



O!BANK OPEN JOINT STOCK COMPANY

Financial statements

for the year ended December 31, 2024
(prepared in accordance with the IFRS)

and independent auditor's report

O!BANK OPEN JOINT STOCK COMPANY

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O!BANK OPEN JOINT STOCK COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at December 31, 2024, the results of its operations, cash flows and changes in shareholder's capital for the year then ended, in accordance with International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended December 31, 2024 were approved and authorised for issue on February 28, 2025 by the management of the Bank.

On behalf of the Management of the Bank:


Chynybayeva A.T.
Chairman of the Management Board

February 28, 2025
Bishkek, the Kyrgyz Republic




Nesterenko N.N.
Chief Accountant

February 28, 2025
Bishkek, the Kyrgyz Republic

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, the Board of Directors and the Management of O!Bank OJSC

Opinion

We have audited the financial statements of the O!Bank OJSC (the "Bank"), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (the "ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Allowance for expected credit losses

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

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

Other matter

The Bank has also prepared the financial statements for the year ended December 31, 2024 in accordance with the requirements of the National Bank of the Kyrgyz Republic (the "NBKR"), on which we issued a separate auditor's report dated February 28, 2025 addressed to the Shareholders, the Board of Directors and the Management of the O!bank OJSC.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, for compliance with the legislation of the Kyrgyz Republic, the requirements of the National Bank of the Kyrgyz Republic (the "NBKR"), and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs and regulations of IFRS, 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Kubat Aymkulov

Certified accountant, FCCA



Umet Daletbaev

Individual auditor registration number 11152 dated November 16, 2023.

Registered in the Unified state register of auditors, audit organizations, and professional audit associations.

Audit Partner,
Director of Baker Tilly Bishkek LLC

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

February 28, 2025
Bishkek, the Kyrgyz Republic

Individual auditor registration number 18167 dated December 26, 2023.

Registered in the Unified state register of auditors, audit organizations, and professional audit associations.

Audit Partner

O!BANK OPEN JOINT STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2024	For the year ended December 31, 2023
Interest income	4	1,704,753	1,520,260
Interest expenses	4	(747,520)	(626,875)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS		957,233	893,385
Recovery of allowance for expected credit losses on interest bearing assets	9, 10, 11, 12	56,237	104,164
NET INTEREST INCOME		1,013,470	997,549
Commission income	5	440,752	413,789
Commission expenses	5	(474,785)	(385,768)
Net gain on foreign exchange operations	6	331,524	373,517
Recovery/(accrual) of allowance for expected credit losses	15, 19	9,947	(2,509)
Other income, net		40,048	39,327
NET NON-INTEREST INCOME		347,486	438,356
Operating expenses	7	(1,241,702)	(1,017,503)
PROFIT BEFORE INCOME TAX		119,254	418,402
Income tax	8	(18,761)	(44,746)
NET PROFIT FOR THE YEAR		100,493	373,656
Other comprehensive income		360,878	-
Total comprehensive income		461,371	373,656
Earnings per share, in soms	21	42	156
Weighted average number of ordinary shares		2,400,016	2,400,016

On behalf of the Management of the Bank:


Chynybayeva A.T.
Chairman of the Management Board

February 28, 2025
Bishkek, the Kyrgyz Republic




Nesterenko N.N.
Chief Accountant

February 28, 2025
Bishkek, the Kyrgyz Republic

The notes on pages 11-62 form an integral part of the financial statements. The independent auditor's report is on pages 3-5

O!BANK OPEN JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

(in thousands of Kyrgyz soms)

	Notes	December 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents	9	4,213,695	4,009,973
Due from banks	10	3,141,354	2,328,214
Loans to customers	11	11,588,822	8,889,436
Investment securities	12	1,016,032	1,128,722
Property, equipment and intangible assets	13	1,536,572	1,031,931
Non-current assets held for sale	14	42,306	82,029
Other assets	15	1,308,979	590,942
TOTAL ASSETS		22,847,760	18,061,247
SHAREHOLDER'S EQUITY AND LIABILITIES			
LIABILITIES:			
Customer accounts	16	14,673,204	10,285,113
Due to banks	17	2,248,935	2,700,591
Borrowings	18	676,452	603,006
Deferred income tax liabilities	8	113,277	83,082
Other liabilities	19	826,962	541,896
		18,538,830	14,213,688
SHAREHOLDER'S EQUITY:			
Share capital	20	1,200,008	1,200,008
General banking reserve		1,782	1,429
Property revaluation reserve		555,765	199,113
Retained earnings		2,551,375	2,447,009
		4,308,930	3,847,559
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		22,847,760	18,061,247

On behalf of the Management of the Bank:

Chynybayeva A.T.
Chairman of the Management Board

February 28, 2025
Bishkek, the Kyrgyz Republic



Nesterenko N.N.
Chief Accountant

February 28, 2025
Bishkek, the Kyrgyz Republic

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O!BANK OPEN JOINT STOCK COMPANY

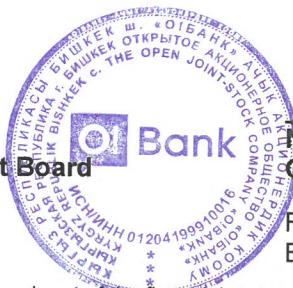
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024 (in thousands of Kyrgyz soms)

	Note	Share capital	General banking reserve	Property revaluation reserve	Retained earnings	Total equity
Balance at December 31, 2022	20	1,200,008	857	203,417	2,069,621	3,473,903
Comprehensive income						
Profit for the year		-	-	-	373,656	373,656
Total comprehensive income		-	-	-	373,656	373,656
Transfer of retained earnings to general banking reserve		-	572	-	(572)	-
Transfer of fixed assets revaluation reserve to retained earnings		-	-	(4,304)	4,304	-
Balance at December 31, 2023	20	1,200,008	1,429	199,113	2,447,009	3,847,559
Comprehensive income						
Profit for the year		-	-	-	100,493	100,493
Effect of revaluation of fixed assets, net of income tax		-	-	360,878	-	360,878
Total comprehensive income		-	-	360,878	100,493	461,371
Transfer of retained earnings to general banking reserve		-	353	-	(353)	-
Transfer of fixed assets revaluation reserve to retained earnings		-	-	(4,226)	4,226	-
Balance at December 31, 2024	20	1,200,008	1,782	555,765	2,551,375	4,308,930

