehicles	7 years
Right-of-use assets	From 2 to 10 years

Costs related to repairs and renewals are charged when incurred and included in other general and administrative expenses, unless they qualify for capitalization.

#### Intangible assets

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

Acquired computer software licenses 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 are 3 to 7 years.

#### *Retirement and other employee benefit obligations*

The Bank does not have any pension programs separate from the State pension system, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. In addition, the Bank pays no post-retirement significant benefits to employees.

#### Share capital

Ordinary shares are classified as equity.

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

#### Segment reporting

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

#### *Contingent assets and liabilities*

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Segment reporting (continued)

##### *Income and expense recognition*

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

##### *Interest and similar revenue and expense*

The Bank calculates interest revenue on debt financial assets measured at amortised cost by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit impaired, the Bank calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

##### *Fee and commission income*

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

##### *Fee income from providing transaction services*

Fees arising from settlement transactions, transactions with cash and other services are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

##### *Foreign currency translation*

The financial statements are presented in Kyrgyz Som, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the NBKR exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss as net gains from transactions in foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the official NBKR exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

The NBKR exchange rates at 31 December 2024 and 2023, were KGS 87.0 and KGS 89.08 to USD 1, respectively.

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### *IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify all impacts the new standard will have on the primary financial statements and notes to the financial statements.

#### *Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7*

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments (the Amendments)*. The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, specifically for amendments related to the classification of financial assets and related disclosures. At the moment, the Bank does not intend to early adopt the amendments.

The following standards and amendments are not expected to have a significant impact on the financial statements of the Bank.

- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*;
- Amendments to IAS 21 - *Lack of Exchangeability*.



(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Correction of error and presentation of comparative information

In preparing its financial statements for the year ended 31 December 2024, the Bank detected a material error in the accounting of fee and commission income. In addition, the Bank amended the presentation of certain lines in the statement of financial position and the statement of profit or loss and other comprehensive income and reclassified comparative information as at 31 December 2023 and 1 January 2023 and for the year ended 31 December 2023, in accordance with the presentation applicable in the current period, including changes in the composition of some subtotals in the statement of profit or loss and other comprehensive income.

The relevant items in the statement of financial position as at 31 December 2023 and 31 December 2022 and the results of operations for the year ended 31 December 2023 have been restated.

Below are the explanations with respect to correction of error and reclassifications made.

#### Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	Before restatement	Reclassifi- cations	Correction of error	After restatement
Income from reversal of credit losses	[2]	—	273,810	—	273,810
Fee and commission income	[1]	2,009,413	—	(67,089)	1,942,324
Net gains from foreign currencies	[1]	1,393,309	—	(5,879)	1,387,430
Reversal of impairment losses on debt financial assets	[2]	259,901	(259,901)	—	—
Reversal of impairment losses under financial guarantee contracts	[2]	13,909	(13,909)	—	—
<b>Profit before income tax</b>		<b>3,169,223</b>	<b>—</b>	<b>(72,968)</b>	<b>3,096,255</b>
Income tax expense	[1]	(318,437)	—	7,297	(311,140)
<b>Total comprehensive income for the year</b>		<b>2,850,786</b>	<b>—</b>	<b>(65,671)</b>	<b>2,785,115</b>
<b>Basic and diluted earnings per share, in soms</b>		<b>67.88</b>	<b>—</b>	<b>27.04</b>	<b>82.75</b>

#### Statement of financial position as at 31 December 2023

	Note	Before restatement	Reclassifi- cations	Correction of error	After restatement
<b>Assets</b>					
Loans and advances to banks and other financial institutions	[3]	1,461,807	60,520	—	1,522,327
Property, plant and equipment and intangible assets	[8]	1,866,033	(1,866,033)	—	—
Property and equipment and right-of-use assets	[8]	—	1,672,163	—	1,672,163
Intangible assets	[8]	—	193,870	—	193,870
Other assets	[1,3]	2,181,062	(60,520)	(201,633)	1,918,909
<b>Total assets</b>		<b>59,421,427</b>	<b>—</b>	<b>(201,633)</b>	<b>59,219,794</b>
<b>Liabilities</b>					
Amounts due to banks and other financial institutions	[6]	449,738	189,479	—	639,217
Current accounts and deposits of legal entities	[6,7]	19,550,852	(409,902)	—	19,140,950
Current accounts and deposits of retail customers	[7]	22,692,222	(305,755)	—	22,386,467
Lease liabilities	[5]	—	461,546	—	461,546
Current income tax liabilities	[1,4]	—	62,116	(20,163)	41,953
Other liabilities	[4,5,6,7]	1,233,061	2,516	—	1,235,577
<b>Total liabilities</b>		<b>45,228,397</b>	<b>—</b>	<b>(20,163)</b>	<b>45,208,234</b>
<b>Equity</b>					
Retained earnings	[1]	12,093,030	—	(181,470)	11,911,560
<b>Total equity</b>		<b>14,193,030</b>	<b>—</b>	<b>(181,470)</b>	<b>14,011,560</b>

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Correction of error and presentation of comparative data (continued)

Statement of financial position as at 31 December 2022

	Note	Previously presented data	Effect of reclassification	Correction of error	After reclassification
<b>Assets</b>					
Loans and advances to banks and other financial institutions	[3]	977,341	147,612	–	1,124,953
Property, plant and equipment and intangible assets	[8]	1,373,644	(1,373,644)	–	–
Property and equipment and right-of-use assets	[8]	–	1,245,998	–	1,245,998
Intangible assets	[8]	–	127,646	–	127,646
Other assets	[1,3]	1,859,105	(147,612)	(128,665)	1,582,828
<b>Total assets</b>		<b>49,842,716</b>	<b>–</b>	<b>(128,665)</b>	<b>49,714,051</b>
<b>Liabilities</b>					
Amounts due to banks and other financial institutions	[6]	323,910	311,306	–	635,216
Current accounts and deposits of legal entities	[6,7]	16,045,567	(691,267)	–	15,354,300
Current accounts and deposits of retail customers	[7]	18,619,293	(105,350)	–	18,513,943
Lease liabilities	[5]	–	478,991	–	478,991
Current income tax liabilities	[1,4]	–	19,828	(12,867)	6,961
Other liabilities	[4,5,6,7]	1,014,688	(13,508)	–	1,001,180
<b>Total liabilities</b>		<b>38,500,473</b>	<b>–</b>	<b>(12,867)</b>	<b>38,487,606</b>
<b>Equity</b>					
Retained earnings	[1]	10,292,243	–	(115,798)	10,176,445
<b>Total equity</b>		<b>11,342,243</b>	<b>–</b>	<b>(115,798)</b>	<b>11,226,445</b>

#### Adjustments:

- During the preparation of the Bank for migration to its own processing center and an analysis of the commissions disclosed in the payment systems reports, it was detected that the Bank had mistakenly recognized commission income from cross-border payments in foreign currency for the period from 2019 to 2023. As at 31 December 2023, the Bank erroneously recognized other assets and current income tax liabilities in the amount of KGS 201,633 thousand and KGS 20,163 thousand, respectively. As at 31 December 2022, the Bank erroneously recognized other assets and current income tax liabilities in the amount of KGS 128,665 thousand and KGS 12,867 thousand, respectively.

As a result, the Bank erroneously recognized fee and commission income in the amount of KGS 67,089 thousand, net gains from foreign currencies in the amount of KGS 5,879 thousand and income tax expense in the amount of KGS 7,297 thousand in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

The statement of financial position, the statement of profit or loss and other comprehensive income and the notes to the financial statements have been amended accordingly to reflect the adjustments described above.

These adjustments had no impact on net cash flow from operating activities for the year ended 31 December 2023. Accordingly, the Bank decided not to correct the comparative information in the statement of cash flows for the year ended 31 December 2024.

#### Reclassifications:

- For the year ended 31 December 2023, income from the reversal of impairment losses on debt financial assets and the reversal of impairment losses under financial guarantee agreements in the amount of KGS 259,901 thousand and KGS 13,909 thousand, respectively, were reclassified to income from reversal of credit losses in net interest income after credit loss expenses in the statement of profit or loss and other comprehensive income.
- Financial assets in the amount of KGS 60,520 thousand and KGS 147,612 thousand as at 31 December 2023 and 2022 were reclassified from other assets to loans and advances paid to banks and other financial institutions.

(in thousands of Kyrgyz Som)

### 3 Summary of material accounting policies (continued)

#### Correction of error and presentation of comparative data (continued)

##### *Reclassifications (continued)*

- 4) Current income tax liabilities in the amount of KGS 62,116 thousand and KGS 19,828 thousand as at 31 December 2023 and 2022 were reclassified from other liabilities and presented as a separate line item in the statement of financial position.
- 5) Lease liabilities in the amount of KGS 461,546 thousand and KGS 478,991 thousand as at 31 December 2023 and 2022 were reclassified from other liabilities and presented as a separate line item in the statement of financial position.
- 6) Amounts due to banks and other financial institutions in the amount of KGS 189,479 thousand and KGS 311,306 thousand as at 31 December 2023 and 2022 were reclassified from current accounts and deposits of legal entities, respectively.
- 7) Financial liabilities on payment systems in the amount of KGS 220,423 thousand and KGS 379,961 thousand as at 31 December 2023 and 2022 were reclassified from current accounts and deposits of legal entities to other liabilities.  
Financial liabilities on payment systems in the amount of KGS 305,755 thousand and KGS 105,350 thousand as at 31 December 2023 and 2022 were reclassified from current accounts and deposits of retail customers to other liabilities.
- 8) Intangible assets in the amount of KGS 193,870 thousand and KGS 127,646 thousand as at 31 December 2023 and 2022 were reclassified from property, plant and equipment and intangible assets line and presented as a separate line item in the statement of financial position.

Property and equipment and right-of-use assets in the amount of KGS 1,672,163 thousand and KGS 1,245,998 thousand as at 31 December 2023 and 2022 were reclassified from property and equipment and intangible assets line and presented as a separate line in the statement of financial position.

The correction of the error and the reclassifications affected the subtotals in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

### 4 Significant accounting judgments and estimates

#### Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

##### *Impairment losses on financial assets*

The measurement of allowance for ECL across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

*(in thousands of Kyrgyz Som)*

## 4 Significant accounting judgements and estimates (continued)

### Estimation uncertainty (continued)

#### *Impairment losses on financial assets (continued)*

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, consumer price index and GDP level and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

## 5 Net interest income

	2024	2023
<b>Interest income calculated using the effective interest rate</b>		
Loans to customers	3,740,270	3,252,549
Cash and cash equivalents	1,248,413	1,395,856
Investment securities at amortised cost	226,011	97,251
Loans and advances to banks and other financial institutions	58,544	53,210
<b>Total interest income calculated using the effective interest rate</b>	<b>5,273,238</b>	<b>4,798,866</b>
<b>Other interest income</b>		
Finance lease receivables	38,146	42,869
<b>Total interest income</b>	<b>5,311,384</b>	<b>4,841,735</b>
<b>Interest expense</b>		
Current accounts and deposits of customers	966,083	721,572
Lease liabilities ( <i>Note 21</i> )	28,301	27,664
Other borrowed funds	13,137	52,827
Accounts and deposits of banks and other financial institutions	1,989	1,221
<b>Total interest expense</b>	<b>1,009,510</b>	<b>803,284</b>
<b>Net interest income</b>	<b>4,301,874</b>	<b>4,038,451</b>

## 6 Fee and commission income

	2024	2023
Processing of payment cards	1,420,935	1,283,829
Cash transactions	262,198	250,730
Money transfers	227,277	261,445
Guarantees and letters of credits	32,553	31,106
Foreign currency transactions	30,461	42,255
Safe custody fees	10,827	9,630
Other	70,040	63,329
	<b>2,054,291</b>	<b>1,942,324</b>

The Bank usually charges fees before the completion of the transaction for which they are due or immediately after its completion. For services provided over time, the Bank usually charges upfront fees covering respective portion of the overall contract period.



(in thousands of Kyrgyz Som)

**6 Fee and commission income (continued)**

The Bank applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

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

	<i>31 December 2024</i>	<i>31 December 2023</i>
Fee and commission receivables, which are included in 'other assets'	29,832	10,835

**7 Fee and commission expense**

	<i>2024</i>	<i>2023</i>
Processing of payment cards	1,076,203	1,153,542
Settlements transactions	85,813	123,100
Foreign currency transactions	80,242	36,242
Cash transactions	15,465	12,271
Other	3,787	5,853
	<b>1,261,510</b>	<b>1,331,008</b>

**8 Net gains from foreign currencies**

	<i>2024</i>	<i>2023</i>
Dealing	1,768,439	1,352,053
Translation	(31,253)	35,377
	<b>1,737,186</b>	<b>1,387,430</b>

**9 Income from reversal of credit losses**

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2024:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	12	408	(3,598)	–	–	(3,190)
Investment securities at amortised cost	13	(7,787)	–	–	–	(7,787)
Loans and advances to banks and other financial institutions	14	5,988	–	–	–	5,988
Loans to customers	15	(90,470)	75,450	255,634	62,644	303,258
Finance lease receivables		23	–	9	17,991	18,023
Loan commitments and financial guarantees	27	(5,966)	(145)	329	–	(5,782)
<b>Total credit loss income/(expense)</b>		<b>(97,804)</b>	<b>71,707</b>	<b>255,972</b>	<b>80,635</b>	<b>310,510</b>

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	12	(833)	1,855	–	–	1,022
Investment securities at amortised cost	13	2,144	–	–	–	2,144
Loans and advances to banks and other financial institutions	14	(645)	–	–	–	(645)
Loans to customers	15	138,684	(27,030)	150,420	(4,694)	257,380
Loan commitments and financial guarantees	27	11,451	907	1,551	–	13,909
<b>Total credit loss (expense)/income</b>		<b>150,801</b>	<b>(24,268)</b>	<b>151,971</b>	<b>(4,694)</b>	<b>273,810</b>

(in thousands of Kyrgyz Som)

**10 Personnel and other operating expenses**

Personnel and other operating expenses comprise:

	2024	2023
Employee compensation	2,349,217	1,920,233
Contributions to Social Fund made by employer	388,794	322,702
	<b>2,738,011</b>	<b>2,242,935</b>
Depreciation and amortisation (Note 16)	476,456	342,935
Professional services	268,347	132,651
Repair and maintenance	163,598	139,260
Security	127,921	124,726
Advertising and marketing	82,543	50,290
Payments to the Deposit Insurance Fund	82,430	69,148
Office supplies	69,764	67,535
Communication and information services	57,501	61,043
Operating lease expense	45,045	37,639
Business trips	14,868	13,576
Taxes, other than income tax	2,606	9,126
Representation	4,463	4,356
Impairment loss on intangible assets (Note 16)	—	3,416
Insurance	2,868	2,583
Others	83,086	58,804
<b>Other general and administrative expenses</b>	<b>1,481,496</b>	<b>1,117,088</b>

Included in professional services are fees for the services of audit of the Bank's financial statements for 2024 of KGS 13,626 thousand (2023: KGS 14,592 thousand) inclusive of taxes provided for by the legislation of the Kyrgyz Republic.

**11 Income tax expense**

	2024	2023
Current income tax expense	280,747	319,411
Adjustment of income tax of prior periods	(81)	271
Deferred tax charge/(benefit) - origination and reversal of temporary differences	38,963	(8,542)
<b>Income tax expense</b>	<b>319,629</b>	<b>311,140</b>

Statutory corporate income tax rate for companies (including banks) in the Kyrgyz Republic comprised 10% for 2024 and 2023.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with actual is as follows:

	2024	2023
<b>Profit before income tax</b>	<b>2,978,941</b>	<b>3,096,255</b>
Statutory tax rate	10%	10%
<b>Theoretical income tax expense at the statutory rate</b>	<b>297,894</b>	<b>309,626</b>
Adjustment of income tax of prior periods	(81)	271
Other permanent differences	21,816	1,243
<b>Income tax expense</b>	<b>319,629</b>	<b>311,140</b>

(in thousands of Kyrgyz Som)

**11 Income tax expense (continued)**

Deferred income tax assets and liabilities as of 31 December, along with their movements for the corresponding years, are presented as follows:

	<i>31 December 2022</i>	<i>Origination and reversal of temporary differences in profit or loss</i>	<i>31 December 2023</i>	<i>Origination and reversal of temporary differences in profit or loss</i>	<i>31 December 2024</i>
Cash and cash equivalents	801	(194)	607	161	768
Investment securities at amortised cost	1,059	(214)	845	779	1,624
Loans and advances to banks and other financial institutions	636	90	726	(632)	94
Loans to customers	(259,762)	14,530	(245,232)	(45,620)	(290,852)
Property, equipment and intangible assets	(54,525)	(6,131)	(60,656)	2,036	(58,620)
Other assets	(44,542)	1,406	(43,136)	5,173	(37,963)
Other liabilities	64,067	(945)	63,122	(860)	62,262
<b>Deferred tax liabilities</b>	<b>(292,266)</b>	<b>8,542</b>	<b>(283,724)</b>	<b>(38,963)</b>	<b>(322,687)</b>

**12 Cash and cash equivalents**

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Cash on hand</b>	<b>6,307,008</b>	5,882,162
Cash on current accounts with the NBKR	3,828,888	9,217,131
<b>Cash on current accounts with other banks</b>		
- Rated from A- to A+	1,795,691	4,270,812
- Rated BBB	732,250	423,656
- Rated from B+ to BB-	4,462,190	786,619
- Not rated	655,368	369,930
<b>Total placements with current accounts with other banks</b>	<b>7,645,499</b>	5,851,017
ECL allowance	(7,550)	(5,269)
<b>Total placements with current accounts with other banks less ECL allowance</b>	<b>7,637,949</b>	5,845,748
<b>Amounts due from credit institutions placed for up to 90 days</b>		
- Time deposits with banks rated from A- to A+	3,940,851	—
- Time deposits with banks rated at BBB	870,506	892,152
- Time deposits with banks without a credit rating	—	541,829
- Overnight deposits with the NBKR	13,100,000	—
- Notes of the NBKR	—	7,650,758
<b>Total amounts due from credit institutions placed for up to 90 days</b>	<b>17,911,357</b>	9,084,739
ECL allowance	(125)	(796)
<b>Total amounts due from credit institutions placed for up to 90 days less ECL allowance</b>	<b>17,911,232</b>	9,083,943
<b>Total cash and cash equivalents</b>	<b>35,685,077</b>	30,028,984

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

As at 31 December 2024, the cash on current accounts with other banks without a credit rating include balances in Russian banks in the amount of KGS 588,591 thousand (31 December 2023: KGS 369,930 thousand) whose ratings have been withdrawn by appropriate agencies. According to the Bank, withdrawal of these cash from accounts is in no way restricted.

(in thousands of Kyrgyz Som)

**12. Cash and cash equivalents (continued)**

As at 31 December 2024, the cash on current accounts with other banks without a credit rating include balances in Chinese banks in the amount KGS 66,777 thousand (31 December 2023: nil).

As at 31 December 2024, the Bank had accounts with three banks (31 December 2023: two banks) whose balances individually exceed 10% of the Bank's equity. The total gross value of these balances as at 31 December 2024 amounted to KGS 25,262,321 thousand (31 December 2023: KGS 19,889,489 thousand).

As at 31 December 2024 and 2023, minimal reserve requirements of the NBKR amounted to KGS 2,902,066 thousand and KGS 2,424,691 thousand, respectively. The Bank's ability to withdraw such accounts is not restricted by the Kyrgyz legislation. The Bank may use the entire balance in the correspondent account during a banking day, however, at the end of the day the balance should be at least 70% of the mandatory reserve requirements (31 December 2023: 70% of the mandatory reserve requirements).

As at 31 December 2024, placements with UniCredit Bank JSC, Payment Center LLC and Russian Agricultural Bank OJSC for a total amount of KGS 462,540 thousand were allocated to Stage 2.

As at 31 December 2023, placements with UniCredit Bank JSC, Payment Center LLC and Interstate Bank OJSC for a total amount of KGS 369,930 thousand were allocated to Stage 2.

An analysis of changes in the allowance for ECL during the year ended 31 December 2024 is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Total</i>
<b>As at 1 January</b>	<b>918</b>	<b>5,147</b>	<b>6,065</b>
Net change in ECL ( <i>Note 9</i> )	(408)	3,598	3,190
Foreign exchange adjustments	(87)	(1,493)	(1,580)
<b>As at 31 December</b>	<b>423</b>	<b>7,252</b>	<b>7,675</b>

An analysis of changes in the allowance for ECL during the year ended 31 December 2023 is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Total</i>
<b>As at 1 January</b>	224	7,783	8,007
Net change in ECL ( <i>Note 9</i> )	833	(1,855)	(1,022)
Foreign exchange adjustments	(139)	(781)	(920)
<b>At 31 December</b>	<b>918</b>	<b>5,147</b>	<b>6,065</b>

**13 Investment securities at amortised cost**

	<i>31 December 2024</i>	<i>31 December 2023</i>
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic	994,337	825,655
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	182,238	—
ECL allowance	(16,238)	(8,451)
<b>Investment securities at amortised cost</b>	<b>1,160,337</b>	<b>817,204</b>

As at 31 December 2024 investment securities at amortised cost include state treasury bonds of the Ministry of Finance of the Kyrgyz Republic in KGS with maturity in 2025-2027 and nominal interest rates of 13.0%-16.3% per annum and state treasury bills of the Ministry of Finance of the Kyrgyz Republic in KGS with maturity in 2025 and yield rate of 12.2% per annum.

As at 31 December 2024, treasury bonds of the Ministry of Finance in the amount of KGS 483,789 thousand (31 December 2023: KGS 793,761 thousand) were pledged as collateral for the fulfilment of obligations associated with the loans from the Russian-Kyrgyz Development Fund (*Note 29*).



*(in thousands of Kyrgyz Som)***13 Investment securities at amortised cost (continued)**

An analysis of changes in the ECL allowances during the year is, as follows:

	<i>2024</i>	<i>2023</i>
<b>As at 1 January</b>	<b>8,451</b>	10,595
Net change in ECL ( <i>Note 9</i> )	<b>7,787</b>	(2,144)
<b>As at 31 December</b>	<b>16,238</b>	8,451

**14 Loans and advances to banks and other financial institutions**

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Placements with banks of the Kyrgyz Republic:</b>		
- rated B-	<b>73,871</b>	—
- not rated	<b>1,472,019</b>	58,851
<b>Placements with other financial institutions:</b>		
- rated from A- to A+	<b>1,179,387</b>	1,146,494
- not rated	<b>—</b>	179,840
Amounts due from the NBKR for over 90 days	<b>219,164</b>	144,399
ECL allowance	<b>2,944,441</b>	1,529,584
	<b>(938)</b>	(7,257)
<b>Loans and advances to banks and other financial institutions</b>	<b>2,943,503</b>	1,522,327

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

As at 31 December 2024, amounts due from banks of the Kyrgyz Republic without a credit rating are represented by amounts due from Commercial Bank Kyrgyzstan OJSC in the amount of KGS 1,390,054 thousand, Halyk Bank Kyrgyzstan OJSC in the amount of KGS 44,781 thousand, Dos-Credobank OJSC in the amount of KGS 16,947 thousand, Bank Companion CJSC in the amount of KGS 16,623 thousand, Bank of Asia CJSC in the amount of KGS 1,479 thousand, FINCA Bank CJSC in the amount of KGS 1,151 thousand and Kyrgyz Investment and Credit Bank CJSC in the amount KGS of 984 thousand.