On behalf of the Management of the Bank:


Chynybayeva A.T.
Chairman of the Management Board

February 28, 2025
Bishkek, the Kyrgyz Republic




Nesterenko N.N.
Chief Accountant

February 28, 2025
Bishkek, the Kyrgyz Republic

The notes on pages 11-62 form an integral part of the financial statements. The independent auditor's report is on pages 3-5

O!BANK OPEN JOINT STOCK COMPANY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2024	For the year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation		119,254	418,402
Adjustments:			
Change in allowance for expected credit losses on interest bearing assets	9, 10, 11, 12	(56,237)	(104,164)
Change in allowance for expected credit losses	15, 19	(9,947)	2,509
Depreciation and amortization expenses of property, equipment and intangible assets	7, 13	197,024	164,849
Loss/(gain) on foreign exchange operations	6	6,211	(17,952)
Interest income	4	(1,704,753)	(1,520,260)
Interest expenses	4	747,520	626,875
Net change in other accruals	19	833	(22,583)
Cash flow from operating activities before changes in operating assets and liabilities		(700,095)	(452,324)
(Increase)/decrease in operating assets:			
Due from banks		(2,923,877)	(19,947)
Loans to customers		(2,702,330)	1,059,693
Other assets		(700,943)	(222,388)
Increase/(decrease) in operating liabilities:			
Due to banks		4,607,454	1,605,974
Customer accounts		(355,516)	(1,417,839)
Other liabilities		294,233	57,853
(Outflow)/inflow from operating activities before taxation		(2,481,074)	611,022
Interest received		1,650,799	1,548,225
Interest paid		(761,335)	(633,022)
Income tax paid		(18,000)	(65,000)
Net cash (outflow)/inflow from operating activities		(1,609,610)	1,461,225

O!BANK OPEN JOINT STOCK COMPANY

STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2024 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2024	For the year ended December 31, 2023
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	13	(306,825)	(116,361)
Purchase of investment securities		(684,446)	(330,610)
Proceeds from sale of investment securities		357,420	298,322
Net cash outflow from investing activities		(633,851)	(148,649)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	18	782,537	842,921
Repayment of borrowings	18	(707,241)	(920,118)
Net cash inflow/(outflow) from financing activities		75,296	(77,197)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,168,165)	1,235,379
Effect of foreign exchange difference on cash and cash equivalents		(238,995)	118,295
CASH AND CASH EQUIVALENTS, at the beginning of the year	9	6,778,885	5,425,211
CASH AND CASH EQUIVALENTS, at the end of the year	9	4,371,725	6,778,885

On behalf of the Management of the Bank:


Chynybaeva A.T.
Chairman of the Management Board

February 28, 2025
Bishkek, the Kyrgyz Republic




Nesterenko N.N.
Chief Accountant

February 28, 2025
Bishkek, the Kyrgyz Republic

The notes on pages 11-62 form an integral part of the financial statements. The independent auditor's report is on pages 3-5

O!BANK OPEN JOINT STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(In thousands of Kyrgyz soms, unless otherwise stated)

1. BACKGROUND

Organization and operations

Kairat Bank OJSC was incorporated as an Open Joint Stock Company in accordance with the laws of the Kyrgyz Republic on 12 April 1999. Kairat Bank OJSC was created by the Government of the Kyrgyz Republic as a bank, for absorbing deposits and parts of assets of problem and bankrupt banks. In 2004 the entire share capital of Kairat Bank OJSC was purchased by Halyk Bank Kazakhstan Joint Stock Company ("the Parent") and subsequently it was renamed into Halyk Bank Kyrgyzstan Open Joint Stock Company. In 2024 the 99.998% of the share capital of Halyk Bank Kyrgyzstan OJSC (the "Bank") was purchased by MCC Akcha Bulak LLC, and 0.002% of the Bank's share capital was purchased by Korneeva E.V. The Bank's activities are regulated by the National Bank of the Kyrgyz Republic (the "NBKR") and are carried out in accordance with the updated general license №044 dated on September 17, 2024, following its renaming to O!Bank Open Joint Stock Company (the "Bank") and successful re-registration. The Bank's primary activities include accepting deposits from individuals and legal entities, processing payments, issuing loans and guarantees, issuing electronic money, conducting foreign currency exchange operations and transactions with financial derivative instruments and other commercial activities.

Office of the Bank is located at 390 Frunze str., Bishkek, Kyrgyz Republic.

The Head Office of the Bank is located in Bishkek. Branches of the Bank are located in Bishkek and other cities of the Kyrgyz Republic, including Osh, Kara-Suu, Zhalal-Abad, Kara-Balta, Cholpon-Ata and Karakol.

Number of employees of the Bank as at December 31, 2024 and 2023 amounted to 537 and 489 employees, respectively.

As at December 31, 2024 99.998% of shares of the Bank was owned by MCC Akcha-Bulak LLC, and 0.002% of shares of the Bank was owned by Korneeva E.V. The immediate parent company of the MCC Akcha Bulak LLC is ALGA Finance CJSC. The Company's ultimate parent company is Visor International DMCC and its ultimate controlling party is Mr. Karibzhanov A.T. As at December 31, 2023 100% of the shares of the Bank were owned by Halyk Bank Kazakhstan JSC.

The financial statements were approved by management of the Bank on February 28, 2025.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Other criteria for the selection of presentation principles

These financial statements are presented in thousands of Kyrgyz Soms (thousands of KGS), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For fair value measurements and/or disclosures about fair value measurements, fair value in these financial statements is determined in the manner described above, except for share-based payment transactions within the scope of IFRS 2, leasing transactions within the scope of IFRS 16, and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

The Bank maintains its accounting records in accordance with Kyrgyz legislation which stipulates the preparation of financial statements in accordance with IFRS.

Going concern principle

These financial statements have been prepared on a going-concern basis.