As at 31 December 2023, amounts due from banks of the Kyrgyz Republic without a credit rating are represented by amounts due from Halyk Bank Kyrgyzstan OJSC in the amount of KGS 36.623 thousand, Kyrgyz Investment and Credit Bank CJSC in the amount of KGS 22,115 thousand and Commercial Bank Kyrgyzstan OJSC in the amount of KGS 113 thousand.

As at 31 December 2023, amounts due from other financial institutions without a credit rating are represented by amounts due from the Russian-Kyrgyz Development Fund in the amount of KGS 178,170 thousand and QIWI-Bank JSC in the amount of KGS 1,670 thousand.

As at 31 December 2024, the Bank has no loans and advances paid to banks and financial institutions that serve as collateral for the fulfilment of the Bank's obligations (31 December 2023: KGS 178,171 thousand) (*Note 29*).

As at 31 December 2024, amounts due from banks and other financial institutions totalling KGS 1,398,551 thousand and KGS 1,545,889 thousand (31 December 2023): KGS 1,290,893 thousand and KGS 60,520 thousand) serve as collateral for the fulfilment of obligations related to settlements with payment systems and customer transfer transactions, respectively.

As at 31 December 2024 and 2023, the Bank had no counterparties whose loan and advance balances individually amount to more than 10% of the Bank's equity.

As at 31 December 2024 and 2023, all loans and advances paid to banks and other financial institutions are allocated to Stage 1 for the purposes of ECL measurement.

*(in thousands of Kyrgyz Som)***14 Loans and advances to banks and other financial institutions (continued)**

The movement of the loss allowance is as follows:

	<i>2024</i>	<i>2023</i>
<b>As at 1 January</b>	7,257	6,357
Net change in ECL ( <i>Note 9</i> )	(5,988)	645
Foreign exchange adjustments	(331)	255
<b>At 31 December</b>	<u>938</u>	<u>7,257</u>

**15 Loans to customers**

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Loans to legal entities</b>		
Loans to corporate customers	5,228,594	4,454,547
Loans to SME	19,235,017	16,604,265
<b>Total loans to legal entities</b>	<u>24,463,611</u>	<u>21,058,812</u>
<b>Loans to retail customers</b>		
Mortgage loans	1,252,435	1,181,936
Consumer loans	5,925,612	2,838,612
Credit cards and other	9,728	90,091
<b>Total loans to retail customers</b>	<u>7,187,775</u>	<u>4,110,639</u>
<b>Total loans to customers</b>	<b>31,651,386</b>	<b>25,169,451</b>
ECL allowance	<b>(1,795,464)</b>	<b>(2,103,114)</b>
<b>Total loans to customers less ECL allowance</b>	<u><b>29,855,922</b></u>	<u><b>23,066,337</b></u>

As at 31 December 2024, the Bank has no loans to customers that pledged as collateral for the fulfilment of the Bank's obligations (31 December 2023: KGS 456,164 thousand) (*Note 29*).

*(in thousands of Kyrgyz Som)***15. Loans to customers (continued)**

Below is an analysis of changes in gross carrying amount and relevant ECLs in relation to loans to customers for the years ended 31 December 2024 and 31 December 2023:

	2024					2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount as at 1 January</b>	19,925,535	1,042,187	3,762,906	438,823	25,169,451	16,392,160	1,751,307	4,986,265	442,870	23,572,602
New assets originated or purchased	23,581,923	–	–	–	23,581,923	9,193,530	–	–	–	9,193,530
Assets repaid	(15,003,273)	(485,847)	(1,340,475)	(126,661)	(16,956,256)	(6,044,927)	(470,255)	(1,283,859)	(87,724)	(7,886,765)
Transfer to Stage 1	470,459	(470,459)	–	–	–	676,993	(473,210)	(203,783)	–	–
Transfer to Stage 2	(1,122,590)	1,399,351	(276,761)	–	–	(521,919)	598,372	(76,453)	–	–
Transfer to Stage 3	(252,096)	(732,661)	984,757	–	–	(110,889)	(381,839)	492,728	–	–
Changes in accrued interest	91,676	2,019	(10,494)	2,987	86,188	–	–	–	–	–
Amounts written off	–	–	(125,121)	–	(125,121)	–	–	(235,802)	–	(235,802)
Unwinding of discount	–	–	66,919	76,117	143,036	–	–	46,674	83,677	130,351
Foreign exchange adjustments	(219,225)	(4,529)	(24,081)	–	(247,835)	340,587	17,812	37,136	–	395,535
<b>As at 31 December</b>	<b>27,472,409</b>	<b>750,061</b>	<b>3,037,650</b>	<b>391,266</b>	<b>31,651,386</b>	<b>19,925,535</b>	<b>1,042,187</b>	<b>3,762,906</b>	<b>438,823</b>	<b>25,169,451</b>

	2024					2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>ECL as at 1 January</b>	211,331	166,690	1,588,558	136,535	2,103,114	245,733	147,484	2,008,747	48,164	2,450,128
New assets originated or purchased	184,184	–	–	–	184,184	107,205	–	–	–	107,205
Financials assets repaid	(176,080)	(61,660)	(566,763)	(43,548)	(848,051)	(77,366)	(57,408)	(529,604)	–	(664,378)
Transfer to Stage 1	41,640	(41,640)	–	–	–	109,101	(20,963)	(88,138)	–	–
Transfer to Stage 2	(85,871)	177,245	(91,374)	–	–	(6,654)	50,264	(43,610)	–	–
Transfer to Stage 3	(16,413)	(152,492)	168,905	–	–	(3,848)	(41,607)	45,455	–	–
Impact of transfers between Stages and changes to inputs used for ECL calculations	82,366	(13,790)	311,129	(19,096)	360,609	(168,523)	84,438	379,184	4,694	299,793
Amounts written off	–	–	(125,121)	–	(125,121)	–	–	(235,802)	–	(235,802)
Unwinding of discount	–	–	66,919	76,117	143,036	–	–	46,674	83,677	130,351
Foreign exchange adjustments	(3,660)	(1,192)	(17,455)	–	(22,307)	5,683	4,482	5,652	–	15,817
<b>As at 31 December</b>	<b>237,497</b>	<b>73,161</b>	<b>1,334,798</b>	<b>150,008</b>	<b>1,795,464</b>	<b>211,331</b>	<b>166,690</b>	<b>1,588,558</b>	<b>136,535</b>	<b>2,103,114</b>

*(in thousands of Kyrgyz Som)***15. Loans to customers (continued)**

Below is an analysis of changes in gross carrying amount and relevant ECLs in relation to corporate lending for the years ended 31 December 2024 and 31 December 2023:

	2024					2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount as at 1 January</b>	1,967,667	70,080	2,151,334	265,466	4,454,547	2,336,313	629,077	2,314,928	288,877	5,569,195
New assets originated or purchased	1,820,597	—	—	—	1,820,597	130,802	—	—	—	130,802
Assets repaid	(396,253)	(50,462)	(466,996)	(126,661)	(1,040,372)	(606,639)	(154,240)	(466,232)	(84,789)	(1,311,900)
Transfer to Stage 1	—	—	—	—	—	73,557	(73,557)	—	—	—
Transfer to Stage 2	(379,844)	379,844	—	—	—	—	—	—	—	—
Transfer to Stage 3	—	—	—	—	—	—	(332,397)	332,397	—	—
Changes in accrued interest	6,534	3,536	(2,726)	(6,799)	545	—	—	—	—	—
Amounts written off	—	—	(65,181)	—	(65,181)	—	—	(108,006)	—	(108,006)
Unwinding of discount	—	—	41,655	56,761	98,416	—	—	41,474	61,378	102,852
Foreign exchange adjustments	(25,641)	(1,274)	(13,043)	—	(39,958)	33,634	1,197	36,773	—	71,604
<b>As at 31 December</b>	<b>2,993,060</b>	<b>401,724</b>	<b>1,645,043</b>	<b>188,767</b>	<b>5,228,594</b>	<b>1,967,667</b>	<b>70,080</b>	<b>2,151,334</b>	<b>265,466</b>	<b>4,454,547</b>

	2024					2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>ECL as at 1 January</b>	20,412	497	900,464	84,716	1,006,089	63,637	37,985	883,993	48,164	1,033,779
New assets originated or purchased	6,851	—	—	—	6,851	1,868	—	—	—	1,868
Financials assets repaid	(4,683)	(2,551)	(209,825)	(43,548)	(260,607)	(11,408)	(5,204)	(186,592)	—	(203,204)
Transfer to Stage 1	—	—	—	—	—	6,954	(6,954)	—	—	—
Transfer to Stage 2	(15,470)	15,470	—	—	—	—	—	—	—	—
Transfer to Stage 3	—	—	—	—	—	—	(28,593)	28,593	—	—
Impact of transfers between Stages and changes to inputs used for ECL calculations	33,225	24,915	131,533	(28,368)	161,305	(41,188)	3,250	226,671	(24,826)	163,907
Amounts written off	—	—	(65,181)	—	(65,181)	—	—	(108,006)	—	(108,006)
Unwinding of discount	—	—	41,655	56,761	98,416	—	—	41,474	61,378	102,852
Foreign exchange adjustments	(644)	(566)	(8,936)	—	(10,146)	549	13	14,331	—	14,893
<b>Aa at 31 December</b>	<b>39,691</b>	<b>37,765</b>	<b>789,710</b>	<b>69,561</b>	<b>936,727</b>	<b>20,412</b>	<b>497</b>	<b>900,464</b>	<b>84,716</b>	<b>1,006,089</b>

(in thousands of Kyrgyz Som)

**15. Loans to customers (continued)**

Below is an analysis of changes in gross carrying amount and relevant ECLs in relation to SME lending for the years ended 31 December 2024 and 31 December 2023:

	2024					2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount as at 1 January</b>	14,104,886	893,570	1,432,452	173,357	16,604,265	11,626,980	983,337	2,447,546	153,993	15,211,856
New assets originated or purchased	11,464,168	–	–	–	11,464,168	6,077,364	–	–	–	6,077,364
Assets repaid	(7,612,923)	(411,003)	(676,545)	–	(8,700,471)	(3,852,437)	(256,578)	(721,434)	(2,935)	(4,833,384)
Transfer to Stage 1	283,171	(283,171)	–	–	–	598,314	(395,401)	(202,913)	–	–
Transfer to Stage 2	(347,852)	550,703	(202,851)	–	–	(505,718)	581,311	(75,593)	–	–
Transfer to Stage 3	(58,592)	(475,140)	533,732	–	–	(80,711)	(34,372)	115,083	–	–
Changes in accrued interest	33,819	(3,827)	(5,663)	9,786	34,115	–	–	–	–	–
Amounts written off	–	–	(54,235)	–	(54,235)	–	–	(127,796)	–	(127,796)
Unwinding of discount	–	–	18,711	19,356	38,067	–	–	–	22,299	22,299
Foreign exchange adjustments	(140,535)	(2,133)	(8,224)	–	(150,892)	241,094	15,273	(2,441)	–	253,926
<b>As at 31 December</b>	<b>17,726,142</b>	<b>268,999</b>	<b>1,037,377</b>	<b>202,499</b>	<b>19,235,017</b>	<b>14,104,886</b>	<b>893,570</b>	<b>1,432,452</b>	<b>173,357</b>	<b>16,604,265</b>