The amount of financial liabilities exceeded the amount of financial assets payable within the next 12 months from the reporting date of the financial statements as of December 31, 2024. The liquidity ratios K3.1 and K3.2, regularly monitored by the NBKR, were equal to 85.69% and 77.3%, respectively, as of December 31, 2024, with the minimum requirement set by the NBKR at no less than 45% and 35%, respectively. The bank has a liquidity risk management system that complies with the NBKR's requirements and general market practices, which allows for minimizing liquidity risk.

The Bank's management believes that, based on current forecasts and measures taken to manage liquidity, the Bank has sufficient funds to continue its operations for the foreseeable future, for 12 months after the reporting date.

Functional and reporting currency

Items included in the Bank's financial statements are estimated using the currency that best reflects the economic substance of the underlying events and circumstances related to the Bank (hereinafter – the "functional currency"). The functional and reporting currency of the accompanying financial statements is Kyrgyz soms (the "KGS" or "som").

These financial statements are presented in thousands of Kyrgyz soms (the "KGS" or "som"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments carried at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition and valuation of financial instruments

The Bank recognises financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognised using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value between trade date and settlement date in the same way as for acquired instruments.

Financial assets and liabilities are initially measured at fair value. Initial cost of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a

business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value through profit or loss.

For financial assets accounting IFRS 9 provides for three classification categories:

- instruments estimated at amortised cost;
- instruments estimated at fair value, which changes are reflected in other comprehensive income;
- instruments estimated at fair value, which changes are reflected in profit or loss statement for the reporting period.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy.

Derecognition of financial assets

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, then it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities. Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. For details see the "net interest income section" below.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. 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. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with NBKR and balances on correspondent and time deposit accounts with other banks with original maturities within three months. Minimum reserve deposits with NBKR are not subject to restrictions to its availability and, therefore, are included in cash and cash equivalents.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognised at fair value. Due from banks with a fixed term are subsequently measured at amortised cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for expected credit losses.

Repurchase and reverse repurchase agreements

In the normal course of business, the Bank enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilised by the Bank as an element of its treasury management.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Bank are initially recognised at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognised as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income according to nature of the losses. Subsequently, loans are carried at amortised cost using the effective interest method. Loans to customers are carried net of any allowance for expected credit losses.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met.

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness).

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors.

If qualitative factors do not clearly indicate a substantial modification, then:

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than threshold the Bank deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information (such as if the borrower is in past due status under the new terms).

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

For financial assets modified as part of the Bank's waiver of sanctions, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

The loss allowance for which waiver of sanctions are applied will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and advances are written off against the allowance for expected credit losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for expected credit losses of financial assets in the statement of profit or loss and other comprehensive income in the period of recovery.

Allowance for expected credit losses

Calculation of financial assets expected credit losses is carried out taking into account the following factors:

- in order to calculate the ECL, the Bank performs loan assessment on an individual basis and on a Bank basis depending on general credit risk characteristics.
- ECL represent estimates of ECL weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Bank's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default (PD), duration of a transaction and the extent of loss in case of a default (LGD).
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

The Bank conducts monitoring of financial assets that are subject to impairment requirements for a significant increase in credit risk from the date of initial recognition. In the event of a significant increase in credit risk, the Bank calculates the amount of the allowance based on the amount of credit losses expected during the entire loan period, and not only for the next 12 months.

Significant increase in credit risk

According to the Bank's methodology, stage 2 includes loans with the following qualitative/quantitative characteristics:

- identification by the Bank's specialists of objective evidence of significant financial difficulties of the issuer or the borrower, affecting the expected future cash flows and resulting in losses from the impairment of the asset, supported by information on the existence of possible impairment, taking into account the expert opinion of a Bank specialist;
- availability of the borrower's overdue debt on the principal debt and/or remuneration for 31-90 days;
- an increase in the probability of default by the borrower / Bank of borrowers in the corporate business by more than 10 percentage points from the date of the loan in accordance with the rating model Risk Analyst. In case the current rating of the borrower is 6 or better, there is no significant increase in credit risk (an asset with low credit risk);

- for loans to medium businesses and individual entrepreneurs of corporate business - recognition of the borrower as alarming based on consideration by the credit committee of the parameters reflected in the alert card. The alert card determines the existence of a loan impairment risk through a set of financial (e.g., liquidity, debt burden, collateral coverage, etc.) and non-financial parameters of the borrower (e.g., the presence of negative information about the borrower, the presence of claims from third parties, changes in the composition of owners or managers, the presence of overdue debt, etc.), calculated in the course of monitoring the financial condition;
- assets with a low level of credit risk may be recognised as individual loans in exceptional cases if there is a justification (participation in government programs, decision on restructuring, etc.). In this case it is allowed to keep the borrower in the 1st stage portfolio even if the above criteria are met.

Definition of default

Default loans - loans for which the payment of interest and principal is overdue by 90 days or more, or there are other reasons to doubt that payments will be made in full extent (for example restructuring 12 months earlier than the reporting date).

Signs of credit impairment on default loans (3rd stage of impairment):

- for corporate business loans - assigning the worst indicators of the rating of 8, 9 or 10 to a borrower with rating model;
- the presence of the overdue debt of the borrower on the principal and/or interest over 90 days;
- transfer of the loan to the Department of problematic loans (regardless of the presence/absence of overdue).
- suspension of interest accrual on the loan due to the deterioration of the financial condition of the borrower;
- the financial organisation has information about force majeure, as well as other circumstances that caused the borrower (co-borrower) significant material damage or do not allow it to continue its activities, including information about the withdrawal/suspension of a license for activities, as well as information about the absence of employment or commercial activities of the borrower (co-borrower);
- high probability of bankruptcy or another kind of financial reorganisation, as well as involvement in the proceedings of the borrower (co-borrower), which can worsen its financial condition;
- death of the borrower (co-borrower).