	2024					2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>ECL as at 1 January</b>	129,495	159,675	616,916	51,819	957,905	155,738	98,146	1,034,413	–	1,288,297
New assets originated or purchased	42,206	–	–	–	42,206	54,763	–	–	–	54,763
Financials assets repaid	(59,007)	(58,057)	(283,750)	–	(400,814)	(43,485)	(35,729)	(307,801)	–	(387,015)
Transfer to Stage 1	14,397	(14,397)	–	–	–	99,793	(12,255)	(87,538)	–	–
Transfer to Stage 2	(26,460)	99,390	(72,930)	–	–	(6,236)	49,467	(43,231)	–	–
Transfer to Stage 3	(5,559)	(108,985)	114,544	–	–	(3,063)	(9,621)	12,684	–	–
Impact of transfers between Stages and changes to inputs used for ECL calculations	18,726	(49,265)	90,764	9,272	69,497	(131,497)	65,373	146,520	29,520	109,916
Amounts written off	–	–	(54,235)	–	(54,235)	–	–	(127,796)	–	(127,796)
Unwinding of discount	–	–	18,711	19,356	38,067	–	–	–	22,299	22,299
Foreign exchange adjustments	(1,751)	(434)	(6,617)	–	(8,802)	3,482	4,294	(10,335)	–	(2,559)
<b>As at 31 December</b>	<b>112,047</b>	<b>27,927</b>	<b>423,403</b>	<b>80,447</b>	<b>643,824</b>	<b>129,495</b>	<b>159,675</b>	<b>616,916</b>	<b>51,819</b>	<b>957,905</b>



*(in thousands of Kyrgyz Som)***15. Loans to customers (continued)**

Below is an analysis of changes in gross carrying amount and relevant ECLs in relation to retail lending for the years ended 31 December 2024 and 31 December 2023:

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	3,852,982	78,537	179,120	4,110,639	2,428,867	138,893	223,791	2,791,551
New assets originated or purchased	10,297,158	–	–	10,297,158	2,985,364	–	–	2,985,364
Assets repaid	(6,994,097)	(24,382)	(196,934)	(7,215,413)	(1,585,851)	(59,437)	(96,193)	(1,741,481)
Transfer to Stage 1	187,288	(187,288)	–	–	5,122	(4,252)	(870)	–
Transfer to Stage 2	(394,894)	468,804	(73,910)	–	(16,201)	17,061	(860)	–
Transfer to Stage 3	(193,504)	(257,521)	451,025	–	(30,178)	(15,070)	45,248	–
Changes in accrued interest	51,323	2,310	(2,105)	51,528	–	–	–	–
Amounts written off	–	–	(5,705)	(5,705)	–	–	–	–
Unwinding of discount	–	–	6,553	6,553	–	–	5,200	5,200
Foreign exchange adjustments	(53,049)	(1,122)	(2,814)	(56,985)	65,859	1,342	2,804	70,005
<b>As at 31 December</b>	<b>6,753,207</b>	<b>79,338</b>	<b>355,230</b>	<b>7,187,775</b>	<b>3,852,982</b>	<b>78,537</b>	<b>179,120</b>	<b>4,110,639</b>

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January</b>	61,424	6,518	71,178	139,120	26,358	11,353	90,341	128,052
New assets originated or purchased	135,127	–	–	135,127	50,574	–	–	50,574
Financial assets repaid	(112,390)	(1,052)	(73,188)	(186,630)	(21,246)	(4,896)	(38,528)	(64,670)
Transfer to Stage 1	27,243	(27,243)	–	–	2,354	(1,754)	(600)	–
Transfer to Stage 2	(43,941)	62,385	(18,444)	–	(418)	797	(379)	–
Transfer to Stage 3	(10,854)	(43,507)	54,361	–	(785)	(3,393)	4,178	–
Impact of transfers between Stages and changes to inputs used for ECL calculations	30,415	10,560	88,832	129,807	2,935	4,236	9,310	16,481
Amounts written off	–	–	(5,705)	(5,705)	–	–	–	–
Unwinding of discount	–	–	6,553	6,553	–	–	5,200	5,200
Foreign exchange adjustments	(1,265)	(192)	(1,902)	(3,359)	1,652	175	1,656	3,483
<b>ECL at 31 December</b>	<b>85,759</b>	<b>7,469</b>	<b>121,685</b>	<b>214,913</b>	<b>61,424</b>	<b>6,518</b>	<b>71,178</b>	<b>139,120</b>

(in thousands of Kyrgyz Som)

**15. Loans to customers (continued)****Modified and renegotiated loans**

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes assets that were modified during 2024 and 2023, with the related modification loss suffered by the Bank.

	<i>2024</i>	<i>2023</i>
<b>Loans to customers modified during the period</b>		
Amortised cost before modification	979,251	—
Net gains from modification	10,948	—
<b>Loans to customers modified since initial recognition</b>	<b>990,199</b>	<b>—</b>

**Collateral**

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, motor vehicles, equipment, cash and inventory;
- For retail lending, mortgages over residential and real estate properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for expected credit losses.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers and POCI loans as at 31 December 2024 and 2023 would have been higher by:

	<i>31 December 2024</i>	<i>31 December 2023</i>
Loans to corporate customers	969,314	1,375,371
Loans to SME	552,612	537,085
	<b>1,521,926</b>	<b>1,912,456</b>

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. The carrying value of the assets repossessed during the period and held as at the reporting date is as follows:

	<i>31 December 2024</i>	<i>31 December 2023</i>
Real estate (Note 17)	269,833	422,456
<b>Total repossessed collateral</b>	<b>269,833</b>	<b>422,456</b>

(in thousands of Kyrgyz Som)

## 15. Loans to customers (continued)

### Concentration of loans to customers

As at 31 December 2024 and 2023 the Bank has no borrowers or group of connected borrowers, whose loan balances exceed 10% of equity.

An analysis of the Bank's credit risk concentration per sectors of economy is provided below:

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Loans to corporate customers and small and medium-size businesses</b>		
Trade	11,158,565	9,965,554
Services	2,849,357	2,898,284
Manufacturing	2,859,758	2,002,566
Real estate	2,682,801	2,339,545
Agriculture	2,394,731	1,747,480
Transport	235,435	210,679
Others	2,282,964	1,894,704
	24,463,611	21,058,812
ECL allowance	(1,580,551)	(1,963,994)
	22,883,060	19,094,818

(in thousands of Kyrgyz Som)

**15. Loans to customers (continued)****Quality of loans to customers**

The following tables provide information on the quality of loans to customers by the number of days past due as at 31 December 2024 and 2023,

	<i>31 December 2024</i>					<i>31 December 2023</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Not overdue	27,293,064	555,549	1,135,506	43,560	29,027,679	19,878,859	1,013,592	1,299,009	186,960	22,378,420
Overdue for less than 30 days	179,345	6,047	73,622	—	259,014	46,676	3,793	702,698	—	753,167
Overdue for 30 to 89 days	—	188,465	144,291	—	332,756	—	24,802	371,214	—	396,016
Overdue for 90 to 179 days	—	—	180,862	117,006	297,868	—	—	145,264	4,702	149,966
Overdue for 180 to 360 days	—	—	243,347	—	243,347	—	—	94,525	16,871	111,396
Overdue more than 360 days	—	—	1,260,022	230,700	1,490,722	—	—	1,150,196	230,290	1,380,486
<b>Total loans to customers</b>	<b>27,472,409</b>	<b>750,061</b>	<b>3,037,650</b>	<b>391,266</b>	<b>31,651,386</b>	<b>19,925,535</b>	<b>1,042,187</b>	<b>3,762,906</b>	<b>438,823</b>	<b>25,169,451</b>
ECL allowance	(237,497)	(73,161)	(1,334,798)	(150,008)	(1,795,464)	(211,331)	(166,690)	(1,588,558)	(136,535)	(2,103,114)
<b>Total loans to customers less ECL allowance</b>	<b>27,234,912</b>	<b>676,900</b>	<b>1,702,852</b>	<b>241,258</b>	<b>29,855,922</b>	<b>19,714,204</b>	<b>875,497</b>	<b>2,174,348</b>	<b>302,288</b>	<b>23,066,337</b>

The following tables provide information on the quality of loans to corporate customers by the number of days past due as at 31 December 2024 and 2023.

	<i>31 December 2024</i>					<i>31 December 2023</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Not overdue	2,993,060	275,259	571,833	38,927	3,879,079	1,967,667	70,080	536,731	186,960	2,761,438
Overdue for less than 30 days	—	—	—	—	—	—	—	631,846	—	631,846
Overdue for 30 to 89 days	—	126,465	—	—	126,465	—	—	282,766	—	282,766
Overdue for 90 to 179 days	—	—	—	117,006	117,006	—	—	—	—	—
Overdue for 180 to 360 days	—	—	136,739	—	136,739	—	—	—	16,871	16,871
Overdue more than 360 days	—	—	936,471	32,834	969,305	—	—	699,991	61,635	761,626
<b>Total loans to corporate customers</b>	<b>2,993,060</b>	<b>401,724</b>	<b>1,645,043</b>	<b>188,767</b>	<b>5,228,594</b>	<b>1,967,667</b>	<b>70,080</b>	<b>2,151,334</b>	<b>265,466</b>	<b>4,454,547</b>
ECL allowance	(39,691)	(37,765)	(789,710)	(69,561)	(936,727)	(20,412)	(497)	(900,464)	(84,716)	(1,006,089)
<b>Total loans to corporate customers less ECL allowance</b>	<b>2,953,369</b>	<b>363,959</b>	<b>855,333</b>	<b>119,206</b>	<b>4,291,867</b>	<b>1,947,255</b>	<b>69,583</b>	<b>1,250,870</b>	<b>180,750</b>	<b>3,448,458</b>

(in thousands of Kyrgyz Som)

## 15. Loans to customers (continued)

### Quality of loans issued to customers (continued)

The following tables provide information on the quality of loans to SMEs by the number of days past due as at 31 December 2024 and 2023.

	31 December 2024					31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Not overdue	17,687,929	256,921	531,881	4,633	18,481,364	14,098,793	891,397	715,261	—	15,705,451
Overdue for less than 30 days	38,213	3,954	64,314	—	106,481	6,093	396	68,957	—	75,446
Overdue for 30 to 89 days	—	8,124	78,288	—	86,412	—	1,777	76,786	—	78,563
Overdue for 90 to 179 days	—	—	82,401	—	82,401	—	—	95,544	4,702	100,246
Overdue for 180 to 360 days	—	—	23,456	—	23,456	—	—	79,269	—	79,269
Overdue more than 360 days	—	—	257,037	197,866	454,903	—	—	396,635	168,655	565,290
<b>Total loans to SMEs</b>	<b>17,726,142</b>	<b>268,999</b>	<b>1,037,377</b>	<b>202,499</b>	<b>19,235,017</b>	<b>14,104,886</b>	<b>893,570</b>	<b>1,432,452</b>	<b>173,357</b>	<b>16,604,265</b>
ECL allowance	(112,047)	(27,927)	(423,403)	(80,447)	(643,824)	(129,495)	(159,675)	(616,916)	(51,819)	(957,905)
<b>Total loans to SMEs less ECL allowance</b>	<b>17,614,095</b>	<b>241,072</b>	<b>613,974</b>	<b>122,052</b>	<b>18,591,193</b>	<b>13,975,391</b>	<b>733,895</b>	<b>815,536</b>	<b>121,538</b>	<b>15,646,360</b>

The following tables provide information on the quality of loans to retail customers by the number of days past due as at 31 December 2024 and 2023.