When calculating the probability of default on loans, estimated on a collective basis, default (stage 3 of impairment) is defined as following:

- recognition default of loan and borrower by the authorised body of the Bank;
- the existence of restructuring on one of the borrower's bank loans;
- the existence of restructuring, which is monitored from the time of issuance of a bank loan. Based on the monitoring conducted in the absence of a deterioration in expected future cash flows resulting in impairment losses of an asset;
- In some cases restructuring of a certain loan may not be determined as an impairment indicator;
- the existence of overdue payment(s) for the principal debt and/or remuneration for more than 90 days;
- write-off of part and/or the entire amount of debt of the borrower, which was caused by a significant increase in credit risk since the loan was used.

In some cases, it is not possible to identify a single individual event — the cause of the credit impairment of a financial asset may be the cumulative effect of several events.

As at December 31, 2024 and 2023, the carrying value of allowances for credit losses on loans to customers was 727,851 thousand soms and 799,013 thousand soms, respectively (Note 11).

Investments at amortised cost

Investments at amortised cost, net of allowance for expected credit losses are debt securities with determinable or fixed payments, provided that the Bank intends and is able to hold these securities until maturity. Such securities are carried at amortised cost based on the effective interest rate less allowance for impairment. Amortised discounts are recognised in interest income over the period to maturity using the effective interest method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Non-current assets held for sale

Foreclosed property is classified as other assets if their carrying value is highly likely to be recovered through the sale of such assets (or a group of assets), rather than through their further use. Foreclosed property is measured initially at fair value, including transaction costs. Subsequent to initial recognition, Foreclosed property is measured at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the Foreclosed property is expected to be realised. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Other property under an out-of-court procedure for foreclosure of mortgaged property should be recognized on the balance sheet at the fair value of the property (except for the acceptance of real estate on the balance sheet as a result of failed public auctions), minus the estimated costs of selling real estate on the date of acceptance into the category of "Other property" in accordance with the Resolution of the NBKR Board.

Property, equipment and intangible assets

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation and at each reporting date, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Revaluations to the extent of the amount of the previous decrease are recognised in the statement of profit or loss. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The revaluation surplus included in other comprehensive income in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by the Bank. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss. If an entity makes such a transfer, the amount transferred is net of any related deferred tax. Similar considerations apply to transfers made on disposal of an item of property, plant or equipment.

Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

	Useful life
Buildings	20-50 years
Furniture and equipment	5-10 years
Transport	5 years
Computers	5 years
Intangible assets	15 years

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable

amount, assets are written down to their recoverable amount, an impairment is recognised in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited directly to profit or loss and other comprehensive income, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also recognised in other comprehensive income or equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the statement of financial position if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Kyrgyz Republic, where the Bank operates, also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Due to banks, customer accounts and borrowings

Due to banks, customer accounts and borrowings are initially recognised at fair value. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings, using the effective interest method as interest expense.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognised at fair value. Subsequently they are measured at the higher of (a) the amount recognised as a provision in accordance with IFRS 9 "Financial Instruments"; and (b) the amount initially recognised less, where appropriate, cumulative amortisation of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

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.

Expected credit losses on contingent liabilities in the form of untapped balances on credit lines (renewable, non-renewable) are determined by applying the pool reservation rate for which the tranche of this credit line was previously issued for the remaining part of this credit line for the last 12 months.

Share capital

Share capital is recognised at cost less unpaid share capital and purchased own shares.

Property revaluation reserve

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings.

General banking reserve

The general banking reserve is used from time to time to transfer certain portion of profits from retained earnings for general banking risks. There is a policy of regular transfer by the Parent. As the general banking reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

Retirement obligations

In accordance with the legal requirements of the Kyrgyz Republic, the Bank withholds pension contributions from employee salaries and transfers them into the state pension fund. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement all retirement benefit payments are made by the abovementioned pension fund. The Bank does not have any pension arrangements separate from the state pension system of the Kyrgyz Republic. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognised on an accrual basis using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement.

The interest income / interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest earned on assets at fair value is classified within interest income.

Recognition of commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in the statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in the statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognised as revenue as the services are provided. Loan syndication fees are recognised in the statement of profit or loss when the syndication has been completed. All other commissions are recognised when services are provided.

Foreign currency exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Kyrgyz Som at the appropriate spot rates of exchange prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these transactions are included in net gain on foreign exchange operations.

Exchange rates

The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

	December 31, 2024	December 31, 2023
US Dollar / Kyrgyz som	87.0000	89.0853
Euro / Kyrgyz som	90.5844	98.5328
Russian ruble / Kyrgyz som	0.8292	0.9935
Kazakhstani tenge / Kyrgyz som	0.166	0.1960

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Bank does not offset the transferred asset and the associated liability.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Classification and evaluation

- 1) contractual cash flows for financial assets of the Bank (SPPI) represent the payment of principal and interest only, and may include reasonable additional compensation for changes in financing terms/early repayment;
- 2) according to the chosen business model in relation to the financial assets of the Bank, the goal is to retain the asset in order to obtain contractual cash flows;
- 3) taking into account the contractual flows and the Business Model, financial assets of the Bank are classified for subsequent evaluation as appraised at amortised cost.

Calculation of provisions on a collective and individual basis

Individual valuation of financial assets that are individually significant. This principle applies to the following loans:

- corporate business loans;
- loans to small and medium businesses (hereinafter, SMEs) and retail businesses, for which the amount of the book value before deducting the impairment provisions formed for them (cumulatively per borrower, regardless of the lending program) is greater than or equal to the materially significant threshold amount approved by decision of the Management of the Bank (debt is collectively reduced to one borrower).

These assets are assessed on an individual basis in accordance with the requirements of IFRS 9. At the same time, if the Bank, when analysing the impairment, determines that there are no signs of an increase in the credit risk of the loan, the impairment of this asset is assessed on a collective basis.

A collective assessment of a Bank of financial assets with similar credit risk characteristics. This principle applies to the following loans:

- loans to SME and retail businesses for which the amount of the book value before deducting the impairment provisions made on them (cumulatively per borrower, regardless of the lending program) is less than the materially significant threshold amount approved by the decision of the Bank's Management;
- receivables related to loans (with the exception of loans related to individual valuation);
- receivables related to other property of the Bank, sold by installments.

These assets are combined into portfolios with similar credit risk characteristics and collectively assessed for impairment.

Property and equipment carried at revalued amounts

Buildings and constructions are carried at revalued amounts. The last revaluation was conducted in 2024, with the revaluation amount equal to 394,896 thousand soms. When determining the fair value of fixed assets, the Independent Appraiser used the comparative approach, applying market information to determine the fair value of buildings and structures. As of December 31, 2024 and 2023 the carrying amount of revalued assets was 802,947 thousand soms and 413,279 thousand soms, respectively.

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

The Bank has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Bank's financial statement for the year ended December 31, 2024:

- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" which will introduce targeted disclosure requirements that will enhance transparency of supplier finance arrangements and their effects on Bank's liabilities and cash flows;
- Amendments to IAS 1 "Presentation of Financial Statements" require to classify liabilities as current or noncurrent based on Bank's rights to defer settlement for at least 12 months which must exist and have a substance as at the reporting date. Only covenants with which a company must comply on or before the reporting date may affect this right;
- Amendments to IFRS 16 "Leases" which introduce a new model for accounting of variable payments and will require seller-lessees to reassess and possibly restate sale-leaseback transactions.

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

A number of new Standards and Interpretations has been issued and not yet adopted as at December 31, 2024 and had not been applied in preparation of these financial statements. Following Standards and Interpretations are relevant to operations of the Bank. The Bank intends to adopt these Standards and Interpretations from their effective dates. The Bank has not analyzed potential effect of adoption of these standards on its financial statements.

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

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates", which will require entities to apply a consistent approach in assessing whether one currency can be exchanged into another currency, and, when it cannot, regulate the determination of exchange rates and include requirements for required disclosures in financial statements.
- Introduction of IFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements for the presentation and disclosure of information in general purpose financial statements and will replace IAS 1 "Presentation of Financial Statements".
- Introduction of IFRS 19 "Subsidiaries without Public Accountability: Disclosures". According to this standard, subsidiaries that meet certain criteria may apply reduced disclosure requirements in their financial statements.
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures", which clarify the requirements for classification and measurement of financial instruments. The main amendments include:
 - Clarification of the classification of financial assets linked to environmental, social (ESG) and similar indicators: features of loans related to ESG may affect whether loans are measured at amortized cost or fair value. The amendments clarify how the contractual cash flows of such loans should be measured.
 - Settlement of obligations using electronic payment systems. The amendments clarify the date of derecognition of a financial asset or financial liability.
- Introduction of IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" which provide a framework for reports on all sustainability-related topics across the areas of governance, strategy and risk management. These standards are also designed to disclose information that is expected to affect the assessments that investors make about Bank's future cash flows.

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

4. NET INTEREST INCOME

Interest income and expenses of the Bank for the years ended December 31, 2024 and 2023 are as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Interest income include:		
Interest income from financial assets measured at amortised cost:		
Interest income from loans to customers	1,292,450	1,243,757
Interest income from securities	154,733	175,659
Interest income from deposits in financial institutions	251,942	91,212
Interest income on receivables under reverse repurchase agreements	5,628	9,632
Total interest income on financial assets measured at amortised cost	1,704,753	1,520,260
Interest expenses include:		
Interest expenses on financial liabilities measured at amortised cost:		
Interest expenses on customer accounts	508,074	436,668
Interest expenses on deposits of financial institutions	166,545	136,560
Interest expenses on borrowings	67,350	51,178
Interest expenses on lease liabilities	1,176	1,483
Other	4,375	986
Total interest expenses on financial liabilities measured at amortised cost	747,520	626,875
Net interest income before accrual of allowance for expected credit losses on interest bearing assets	957,233	893,385

5. COMMISSION INCOME AND EXPENSES

Commission income and expenses of the Bank for the years ended December 31, 2024 and 2023 are as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Commission income		
Credit and debit cards operations	253,710	260,211
Customers' accounts maintenance and transfers	115,972	81,005
Currency encashment	54,388	52,173
Safe custody fees	2,719	2,618
Guarantees issued fees	1,311	1,663
Other	12,652	16,119
	440,752	413,789

	For the year ended December 31, 2024	For the year ended December 31, 2023
Commission expenses		
Credit and debit cards operations	421,327	337,942
Foreign exchange encashment	34,901	29,032
Correspondent bank services	16,551	16,058
Money transfers	1,918	2,489
Other	88	247
	<u>474,785</u>	<u>385,768</u>

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations of the Bank for the years ended December 31, 2024 and 2023 comprises:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Dealing, net	337,735	355,246
Foreign exchange differences, net	<u>(6,211)</u>	<u>18,271</u>
	<u>331,524</u>	<u>373,517</u>

7. OPERATING EXPENSES

Operating expenses of the Bank for the years ended December 31, 2024 and 2023 comprise:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Salary expenses	633,506	462,733
Depreciation and amortization expenses	197,024	164,849
Social fund expenses	104,179	77,615
Legal and other professional services	70,058	57,915
Taxes, other than income tax	50,823	54,176
Cash collection expenses	27,564	23,326
Insurance	25,471	24,679
Security	21,114	20,229
Communication	20,415	17,822
Repair and maintenance	18,366	14,242
Advertising and marketing	13,408	6,020
Rent	8,590	8,480
Utility expenses	6,121	4,300
Stationery expenses	4,827	3,755
Business trip expenses	2,395	3,530
Other	<u>37,841</u>	<u>73,832</u>
	<u>1,241,702</u>	<u>1,017,503</u>

8. INCOME TAX

The Bank provides calculations for income taxes based on the statutory tax accounts maintained and prepared in accordance with the Kyrgyz Republic statutory tax regulations which may differ from IFRS. During the years ended December 31, 2024 and 2023, the corporate income tax rate was 10%.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2024 and 2023 relate mostly to different methods of income and expense recognition for the purposes of the consolidated financial statements.

According to the Tax Code of Kyrgyz Republic for the computation of taxable profit, the Bank is entitled to deduct impairment reserves from the aggregated annual income, accrued in accordance with NBKR "Regulation on classification of assets and accruals of provision for covering potential losses" #9504 registered in Ministry of Justice of the Kyrgyz Republic dated 23 August 2004. Amount of loan loss provisions in financial statements is formed in accordance with the requirements of IFRS.