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not overdue	6,612,075	23,369	31,792	6,667,236	3,812,399	52,115	47,017	3,911,531
Overdue for less than 30 days	141,132	2,093	9,308	152,533	40,583	3,397	1,895	45,875
Overdue for 30 to 89 days	—	53,876	66,003	119,879	—	23,025	11,662	34,687
Overdue for 90 to 179 days	—	—	98,461	98,461	—	—	49,720	49,720
Overdue for 180 to 360 days	—	—	83,152	83,152	—	—	15,256	15,256
Overdue more than 360 days	—	—	66,514	66,514	—	—	53,570	53,570
<b>Total loans to retail customers</b>	<b>6,753,207</b>	<b>79,338</b>	<b>355,230</b>	<b>7,187,775</b>	<b>3,852,982</b>	<b>78,537</b>	<b>179,120</b>	<b>4,110,639</b>
ECL allowance	(85,759)	(7,469)	(121,685)	(214,913)	(61,424)	(6,518)	(71,178)	(139,120)
<b>Total loans to retail customers less ECL allowance</b>	<b>6,667,448</b>	<b>71,869</b>	<b>233,545</b>	<b>6,972,862</b>	<b>3,791,558</b>	<b>72,019</b>	<b>107,942</b>	<b>3,971,519</b>

(in thousands of Kyrgyz Som)

**16 Property and equipment, right-of-use assets and intangible assets**

	<i>Buildings</i>	<i>Furniture and office equipment</i>	<i>Equipment</i>	<i>Motor vehicles</i>	<i>Constructi on-in-progress and assets to be installed</i>	<i>Right-of-use assets</i>	<i>Total property and equipment right-of-use assets</i>	<i>Intangible assets</i>
<b>Cost</b>								
<b>As at 1 January 2023</b>	270,823	674,222	356,260	85,961	165,188	649,839	2,202,293	452,259
Additions	15,403	112,981	31,762	23,985	454,567	93,407	732,105	112,228
Disposals	(194)	(34,979)	(13,150)	—	—	(24,616)	(72,939)	(44,541)
Impairment	—	—	—	—	—	—	—	(3,416)
Transfers	6,070	65,774	271,272	43	(343,159)	—	—	—
<b>As at 31 December 2023</b>	292,102	817,998	646,144	109,989	276,596	718,630	2,861,459	516,530
Additions	114,745	30,192	3,904	30,120	212,632	94,018	485,611	262,881
Disposals	(7,914)	(27,496)	(12,605)	—	—	(69,674)	(117,689)	(16,419)
Transfers	618	130,448	58,160	—	(189,226)	—	—	—
<b>As at 31 December 2024</b>	399,551	951,142	695,603	140,109	300,002	742,974	3,229,381	762,992
<b>Accumulated depreciation</b>								
<b>As at 1 January 2023</b>	(79,044)	(427,352)	(209,106)	(43,515)	—	(197,278)	(956,295)	(324,613)
Depreciation charge	(18,174)	(87,604)	(65,643)	(6,150)	—	(122,776)	(300,347)	(42,588)
Disposals	194	34,979	13,150	—	—	19,023	67,346	44,541
<b>As at 31 December 2023</b>	(97,024)	(479,977)	(261,599)	(49,665)	—	(301,031)	(1,189,296)	(322,660)
Depreciation charge	(20,478)	(111,470)	(94,263)	(9,054)	—	(142,351)	(377,616)	(98,840)
Disposals	7,914	27,496	12,607	—	—	43,948	91,963	16,419
<b>As at 31 December 2024</b>	(109,588)	(563,951)	(343,255)	(58,719)	—	(399,434)	(1,474,949)	(405,081)
<b>Net book value</b>								
<b>As at 1 January 2023</b>	191,779	246,870	147,154	42,446	165,188	452,561	1,245,998	127,646
<b>As at 31 December 2023</b>	195,078	338,021	384,545	60,324	276,596	417,599	1,672,163	193,870
<b>As at 31 December 2024</b>	289,963	387,191	352,346	81,390	300,002	343,540	1,754,432	357,911

As at 31 December 2024, buildings totalling KGS 116.964 thousand (31 December 2023: KGS 121,152 thousand) pledged as collateral for the fulfillment of obligations associated with the loans from the Russian-Kyrgyz Development Fund (*Note 29*).

As at 31 December 2024, the cost of fully depreciated but still in use property and equipment and intangible assets amounted to KGS 710,392 thousand (31 December 2023: KGS 644,357 thousand).

As at 31 December 2024, right-of-use assets totaling KGS 343,540 thousand (31 December 2023: KGS 417,599 thousand) represent office space and equipment under lease agreements.

Intangible assets are represented by the software and licenses.



(in thousands of Kyrgyz Som)

**17 Other assets**

	<i>31 December 2024</i>	<i>31 December 2023</i>
Card settlement receivables	601,043	838,259
Finance lease receivables	334,674	330,428
Money transfer receivables	137,911	68,018
Other receivables	65,769	68,752
ECL allowance	(128,230)	(147,837)
<b>Total other financial assets</b>	<b>1,011,167</b>	<b>1,157,620</b>
Property transferred to the ownership of the Bank ( <i>Note 15</i> )	269,833	422,456
Advance payments	273,188	262,158
Materials	47,781	76,676
<b>Total other non-financial assets</b>	<b>590,802</b>	<b>761,289</b>
<b>Total other assets</b>	<b>1,601,969</b>	<b>1,918,909</b>

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

These contracts have maturity dates of up to 4 years and do not provide for interest payments. The rate of 28.3% was used to discount the cash flows from contracts (2023: 28.7% per annum).

Components of finance lease receivables as at 31 December 2024 are as follows:

	<i>31 December 2024</i>	<i>31 December 2023</i>
Within one year	214,977	277,880
One to four years	226,287	155,389
<b>Minimum lease payments</b>	<b>441,264</b>	<b>433,269</b>
Within one year	47,380	43,329
One to four years	59,210	59,512
<b>Unearned finance income on finance lease of future periods</b>	<b>106,590</b>	<b>102,841</b>
<b>Net finance lease receivables</b>	<b>334,674</b>	<b>330,428</b>
ECL allowance	(76,286)	(94,309)
<b>Net finance lease receivables less provision for impairment</b>	<b>258,388</b>	<b>236,119</b>

Below is an analysis of changes in allowances for ECL on finance leases:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>As at 1 January 2023</b>	966	140	61,669	39,916	102,691
New assets originated	19	—	—	46,618	46,637
Net change in ECL	(863)	(140)	(61,660)	7,644	(55,019)
<b>As at 31 December 2023</b>	<b>122</b>	<b>—</b>	<b>9</b>	<b>94,178</b>	<b>94,309</b>
New assets originated	94	—	—	5,444	5,538
Net change in ECL	(117)	—	(9)	(23,435)	(23,561)
<b>As at 31 December 2024</b>	<b>99</b>	<b>—</b>	<b>—</b>	<b>76,187</b>	<b>76,286</b>

ECL expense on other financial assets, other than finance lease receivables, is presented under “Other impairment and provisions” in the statement of profit or loss and other comprehensive income.

(in thousands of Kyrgyz Som)

**17 Other assets (continued)**

Below is an analysis of changes in allowances for ECL and provisions for impairment on other financial assets:

	<i>Other financial assets</i>	<i>Finance lease receivables</i>	<i>Other non- financial assets</i>	<i>Total</i>
<b>As at 1 January 2023</b>	66281	102,691	12,263	181,235
Net change	6,714	(8,382)	(40,456)	(42,124)
Amounts written off	(16,133)	—	28,193	12,060
Foreign exchange adjustments	(3,334)	—	—	(3,334)
<b>As at 31 December 2023</b>	53,528	94,309	—	147,837
Net change	31,776	(18,023)	—	13,753
Amounts written off	(33,270)	—	—	(33,270)
Foreign exchange adjustments	(90)	—	—	(90)
<b>As at 31 December 2024</b>	<b>51,944</b>	<b>76,286</b>	<b>—</b>	<b>128,230</b>

**18 Amounts due to banks and other financial institutions**

	<i>31 December 2024</i>	<i>31 December 2023</i>
Current accounts and time deposits of banks and other financial institutions	2,413,110	639,217
<b>Total amounts due to banks and other financial institutions</b>	<b>2,413,110</b>	<b>639,217</b>

As at 31 December 2024, the current accounts of banks and other financial institutions for a total amount of KGS 1,702,956 thousand (31 December 2023: KGS 189,479 thousand) represent advances received for the purposes of settlements on interbank payments.

As at 31 December 2024 and 31 December 2023, the Bank had no counterparties whose account and deposit balances amount to more than 10% of the Bank's equity.

**19 Current accounts and deposits of customers**

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Current accounts and deposits of legal entities</b>		
- Current accounts and demand deposits	25,570,214	18,924,581
- Time deposits	332,173	216,369
<b>Total current accounts and deposits of legal entities</b>	<b>25,902,387</b>	<b>19,140,950</b>
<b>Current accounts and deposits of retail customers</b>		
- Current accounts and demand deposits	17,015,884	14,832,932
- Time deposits	9,136,647	7,553,535
<b>Total current accounts and deposits of retail customers</b>	<b>26,152,531</b>	<b>22,386,467</b>
<b>Total current accounts and deposits of customers</b>	<b>52,054,918</b>	<b>41,527,417</b>
Held as security against loans to customers	196,713	196,660
Held as security against guarantees (Note 26)	170,311	37,353

As at 31 December 2024, amounts due to customers of KGS 9,735,258 thousand (19% of total amounts of current accounts and deposits of customers) were due to the ten largest customers (31 December 2023: KGS 5,743,156 thousand or 14%).

As at 31 December 2024, the Bank had one customer (31 December 2023: one customer) whose account and deposit balances exceed 10% of the Bank's equity. The gross balances of accounts and deposits of the indicated customer as at 31 December 2024 were KZT 4,966,180 thousand (31 December 2023: KGS 2,219,581 thousand).

(in thousands of Kyrgyz Som)

**19 Current accounts and deposits of customers (continued)**

In accordance with the Civil Code of the Kyrgyz Republic, the Bank is obliged to repay time deposits to retail customers upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Below is an analysis of current accounts and deposits of legal entities by sectors:

	<i>31 December 2024</i>	<i>31 December 2023</i>
Geology and mining	6,036,158	3,913,193
Trade	5,732,177	4,810,004
Manufacturing	4,160,282	2,168,950
Construction	2,171,564	1,629,693
Services	1,708,777	1,404,717
Transport and communication	1,695,407	1,936,178
Manufacturing sector	1,191,529	378,155
Metallurgical industry	248,626	482,316
Education	178,968	211,338
Agriculture	170,491	132,537
Electricity, gas and water supply	26,784	20,999
Other	2,581,624	2,052,870
<b>Current accounts and deposits of legal entities</b>	<b>25,902,387</b>	<b>19,140,950</b>

**20 Other borrowed funds**

	<i>Currency</i>	<i>Rate per year</i>	<i>Maturity date</i>	<i>31 December 2024</i>	<i>31 December 2023</i>
Loans from the Russian-Kyrgyz Development Fund	US dollar	1%	2025-2027	281,896	598,172
Loans from the Ministry of Finance of the Kyrgyz Republic	Som	1.5%-2.0%	2025	129,766	270,254
Loans from the Russian-Kyrgyz Development Fund	Som	5%-7%	2025-2026	58,152	137,045
<b>Total other borrowed funds</b>				<b>469,814</b>	<b>1,005,471</b>

**Loans from the Russian-Kyrgyz Development Fund**

In 2017 as part of the program of the Russian Kyrgyz Development Fund (the "RKDF") for the provision of small and medium enterprises with access to loan resources, the Bank signed the loan agreement with the Russian Kyrgyz Development Fund for the total amount of USD 10 million or equivalent amount in KGS. The interest rate of special purpose loans issued by the Bank, should not exceed the interest rate at which the Bank borrowed funds by more than 4%.

As there is no actual market for this type of financing, provided by international non-government organisations, aimed to aid the small and medium enterprises, these RKFD loans represent a separate market segment. Accordingly, at initial recognition, the Bank did not recognise gains or losses from initial recognition on these loans.

As at 31 December 2024, borrowings from the RKDF were secured by investment securities in the amount of KGS 483,789 thousand and real estate in the amount of KGS 116,964 thousand (Note 29).