Income tax expense for the years ended as at December 31, 2024 and 2023 comprise:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Current income tax expenses	22,584	45,030
Use of interest expenses accrued and not deducted in 2024.	-	(18,027)
Changes in deferred income tax	(3,823)	17,743
Income tax expense	18,761	44,746

Reconciliation of tax and accounting profits for the years ended December 31, 2024 and 2023 is as follows:

	For the year ended December 31, 2024	Effective tax rate	For the year ended December 31, 2023	Effective tax rate
Profit before taxes	119,254		418,402	
Tax at statutory rate (10%)	11,809	10%	41,840	10%
Tax effect on permanent differences	6,953	6%	2,906	1%
Income tax expense	18,761	16%	44,746	11%

Tax effect from temporary differences as at December 31, 2024 and 2023 is presented below:

	December 31, 2024	December 31, 2023
Deferred income tax assets:		
Unused vacation and unpaid bonus provision	61,419	60,586
Net payables under finance lease	16,929	11,073
Investments held-to-maturity	7,277	3,890
Provision for contingent liabilities	2,394	-
Allowance for expected credit losses for cash and cash equivalents	403	259
Other assets	-	325
Other liabilities	-	16,165
	<u>88,422</u>	<u>92,298</u>
Total deferred income tax asset		
	<u>88,422</u>	<u>92,298</u>
Deferred income tax liabilities:		
Depreciation and amortization of property, plant, equipment and intangible assets	792,413	438,396
Loans to customers	391,474	404,814
Non-current assets held for sale	32,574	51,826
Allowance for expected credit losses for other financial assets	3,196	4,275
Allowance for expected credit losses for due from banks	1,544	471
Provision for contingent liabilities	-	23,336
	<u>1,221,201</u>	<u>923,118</u>
Total deferred income tax liabilities		
	<u>1,221,201</u>	<u>923,118</u>
Net deferred income tax liabilities	<u>(1,132,779)</u>	<u>(830,820)</u>
Net deferred income tax liabilities at statutory tax rate (10%)	<u>(113,277)</u>	<u>(83,082)</u>

Temporary differences between tax accounting and current financial statement lead to deferred tax liabilities as at December 31, 2024 and 2023 as a result of the following:

	December 31, 2023	Recognized in the statement of profit and loss	Recognized in capital	December 31, 2024
Temporary differences				
Unused vacation and unpaid bonus provision	6,059	83	-	6,142
Net payables under finance lease	1,107	34,604	(34,018)	1,693
Investments held-to-maturity	389	339	-	728
Provision for contingent liabilities	(2,334)	2,573	-	239
Allowance for expected credit losses for cash and cash equivalents	26	14	-	40
Other assets	33	(33)	-	-
Other liabilities	1,617	(1,617)	-	-
Depreciation and amortization of property, plant, equipment and intangible assets	(43,840)	(35,401)	-	(79,241)
Loans to customers	(40,481)	1,334	-	(39,147)
Non-current assets held for sale	(5,183)	1,926	-	(3,257)
Allowance for expected credit losses for other financial assets	(428)	108	-	(320)
Allowance for expected credit losses for due from banks	(47)	(107)	-	(154)
	<u>(83,082)</u>	<u>3,823</u>	<u>(34,018)</u>	<u>(113,277)</u>

	December 31, 2022	Recognized in the statement of profit and loss	Recognized in capital	December 31, 2023
Temporary differences				
Unused vacation and unpaid bonus provision	8,317	(2,258)	-	6,059
Other liabilities	1,617	-	-	1,617
Net payables under finance lease	-	1,107	-	1,107
Investments held-to-maturity	2	387	-	389
Provision for contingent liabilities	(1,488)	(846)	-	(2,334)
Allowance for expected credit losses for cash and cash equivalents	-	26	-	26
Other assets	348	(315)	-	33
Depreciation and amortization of property, plant, equipment and intangible assets	(47,000)	3,160	-	(43,840)
Interest expenses	18,027	(18,027)	-	-
Loans to customers	(39,479)	(1,002)	-	(40,481)
Non-current assets held for sale	(6,135)	952	-	(5,183)
Allowance for expected credit losses for other financial assets	481	(909)	-	(428)
Allowance for expected credit losses for due from banks	(29)	(18)	-	(47)
	<u>(65,339)</u>	<u>(17,743)</u>	<u>-</u>	<u>(83,082)</u>

9. CASH AND CASH EQUIVALENTS

As at December 31, 2024 and 2023 cash and cash equivalents of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Cash on hand	2,106,845	1,901,364
Current account in the National Bank of the Kyrgyz Republic	1,316,230	1,364,935
Deposit in the National Bank of the Kyrgyz Republic	622,477	743,933
Accounts receivable under reverse repurchase agreements	<u>168,546</u>	<u>-</u>
Less: allowance for expected credit losses	<u>(403)</u>	<u>(259)</u>
	<u>4,213,695</u>	<u>4,009,973</u>

As at December 31, 2024 and 2023, correspondent accounts with the NBKR include 1,316,230 thousand soms and 1,364,935 thousand soms, respectively, comprising obligatory reserves in NBKR. The Bank's ability to withdraw from such accounts are not restricted by the Kyrgyz legislation.

At December 31, 2024 and 2023, cash and cash equivalents are classified as stage 1.

In accordance with National Bank reserve requirements, the amount of cash on corresponding accounts on a daily basis should be at least 70% of the required reserves of the Bank.