As at 31 December 2023, borrowed funds from the RKDF were secured by investment securities in the amount of KGS 793,761 thousand, real estate in the amount of KGS 121,152 thousand, loans to customers in the amount of KGS 456,164 thousand and loans and advances paid to banks and other financial institutions in the amount of KGS 178,171 thousand (Note 29).

(in thousands of Kyrgyz Som)

## 20 Other borrowed funds (continued)

### Loans from the Ministry of Finance of the Kyrgyz Republic

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

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

Loans from the MFKR were provided to banks of the Kyrgyz Republic as part of the state programmes approved by the Government of the Kyrgyz Republic and therefore constitute a separate market segment. Accordingly, at initial recognition, the Bank did not recognise gains or losses from initial recognition on these loans.

### Covenants

As at 31 December 2024, the Bank complies with all covenants provided for in the loan agreements. The Bank does not expect any breach of covenants within 12 months from the date of approval of the financial statements.

As at 31 December 2023, the Bank violated the covenant "Loan portfolio at risk PAR>90" for loans from the MFKR with a carrying amount of KGS 10,723 thousand. The Bank received permission for temporary non-compliance with this covenant from the MFKR.

Below is analysis of changes in other borrowed funds:

	2024	2023
<b>As at 1 January</b>	<b>1,005,471</b>	2,196,444
Repayment of other borrowed funds	(521,220)	(1,214,015)
Net change in accrued interest	(1,452)	(9,581)
Foreign exchange adjustments	(12,985)	32,623
<b>As at 31 December</b>	<b>469,814</b>	1,005,471

## 21 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2024	2023
<b>As at 1 January</b>	<b>461,546</b>	478,991
Additions	94,018	93,407
Disposals	(25,520)	(5,812)
Interest accrual (Note 5)	28,301	27,664
Lease payments	(173,994)	(146,886)
Foreign exchange adjustments	(8,280)	14,182
<b>As at 31 December</b>	<b>376,071</b>	461,546

*(in thousands of Kyrgyz Som)***22 Other liabilities**

	<i>31 December 2024</i>	<i>31 December 2023</i>
Payment transaction settlements	930,969	649,691
Accrued vacation expenses and other settlements with employees	221,580	150,885
Dividends payable	21,007	766
Other financial liabilities	195,103	170,163
<b>Total other financial liabilities</b>	<b>1,368,659</b>	<b>971,505</b>
Other taxes payable	304,955	260,967
Other non-financial liabilities	15,332	3,105
<b>Total other non-financial liabilities</b>	<b>320,287</b>	<b>264,072</b>
<b>Total other liabilities</b>	<b>1,688,946</b>	<b>1,235,577</b>

**23 Equity****Issued share capital**

As at 31 December 2024, the issued share capital consists of 112,000 thousand ordinary shares (31 December 2023: 42,000 thousand shares), including outstanding and paid-up ordinary shares in the amount of 42,000 thousand shares (31 December 2023: 42,000 thousand shares). The nominal value and cost of placement of each share is 50 soms.

On 25 May 2023, the General Meeting of Shareholders approved the issue of an additional 21,000 thousand ordinary shares, paid at their nominal value by transferring funds from retained earnings to the share capital in the amount of KGS 1,050,000 thousand. The issue of shares was registered on 8 August 2023.

**Dividends**

The amount of dividends that can be paid by the Bank is limited by the support indicator of the bank's additional capital reserve (capital buffer index), determined in accordance with the requirements of the Resolution of the National Bank of the Kyrgyz Republic dated 12 October 2022, and the lowest of the net profit calculated in accordance with IFRS and prudential requirements should be used to calculate the amount of dividends.

At the General Meeting of Shareholders held on 29 March 2024, the Bank declared dividends on ordinary shares for the year ended 31 December 2023 in the amount of KGS 714,000 thousand (KGS 17 per share). In 2023, the Bank did not declare or pay dividends.

**Earnings per share**

Earnings per share calculation is based on earnings and the weighted average number of ordinary shares outstanding during the year.

The Bank does not have potentially diluted ordinary shares.

	<i>2024</i>	<i>2023</i>
Profit for the year	2,659,312	2,785,115
Weighted average number of ordinary shares for the period, shares	42,000,000	29,342,466
<b>Basic and diluted earnings per share, in soms</b>	<b>63.32</b>	<b>94.92</b>

**24 Risk management**

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

*(in thousands of Kyrgyz Som)*

## 24. Risk management (continued)

### Risk management policies and procedures

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

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

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

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

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

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

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

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

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

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

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



(in thousands of Kyrgyz Som)

## 24. Risk management (continued)

### Risk management policies and procedures (continued)

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

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

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

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

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

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

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. There are few types of market risk, including interest rate risk, currency risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

ALMC headed by the Chairman of the Management Board of the Bank is responsible for market risk management.

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

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

As at 31 December 2024 and 2023 the Bank did not have financial instruments with floating interest rates.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency. Positions are monitored on a daily basis.

*(in thousands of Kyrgyz Som)***24. Risk management (continued)****Market risk (continued)***Currency risk (continued)*

The following table shows the currency structure of monetary financial assets and liabilities as at 31 December 2024:

	<i>Kyrgyz som</i>	<i>US dollar</i>	<i>Russian ruble</i>	<i>Other currencies</i>	<i>Total</i>
<b>Assets</b>					
Cash and cash equivalents	20,639,438	11,196,464	608,895	3,240,280	35,685,077
Investment securities at amortised cost	1,160,337	–	–	–	1,160,337
Loans and advances to banks and other financial institutions	1,765,054	1,178,449	–	–	2,943,503
Loans to customers	16,427,243	13,428,679	–	–	29,855,922
Other financial assets	805,923	121,088	81,014	3,142	1,011,167
	<b>40,797,995</b>	<b>25,924,680</b>	<b>689,909</b>	<b>3,243,422</b>	<b>70,656,006</b>
<b>Liabilities</b>					
Amounts due to banks and other financial institutions	2,167,749	189,283	20,581	35,497	2,413,110
Current accounts and deposits of customers	26,781,409	21,596,325	729,647	2,947,537	52,054,918
Other borrowed funds	187,918	281,896	–	–	469,814
Lease liabilities	79,401	296,670	–	–	376,071
Other financial liabilities	1,152,181	215,271	152	1,055	1,368,659
	<b>30,368,658</b>	<b>22,579,445</b>	<b>750,380</b>	<b>2,984,089</b>	<b>56,682,572</b>
<b>Net position</b>	<b>10,429,337</b>	<b>3,345,235</b>	<b>(60,471)</b>	<b>259,333</b>	<b>13,973,434</b>
<b>Cumulative effect of derivatives held for risk management purposes</b>					
- outflow	–	(978,750)	–	(271,753)	(1,250,503)
- inflow	1,229,056	–	–	–	1,229,056
<b>Net position as at 31 December 2024</b>	<b>11,658,393</b>	<b>2,366,485</b>	<b>(60,471)</b>	<b>(12,420)</b>	<b>13,951,987</b>

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

	<i>Kyrgyz som</i>	<i>US dollar</i>	<i>Russian ruble</i>	<i>Other currencies</i>	<i>Total</i>
<b>Assets</b>					
Cash and cash equivalents	20,127,790	7,231,059	1,114,082	1,556,053	30,028,984
Investment securities at amortised cost	817,204	–	–	–	817,204
Loans and advances to banks and other financial institutions	203,249	1,317,408	1,670	–	1,522,327
Loans to customers	12,771,553	10,294,784	–	–	23,066,337
Other financial assets	1,062,470	68,995	24,707	1,448	1,157,620
	<b>34,982,266</b>	<b>18,912,246</b>	<b>1,140,459</b>	<b>1,557,501</b>	<b>56,592,472</b>
<b>Liabilities</b>					
Amounts due to banks and other financial institutions	461,003	158,975	18,802	437	639,217
Current accounts and deposits of customers	23,572,248	15,225,778	1,184,390	1,545,001	41,527,417
Other borrowed funds	407,299	598,172	–	–	1,005,471
Lease liabilities	92,267	369,279	–	–	461,546
Other financial liabilities	807,016	144,628	1,627	18,234	971,505
	<b>25,339,833</b>	<b>16,496,832</b>	<b>1,204,819</b>	<b>1,563,672</b>	<b>44,605,156</b>
<b>Net position</b>	<b>9,642,433</b>	<b>2,415,414</b>	<b>(64,360)</b>	<b>(6,171)</b>	<b>11,987,316</b>
<b>Cumulative effect of derivatives held for risk management purposes</b>					
- outflow	–	(420,340)	–	–	(420,340)
- inflow	407,011	–	–	–	407,011
<b>Net position as at 31 December 2023</b>	<b>10,049,444</b>	<b>1,995,074</b>	<b>(64,360)</b>	<b>(6,171)</b>	<b>11,973,987</b>

(in thousands of Kyrgyz Som)

**24. Risk management (continued)****Market risk (continued)***Currency risk (continued)*

The tables below indicate the currencies to which the Bank had significant exposure as at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Kyrgyz Som, with all other variables held constant on profit or loss. The effect on equity does not differ from the effect on profit or loss. A negative amount in the table reflects a potential net reduction in profit or loss or equity, while a positive amount reflects a net potential increase.

<i>Currency</i>	<i>Change in currency rate in %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>
	<i>2024</i>	<i>2024</i>	<i>2023</i>	<i>2023</i>
US Dollar	+10.15%	240,198	+30.00%	598,522
	+5.04%	119,271	-30.00%	(598,522)
Russian ruble	+31.67%	(19,151)	+30.00%	(19,308)
	+15.83%	(9,573)	-30.00%	19,308

**Credit risk**

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

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

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

The Bank continuously monitors the performance of loans and regularly assesses the creditworthiness of its customers. The review is based on the customer's financial statements and other information submitted by the customer or otherwise legally obtained by the Bank.

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

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the statement of financial position, including derivatives, without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, their carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

(in thousands of Kyrgyz Som)

## 24. Risk management (continued)

### Credit risk (continued)

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in *Note 15*.

#### *Impairment assessment*

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).- The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

(in thousands of Kyrgyz Som)

## 24. Risk management (continued)

### Credit risk (continued)

#### *Definition of default and cure*

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

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

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

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

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

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months, in the case of restructuring, for three consecutive months, excluding the grace period granted under the restructuring. The classification of an asset as Stage 2 or Stage 1 after it has been cured is contingent upon the revised credit rating at the time of recovery and an assessment of whether there has been a significant increase in credit risk since the asset's initial recognition. If a restructured debt does not satisfy the new criteria after being cured, the asset will be reclassified to Stage 3 if it remains delinquent for more than 30 days.

#### *Treasury and interbank relationships*

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Bank analyzes publicly available information, such as financial statements, and data from other external sources, such as external ratings.

#### *Exposure at default*

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

(in thousands of Kyrgyz Som)

## 24. Risk management (continued)

### Credit risk (continued)

#### *Loss given default*

The Bank estimates LGD parameters for loans of less than USD 500,000 on a collective basis, based on the history of write-offs/ recovery rates of claims against defaulted counterparties. Analysis is conducted on a collective basis using the parameters 'Type of product' and 'Number of years in default'. Thus, LGD parameter is determined as a recovery ratio equal to 1. A recovery ratio is calculated as an average weighted percentage of recoveries on defaulted loans on a discounted cash flow basis using the effective interest rate as a discount factor.

The Bank estimates LGD parameters for loans of greater than USD 500,000 on a loan-by-loan basis, calculated by discounting the lesser of the loan amount outstanding and the value of collaterals, using the effective interest rate. For investment securities, loans and advances to banks and other financial institutions, the Bank applies LGD parameter based on the statistics of international rating agencies Moody's, Standard & Poor's or a rating assigned by Fitch.

#### *Significant increase in credit risk*

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

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

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

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

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

Some qualitative indicators of Stage 2, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Bank determines a three-month 'probation period' during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

#### *Grouping financial assets measured on a collective basis*

Dependent on the factors below, the Bank calculates ECLs either on a collective or on an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- Loans to customers, the amount of which at the time of issuance is equal to or exceeds USD 500 thousand;
- The treasury and interbank relationships (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost);
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.



(in thousands of Kyrgyz Som)

## 24. Risk management (continued)

### Credit risk (continued)

*Grouping financial assets measured on a collective basis (continued)*

Asset classes where the Bank calculates ECL on a collective basis include:

- Loans to customers, the amount of which at the time of issuance is less than USD 500 thousand;

*Determination of the probability of default*

PD was calculated using Markov chains, i.e., stochastic matrices of loan transitions by credit risk grade, incorporating average annual migration matrices with a 1-month shift over the period from November 2019 to October 2024 (for the past 60 months).

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

- Instrument type;
- Industry.

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

*Forward-looking information and multiple economic scenarios*

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

In 2024, the key drivers are:

- Forecast of consumer price index changes;
- Forecast of unemployment rate;
- Forecast of USD exchange rate in relation to the national currency;
- Forecast of GDP.

The economic scenarios used as at 31 December 2024 and 2023 included the following ranges of key indicators for the Kyrgyz Republic.

<i>Scenario</i>	<i>31 December 2024</i>		<i>31 December 2023</i>	
	<i>Probability, %</i>	<i>Value</i>	<i>Probability, %</i>	<i>Value</i>
<b>USD/KGS exchange rate</b>				
Upside	10%	72.17	10%	76.97
Base case	30%	86.56	30%	90.74
Downside	60%	101.01	60%	104.51
<b>Consumer price index, %</b>				
Upside	10%	0.28%	10%	2.58%
Base case	30%	5%	30%	8%
Downside	60%	10.28%	60%	13.42%
<b>Unemployment rate, %</b>				
Upside	10%	9.80%	10%	9.78%
Base case	30%	9.01%	30%	9.01%
Downside	60%	8.23%	60%	8.25%
<b>GDP growth, %</b>				
Upside	10%	9.72%	10%	8.96%
Base case	30%	5%	30%	4.3%
Downside	60%	0.28%	60%	-0.36%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on the analysis of historical data for the last 10 years.

*(in thousands of Kyrgyz Som)*

## 24. Risk management (continued)

### Credit risk (continued)

#### *Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

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

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

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

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default.

Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. 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.

#### *Country risk and risk of counterparties*

Below is the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2024:

	<i>Kyrgyz Republic</i>	<i>OECD countries</i>	<i>Other countries</i>	<i>Total</i>
<b>Assets</b>				
Cash and cash equivalents	23,235,896	6,642,035	5,807,146	35,685,077
Investment securities at amortised cost	1,160,337	—	—	1,160,337
Loans and advances to banks and other financial institutions	1,765,054	11,051	1,167,398	2,943,503
Loans to customers	29,811,702	23,651	20,569	29,855,922
Other financial assets	813,323	116,355	81,489	1,011,167
<b>Total assets</b>	<b>56,786,312</b>	<b>6,793,092</b>	<b>7,076,602</b>	<b>70,656,006</b>
<b>Liabilities</b>				
Derivative financial liabilities	21,447	—	—	21,447
Amounts due to banks and other financial institutions	2,243,905	10,179	159,026	2,413,110
Current accounts and deposits of customers	49,011,017	246,948	2,796,953	52,054,918
Other borrowed funds	469,814	—	—	469,814
Lease liabilities	376,071	—	—	376,071
Other financial liabilities	1,160,283	148,505	59,871	1,368,659
<b>Total liabilities</b>	<b>53,282,537</b>	<b>405,632</b>	<b>3,015,850</b>	<b>56,704,019</b>
<b>Net position</b>	<b>3,503,775</b>	<b>6,387,460</b>	<b>4,060,752</b>	<b>13,951,987</b>

*(in thousands of Kyrgyz Som)***24. Risk management (continued)****Credit risk (continued)***Country risk and risk of counterparties (continued)*

Below is the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2023:

	<i><b>Kyrgyz Republic</b></i>	<i><b>OECD countries</b></i>	<i><b>Other countries</b></i>	<i><b>Total</b></i>
<b>Assets</b>				
Cash and cash equivalents	22,750,051	5,314,174	1,964,759	30,028,984
Investment securities at amortised cost	817,204	—	—	817,204
Loans and advances to banks and other financial institutions	375,138	10,879	1,136,310	1,522,327
Loans to customers	23,012,754	20,152	33,431	23,066,337
Other financial assets	967,208	165,949	24,463	1,157,620
<b>Total assets</b>	<b>47,922,355</b>	<b>5,511,154</b>	<b>3,158,963</b>	<b>56,592,472</b>
<b>Liabilities</b>				
Derivative financial liabilities	13,329	—	—	13,329
Amounts due to banks and other financial institutions	575,544	10,423	53,250	639,217
Current accounts and deposits of customers	38,663,411	295,909	2,568,097	41,527,417
Other borrowed funds	1,005,471	—	—	1,005,471
Lease liabilities	461,546	—	—	461,546
Other financial liabilities	828,974	110,071	32,460	971,505
<b>Total liabilities</b>	<b>41,548,275</b>	<b>416,403</b>	<b>2,653,807</b>	<b>44,618,485</b>
<b>Net position</b>	<b>6,374,080</b>	<b>5,094,751</b>	<b>505,156</b>	<b>11,973,987</b>

**Liquidity risk**

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

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

The Bank seeks to actively support a diversified and stable funding base comprising long-term 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 smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans;
- Monitoring liquidity ratios against regulatory requirements.

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

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

(in thousands of Kyrgyz Som)

**24. Risk management (continued)****Liquidity risk (continued)***Analysis of financial liabilities by remaining contractual maturities*

The tables below summarize the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments, which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

The maturity analysis for financial liabilities as at 31 December 2024 is as follows:

<i>As at 31 December 2024</i>	<i>On demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Amounts due to banks and other financial institutions	2,413,110	—	—	—	—	—	2,413,110
Current accounts and deposits of customers	43,249,161	1,441,272	5,518,918	2,266,940	115,715	18,805	52,610,811
Other borrowed funds	36,762	67,802	246,175	123,753	—	—	474,492
Lease liabilities	14,666	27,993	119,599	183,003	69,350	5,756	420,367
Other financial liabilities	1,357,209	36	4,088	1,886	5,440	—	1,368,659
Derivative financial liabilities							
- Contractual amounts payable	(1,031,028)	(198,028)	—	—	—	—	(1,229,056)
- Contractual amounts receivable	1,041,703	208,800	—	—	—	—	1,250,503
<b>Total liabilities</b>	<b>47,081,583</b>	<b>1,547,875</b>	<b>5,888,780</b>	<b>2,575,582</b>	<b>190,505</b>	<b>24,561</b>	<b>57,308,886</b>

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

<i>As at 31 December 2023</i>	<i>On demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Amounts due to banks and other financial institutions	639,217	—	—	—	—	—	639,217
Current accounts and deposits of customers	35,028,500	881,602	4,450,832	2,133,703	6,815	18,735	42,520,187
Other borrowed funds	66,510	105,531	374,733	486,235	—	—	1,033,009
Lease liabilities	13,861	26,686	119,590	242,599	86,643	33,814	523,193
Other financial liabilities	965,825	93	663	4,924	—	—	971,505
Derivative financial liabilities							
- Contractual amounts payable	(142,354)	(264,657)	—	—	—	—	(407,011)
- Contractual amounts receivable	146,866	273,474	—	—	—	—	420,340
<b>Total liabilities</b>	<b>36,718,425</b>	<b>1,022,729</b>	<b>4,945,818</b>	<b>2,867,461</b>	<b>93,458</b>	<b>52,549</b>	<b>45,700,440</b>

(in thousands of Kyrgyz Som)

**24. Risk management (continued)****Liquidity risk (continued)***Analysis of financial liabilities by remaining contractual maturities (continued)*

The table below shows the contractual expiry by maturity of the Bank's credit related commitments and contingencies. Each undrawn commitment on lending is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	<i>On demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 3 years</i>	<i>3 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>As at 31 December 2024</b>							
Undrawn loan commitments	904,305	—	—	—	—	—	904,305
Guarantees and letters of credits	844,034	—	—	—	—	—	844,034
	<b>1,748,339</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,748,339</b>
<b>As at 31 December 2023</b>							
Undrawn loan commitments	459,748	—	—	—	—	—	459,748
Guarantees and letters of credits	421,401	—	—	—	—	—	421,401
	<b>881,149</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>881,149</b>

In accordance with Kyrgyz legislation, individual depositors can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest income. These deposits are classified in accordance with their established repayment schedules.

**25 Capital management**

The NBKR sets and monitors capital requirements for the Bank. The Bank defines as capital those items defined by legislation of the Kyrgyz Republic as capital for credit organizations. Under the current capital requirements set by the NBKR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level of 12%, a ratio of tier 1 capital to risk weighted assets above the prescribed minimum level of 7.5%. The Bank was in compliance with the statutory capital ratios as at 31 December 2024 and 31 December 2023.

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

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Tier 1 capital</b>		
Share capital	2,100,000	2,100,000
Retained earnings of previous years	8,522,520	6,345,457
Less: Intangible assets	(357,911)	(193,870)
<b>Total tier 1 capital</b>	<b>10,264,609</b>	<b>8,251,587</b>
<b>Tier 2 capital</b>		
Profit of current year	2,234,894	2,891,063
General provisions (up to 1.25% of risk-weighted assets)	812,332	563,672
<b>Total tier 2 capital</b>	<b>3,047,226</b>	<b>3,454,735</b>
<b>Total capital</b>	<b>13,311,835</b>	<b>11,706,322</b>
<b>Total risk-weighted assets</b>	<b>60,367,691</b>	<b>40,577,728</b>
<b>Total capital expressed as a percentage of risk-weighted assets (total capital ratio)</b>	<b>20.3%</b>	<b>25.8%</b>
<b>Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)</b>	<b>17.0%</b>	<b>20.3%</b>

(in thousands of Kyrgyz Som)

## 25 Capital management (continued)

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.

## 26 Commitments and contingencies

### Commitments and contingencies

The Bank has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loan and credit card limits and overdraft facilities.

The Bank provides financial guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

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

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

	<i>31 December 2024</i>	<i>31 December 2023</i>
<b>Credit related commitments</b>		
Undrawn loan commitments	904,305	459,748
Guarantees and letters of credits	844,034	421,401
	<b>1,748,339</b>	<b>881,149</b>
Provisions for ECL for credit related commitments	11,455	5,725
Amounts held as security against guarantees ( <i>Note 19</i> )	170,311	37,353

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

Loan commitments and issued financial guarantees related to scope of impairment requirements under IFRS 9 disclosed in the above table as at 31 December 2023 and 2024 are staged with due account of credit risk.