Cash and cash equivalents of the Bank presented in the Statement of cash flows include following components:

	December 31, 2024	December 31, 2023
Cash on hand and account with the National bank of Kyrgyz Republic	4,045,552	4,010,232
Accounts receivable under reverse repurchase agreements	168,546	-
Correspondent accounts in other banks (Note 10)	157,627	2,269,213
Notes of the National Bank of the Kyrgyz Republic (Note 12)	-	499,440
	<u>4,371,725</u>	<u>6,778,885</u>

The following table represents the movement in allowance for expected credit losses:

	Allowance for expected credit losses
as at December 31, 2022	<u>1</u>
Accrual of allowance	<u>258</u>
as at December 31, 2023	<u>259</u>
Accrual of allowance	<u>144</u>
as at December 31, 2024	<u>403</u>

10. DUE FROM BANKS

As at December 31, 2024 and 2023 due from banks at amortized cost of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Deposits collateralized in banks and other financial institutions	2,983,834	59,010
Corresponding accounts with other banks	<u>157,627</u>	<u>2,269,213</u>
Less: allowance for expected credit losses	<u>(107)</u>	<u>(9)</u>
	<u>3,141,354</u>	<u>2,328,214</u>

As at December 31, 2024, the Bank had amounts due from Landesbank Baden-Wuerttemberg of 2,398,805 thousand soms, Halyk Bank Kazakhstan JSC of 731,986 thousand soms, which individually exceeded 10% of the Bank's equity (2023: the Bank had amounts due from Halyk Bank Kazakhstan JSC of 372,890 thousand soms, Landesbank Baden-Wuerttemberg of 458,988 thousand soms and Kookmin Bank KB of 1,494,892 thousand soms, which individually exceeded 10% of the Bank's equity).

As at December 31, 2024 and 2023 due from other banks are reclassified to stage 1.

The following table represents the movement in allowance for expected credit losses:

	Allowance for expected credit losses
as at December 31, 2022	23
Recovery of allowance	(14)
as at December 31, 2023	9
Accrual of allowance	98
as at December 31, 2024	107

11. LOANS TO CUSTOMERS

As at December 31, 2024 and 2023 loans to customers of the Bank valued at amortized cost consisted of the following:

	December 31, 2024	December 31, 2023
Loans to customers	12,108,516	9,490,538
Interest accrued	208,157	197,911
	<u>12,316,673</u>	<u>9,688,449</u>
Less: allowance for expected credit losses	<u>(727,851)</u>	<u>(799,013)</u>
	<u>11,588,822</u>	<u>8,889,436</u>

The Bank uses the following classification of loans by classes:
Loans to legal entities:

- Corporate loans;
- Small and medium-sized enterprises.

Loans to individuals:

- Mortgage loans;
- Consumer loans.

The table below summarises the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	December 31, 2024	December 31, 2023
Analysis by collateral		
Real estate	5,725,677	4,536,829
Guarantee and/or suretyship	2,750,713	3,683,712
Unsecured loans	1,186,308	480,083
Consumer loans under the payroll project	771,354	501,171
Inventory	610,693	70,466
Equipment	501,836	19,958
Transport	456,539	273,904
Combined collateral	<u>313,553</u>	<u>122,326</u>
	<u>11,588,822</u>	<u>9,688,449</u>
Less: allowance for expected credit losses	<u>(727,851)</u>	<u>(799,013)</u>
	<u>11,588,822</u>	<u>8,889,436</u>

Current amount of loans to customers in terms of economic sectors is as follows:

	December 31, 2024	December 31, 2023
Analysis by sector		
Trade	2,101,635	2,474,646
Mortgage	2,792,940	1,679,379
Consumer	1,827,889	1,193,423
Production	974,613	683,306
Construction	684,837	606,504
Service	343,570	479,054
Agriculture	337,337	361,901
Transport	184,818	139,994
Harvesting and processing	18,053	42,940
Other	3,050,981	2,027,302
	<u>11,588,822</u>	<u>8,889,436</u>
Less: allowance for expected credit losses	(727,851)	(799,013)
	<u>11,588,822</u>	<u>8,889,436</u>

As at December 31, 2024 loans to customers included restructured loans in the amount of 1,781,370 thousand soms (December 31, 2023: 2,385,271 thousand soms), which otherwise would be past due or impaired.

Collaterals

As at December 31, 2024, loans to customers with a net carrying amount of 424,040 thousand soms were pledged as collateral for loans received by the Bank from the Russian-Kyrgyz Development Fund (the "RKDF").

During the year ended December 31, 2024, the Bank seized and accepted three collaterals amounting to 11,712 thousand soms.

As at December 31, 2024 and 2023 the loan portfolio of 11,588,822 thousand soms and 8,889,436 thousand soms (including accrued interest and allowance), respectively, were issued to clients operating on the territory of the Kyrgyz Republic which represent significant geographical concentration and the maximum size of credit risk.

Table below presents the movement in the expected credit losses on loans to customers:

	For the year ended December 31, 2024	For the year ended December 31, 2023
as at January 1, 2024	<u>799,013</u>	<u>885,262</u>
Recovery of allowance	(59,866)	(108,275)
Foreign exchange differences	<u>(11,296)</u>	<u>22,026</u>
as at December 31, 2024	<u>727,851</u>	<u>799,013</u>

The table below provides analysis of changes in allowance for expected credit losses for the year ended December 31, 2024:

	12-month ECL	ECL during the whole period - unimpaired loans	ECL during the whole period - impaired loans	Total
Loans to corporate clients				
January 1, 2024	1,403,142	53,938	747,407	2,204,487
Transfer to stage 1	26,243	(26,243)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Issued / (repaid)	271,837	(27,695)	(180,914)	63,228
Total loans to corporate clients	1,701,222	-	566,493	2,267,715
Loans to small and medium enterprises				
January 1, 2024	3,822,380	109,087	679,387	4,610,854
Transfer to stage 1	19,735	(2,381)	(17,354)	-
Transfer to stage 2	(13,648)	13,648	-	-
Transfer to stage 3	(211,760)	(1,064)	212,824	-
Issued / (repaid)	1,008,851	(51,777)	(136,799)	820,275
Total loans to small and medium enterprises	4,625,558	67,513	738,058	5,431,129
Loans to individuals				
January 1, 2024	2,676,019	34,730	162,359	2,873,108
Transfer to stage 1	21,422	(12,577)	(8,845)	-
Transfer to stage 2	(23,402)	23,402	-	-
Transfer to stage 3	(42,074)	(4,905)	46,979	-
Issued / (repaid)	1,797,379	(3,081)	(49,577)	1,744,721
Total loans to individuals	4,429,344	37,569	150,916	4,617,829
Total loans to customers	10,756,124	105,082	1,455,467	12,316,673