Allowance for expected credit losses on credit related commitments is included in other financial liabilities and equals KGS 11,455 thousand as at 31 December 2024 (31 December 2023: KGS 5,725 thousand). Movement in the allowance for expected credit losses on credit related commitments for the year ended 31 December 2024 and 2023 is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>As at 1 January 2023</b>	16,491	983	2,028	<b>19,502</b>
New exposures	573	–	–	<b>573</b>
Transfer to Stage 1	15	–	(15)	–
Transfer to Stage 2	(7)	7	–	–
Transfer to Stage 3	(32)	–	32	–
Impact of transfers between Stages and changes to inputs used for ECL calculations	(12,024)	(907)	(1,551)	<b>(14,482)</b>
Foreign exchange adjustments	118	2	12	<b>132</b>
<b>As at 31 December 2023</b>	5,134	85	506	<b>5,725</b>
New exposures	6,980	–	–	<b>6,980</b>
Transfer to Stage 1	1	(1)	–	–
Transfer to Stage 2	(20)	192	(172)	–
Transfer to Stage 3	(875)	–	875	–
Impact of transfers between Stages and changes to inputs used for ECL calculations	(1,014)	145	(329)	<b>(1,198)</b>
Foreign exchange adjustments	(46)	(2)	(4)	<b>(52)</b>
<b>As at 31 December 2024</b>	<b>10,160</b>	<b>419</b>	<b>876</b>	<b>11,455</b>

(in thousands of Kyrgyz Som)

## 26 Commitments and contingencies (continued)

### Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

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

### Taxation

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

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

## 27 Related party transactions

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

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

### Transactions with members of the Board of Directors and the Management

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

	2024	2023
Members of the Board of Directors	11,798	33,152
Members of the Management Board	768,885	666,630
	<b>780,683</b>	<b>699,782</b>

This compensation is represented by short-term benefits, including variable compensation and social security contributions.

The outstanding balances and average interest rates as at 31 December 2024 and 31 December 2023 for transactions with the members of the Board of Directors and Management Board and related persons are as follows:

	31 December 2024		31 December 2023	
	Carrying amount	Average interest rate, %	Carrying amount	Average interest rate, %
<b>Statement of financial position</b>				
<b>Assets</b>				
Loans to customers	—	—	126,661	11.06%
<b>Liabilities</b>				
Current accounts and deposits of customers	33,078	0.41%	12,273	3.61%



*(in thousands of Kyrgyz Som)*

## 27 Related party transactions (continued)

### Transactions with members of the Board of Directors and the Management (continued)

Amounts included in profit or loss on transactions with members of the Board of Directors and the Management Board and related persons are presented as follows:

	<i>2024</i>	<i>2023</i>
<b>Statement of profit or loss and other comprehensive income</b>		
Interest revenue	14,038	25,973
Interest expense	(312)	(284)

### Transactions with the Parent

The outstanding balances and the related average interest rates as at 31 December 2024 and 2023 and related profit or loss amounts of transactions with the Parent for the years ended 31 December 2024 and 2023 are as follows:

	<i>31 December 2024</i>		<i>31 December 2023</i>	
	<i>Carrying amount</i>	<i>Average interest rate, %</i>	<i>Carrying amount</i>	<i>Average interest rate, %</i>
<b>Statement of financial position</b>				
<b>Assets</b>				
Cash and cash equivalents				
- US dollars	377,356	—	451,815	—
- In other currencies	39,064	—	41,343	—
<b>Liabilities</b>				
Amounts due to banks and other financial institutions				
- In soms	52,238	—	5,027	—
Other liabilities				
- US dollars	55,680	—	29,398	—

Amounts included in profit or loss in relation to transactions with the Parent are as follows:

	<i>2024</i>	<i>2023</i>
<b>Statement of profit or loss and other comprehensive income</b>		
Net gains from foreign currencies	(13,908)	(6,138)
Fee and commission income	35	35
Fee and commission expense	(346,343)	(386,335)
General and administrative expenses	—	(3,926)

## 28 Fair value measurements

### Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

*(in thousands of Kyrgyz Som)***28 Fair value measurements (continued)****Fair value hierarchy (continue)**

For the purpose of fair value disclosures, the Bank's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at 31 December 2024	Date of measurement	Fair value measurement using inputs			
		Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2024	6,307,008	29,378,069	—	35,685,077
Investment securities at amortised cost	31 December 2024	—	1,201,785	—	1,201,785
Loans and advances to banks and other financial institutions	31 December 2024	—	2,943,503	—	2,943,503
Loans to customers	31 December 2024	—	—	30,091,556	30,091,556
Other financial assets	31 December 2024	—	—	1,011,167	1,011,167
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2024	—	21,447	—	21,447
Liabilities for which fair values are disclosed					
Amounts due to banks and other financial institutions	31 December 2024	—	2,413,110	—	2,413,110
Current accounts and deposits of customers	31 December 2024	—	52,111,643	—	52,111,643
Other borrowed funds	31 December 2024	—	469,814	—	469,814
Lease liabilities	31 December 2024	—	—	376,071	376,071
Other financial liabilities	31 December 2024	—	—	1,368,659	1,368,659
As at 31 December 2023	Date of measurement	Fair value measurement using			
		Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2023	5,882,162	24,146,822	—	30,028,984
Investment securities at amortised cost	31 December 2023	—	812,268	—	812,268
Loans and advances to banks and other financial institutions	31 December 2023	—	1,522,327	—	1,522,327
Loans to customers	31 December 2023	—	—	23,455,837	23,455,837
Other financial assets	31 December 2023	—	—	1,157,620	1,157,620
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2023	—	13,329	—	13,329
Liabilities for which fair values are disclosed					
Amounts due to banks and other financial institutions	31 December 2023	—	639,217	—	639,217
Current accounts and deposits of customers	31 December 2023	—	41,569,777	—	41,569,777
Other borrowed funds	31 December 2023	—	1,005,471	—	1,005,471
Lease liabilities	31 December 2023	—	—	461,546	461,546
Other financial liabilities	31 December 2023	—	—	971,505	971,505

(in thousands of Kyrgyz Som)

**28 Fair value measurements (continued)****Fair value of financial assets and liabilities not carried at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>As at 31 December 2024</i>			<i>As at 31 December 2023</i>		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>
<b>Financial assets</b>						
Cash and cash equivalents	35,685,077	35,685,077	—	30,028,984	30,028,984	—
Investment securities at amortised cost	1,160,337	1,201,785	41,448	817,204	812,268	(4,936)
Loans and advances to banks and other financial institutions	2,943,503	2,943,503	—	1,522,327	1,522,327	—
Loans to customers	29,855,922	30,091,556	235,634	23,066,337	23,455,837	389,500
Other financial assets	1,011,167	1,011,167	—	1,157,620	1,157,620	—
<b>Financial liabilities</b>						
Amounts due to banks and other financial institutions	2,413,110	2,413,110	—	639,217	639,217	—
Current accounts and deposits of customers	52,054,918	52,111,643	(56,725)	41,527,417	41,569,777	(42,360)
Other borrowed funds	469,814	469,814	—	1,005,471	1,005,471	—
Lease liabilities	376,071	376,071	—	461,546	461,546	—
Other financial liabilities	1,368,659	1,368,659	—	971,505	971,505	—
<b>Total unrecognised change in fair value</b>			<b>220,357</b>			<b>342,204</b>

**Valuation techniques and assumptions**

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the [consolidated] statement of financial position, but whose fair value is disclosed.

*Assets for which fair value approximates carrying value*

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

*Derivatives*

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Derivatives valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are valued using the binomial models. The models incorporate various non-observable assumptions, which include market rate volatilities.

*(in thousands of Kyrgyz Som)***28 Fair value measurements (continued)****Valuation techniques and assumptions (continued)***Financial assets and financial liabilities carried at amortised cost*

Fair value of the quoted debt securities is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to credit institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities.

The following discount rates were used to determine the fair value of financial assets and liabilities:

- The rate was 5.0%-28.0% per annum and 10.0%-30.5% per annum, respectively for loans issued to corporate and retail customers (2023: 8.0%-28.0% and 8.0%-30.0%, respectively);
- The rate of 1.0%-13.0% was used for customer deposits (2023: 0.05%-13.0%);
- The discount rate of 1.0%-7.0% per annum was used for other borrowed funds (2023: 1.0%-8.0% per annum).

**29 Assets pledged as collateral**

The table below provides a summary of assets pledged by the Bank.

	<i>Carrying amount of liabilities (Note 20)</i>	<i>Property and equipment (Note 14)</i>	<i>Investment securities at amortised cost (Note 13)</i>	<i>Loans and advances to banks and other financial institutions (Note 14)</i>	<i>Loans to customers (Note 15)</i>	<i>Net position</i>
<b>As at 31 December 2024</b>						
<b>Other borrowed funds:</b>						
Russian-Kyrgyz Development Fund	(340,048)	116,964	483,789	—	—	260,705
<b>As at 31 December 2023</b>						
<b>Other borrowed funds:</b>						
Russian-Kyrgyz Development Fund	(735,217)	121,152	793,761	178,171	456,164	814,031

(in thousands of Kyrgyz Som)

### 30 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 24 for the Bank's contractual undiscounted repayment obligations.

	31 December 2024			31 December 2023		
	Within one year	More than one year	Total	Within one year	More than one year	Total
<b>Assets</b>						
Cash and cash equivalents	35,685,077	—	35,685,077	30,028,984	—	30,028,984
Investment securities at amortised cost	193,441	966,896	1,160,337	817,204	—	817,204
Loans and advances to banks and other financial institutions	2,943,503	—	2,943,503	1,350,439	171,888	1,522,327
Loans to customers	12,188,013	17,667,909	29,855,922	9,532,410	13,533,927	23,066,337
Property and equipment and right-of-use assets	—	1,754,432	1,754,432	—	1,672,163	1,672,163
Intangible assets	—	357,911	357,911	—	193,870	193,870
Other assets	1,178,385	423,584	1,601,969	1,417,224	501,685	1,918,909
<b>Total assets</b>	<b>52,188,419</b>	<b>21,170,732</b>	<b>73,359,151</b>	<b>43,146,261</b>	<b>16,073,533</b>	<b>59,219,794</b>
<b>Liabilities</b>						
Derivative financial liabilities	21,447	—	21,447	13,329	—	13,329
Amounts due to banks and other financial institutions	2,413,110	—	2,413,110	639,217	—	639,217
Current accounts and deposits of customers	49,875,518	2,179,400	52,054,918	39,572,116	1,955,301	41,527,417
Other borrowed funds	347,513	122,301	469,814	529,944	475,527	1,005,471
Current income tax liabilities	55,286	—	55,286	41,953	—	41,953
Deferred income tax liabilities	—	322,687	322,687	—	283,724	283,724
Lease liabilities	141,825	234,246	376,071	135,590	325,956	461,546
Other liabilities	1,677,497	11,449	1,688,946	1,230,653	4,924	1,235,577
<b>Total liabilities</b>	<b>54,532,196</b>	<b>2,870,083</b>	<b>57,402,279</b>	<b>42,162,802</b>	<b>3,045,432</b>	<b>45,208,234</b>
<b>Net position</b>	<b>(2,343,777)</b>	<b>18,300,649</b>	<b>15,956,872</b>	<b>983,459</b>	<b>13,028,101</b>	<b>14,011,560</b>

As at 31 December 2024, “within one year” liabilities exceeded assets by KGS 2,343,777 thousand. As at 31 December 2023, “within one year” assets exceeded liabilities by KGS 983,459 thousand.

Negative liquidity gap is mainly attributable to amounts due to customers and other borrowed funds. Despite the available early withdrawal option and the fact that substantial portion of customer accounts are on demand, the management of the Bank believes that customer accounts provide a long-term and stable source of funding due to diversified portfolio of customers.

The management of the Bank expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms. The Bank performs regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions. Based on the results of the stress testing the management estimates that the Bank has sufficient liquidity to cover negative current liquidity gap, without incurring unacceptable losses or damage to the Bank's reputation.

### 31 Subsequent events

On 18 November 2024, the General Meeting of Shareholders approved the issue of additional 70,000 thousand ordinary shares at par value by directing cash in the amount of KGS 3,500,000 thousand from retained earnings to share capital.

On 17 December 2024, the Financial Market Regulation and Supervision Service operating under the Ministry of Economy and Commerce of the Kyrgyz Republic conducted the state registration of the fourteenth issuance of ordinary registered shares of the Bank. Subsequently, on 4 February 2025, the Service decided to recognize the results of this issuance and approved the placement of the issued ordinary shares, each with a par value of 50 soms.