The table below provides information on the quality of loans to customers for the year ended December 31, 2024:

	12-month ECL	ECL during the whole period - unimpaired loans	ECL during the whole period - impaired loans	Total
Loans to corporate clients				
January 1, 2024	(75,592)	(37)	(213,938)	(289,567)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Issued / (repaid)	(4,194)	37	144,239	140,082
Total loans to corporate clients	(79,786)	-	(69,699)	(149,485)
Loans to small and medium enterprises				
January 1, 2024	(96,964)	(8,311)	(269,895)	(375,170)
Transfer to stage 1	(4)	-	4	-
Transfer to stage 2	1,113	(1,113)	-	-
Transfer to stage 3	51,704	1,040	(52,744)	-
Issued / (repaid)	(99,953)	(19,724)	92,535	(27,142)
Total loans to small and medium enterprises	(144,104)	(28,108)	(230,100)	(402,312)
Loans to individuals				
January 1, 2024	(48,677)	(10,964)	(74,635)	(134,276)
Transfer to stage 1	(200)	102	98	-
Transfer to stage 2	5,268	(5,268)	-	-
Transfer to stage 3	24,821	3,229	(28,050)	-
Issued / (repaid)	(65,416)	2,693	20,945	(41,778)
Total loans to individuals	(84,204)	(10,208)	(81,642)	(176,054)
Total loans to customers	(308,094)	(38,316)	(381,441)	(727,851)

The table below provides analysis of changes in allowance for expected credit losses for the year ended December 31, 2023:

	12-month ECL	ECL during the whole period - unimpaired loans	ECL during the whole period - impaired loans	Total
Loans to corporate clients				
January 1, 2023	1,490,611	-	956,353	2,446,964
Transfer to stage 1	119,990	-	(119,990)	-
Transfer to stage 2	(13,497)	148,462	(134,965)	-
Transfer to stage 3	(223,676)	(81,027)	304,703	-
Recovery / (accrual)	29,714	(13,497)	(258,694)	(242,477)
Total loans to corporate clients	1,403,142	53,938	747,407	2,204,487
Loans to small and medium enterprises				
January 1, 2023	4,255,226	39,063	1,239,466	5,533,755
Transfer to stage 1	187,939	(50,272)	(137,667)	-
Transfer to stage 2	(185,538)	185,538	-	-
Transfer to stage 3	(146,260)	(29,672)	175,932	-
Recovery / (accrual)	(288,987)	(35,570)	(598,344)	(922,901)
Total loans to small and medium enterprises	3,822,380	109,087	679,387	4,610,854
Loans to individuals				
January 1, 2023	2,423,938	11,012	176,021	2,610,971
Transfer to stage 1	23,280	(10,759)	(12,521)	-
Transfer to stage 2	(65,113)	73,785	(8,672)	-
Transfer to stage 3	(35,308)	(28,914)	64,222	-
Recovery / (accrual)	329,222	(10,394)	(56,691)	262,137
Total loans to individuals	2,676,019	34,730	162,359	2,873,108
Total loans to customers	7,901,541	197,755	1,589,153	9,688,449

The table below provides information on the quality of loans to customers for the year ended December 31, 2023:

	12-month ECL	ECL during the whole period - unimpaired loans	ECL during the whole period - impaired loans	Total
Loans to corporate clients				
January 1, 2023	(64,860)	-	(225,676)	(290,536)
Transfer to stage 1	(2,226)	-	2,226	-
Transfer to stage 2	38	(37,787)	37,749	-
Transfer to stage 3	81,064	37,750	(118,814)	-
Recovery / (accrual)	(89,608)	-	90,577	969
Total loans to corporate clients	(75,592)	(37)	(213,938)	(289,567)
Loans to small and medium enterprises				
January 1, 2023	(117,602)	(14,196)	(311,196)	(442,994)
Transfer to stage 1	(31,271)	2,317	28,954	-
Transfer to stage 2	16,116	(16,116)	-	-
Transfer to stage 3	48,155	8,232	(56,387)	-
Recovery / (accrual)	(12,362)	11,452	68,734	67,824
Total loans to small and medium enterprises	(96,964)	(8,311)	(269,895)	(375,170)
Loans to individuals				
January 1, 2023	(74,734)	(2,720)	(74,278)	(151,732)
Transfer to stage 1	(13,892)	9,613	4,279	-
Transfer to stage 2	16,767	(19,151)	2,384	-
Transfer to stage 3	19,975	11,972	(31,947)	-
Recovery / (accrual)	3,207	(10,678)	24,927	17,456
Total loans to individuals	(48,677)	(10,964)	(74,635)	(134,276)
Total loans to customers	(221,233)	(19,312)	(558,468)	(799,013)

12. INVESTMENT SECURITIES

As at December 31, 2024 and 2023 investments in securities of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
State treasury bills of the Kyrgyz Republic	981,702	620,755
Notes of the National Bank of the Kyrgyz Republic	-	499,440
Accrued interest	41,607	12,417
Less: allowance for expected credit losses	(7,277)	(3,890)
	<u>1,016,032</u>	<u>1,128,722</u>

The following table represents the movement in allowance for expected credit losses:

	Allowance for expected credit losses
as at December 31, 2022	<u>23</u>
Accrual	<u>3,867</u>
as at December 31, 2023	<u>3,890</u>
Accrual	<u>3,387</u>
as at December 31, 2024	<u>7,277</u>

13. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

As at December 31, 2024 and 2023 property, equipment and intangible assets of the Bank consisted of the following:

At cost	Equipment under installation	Buildings	Furniture and equipment	Computers	Transport	Right of use of leased property	Land	Intangible assets	Capital expenditures for leasehold improve- ments	Total
December 31, 2022	24,517	331,740	216,003	196,352	6,059	22,358	93,456	561,394	2,730	1,454,609
Additions	62,332	-	4,222	-	-	7,234	-	42,573	-	116,361
Internal movement	(65,081)	-	27,350	37,731	-	-	-	-	-	-
Disposal	-	-	(4,059)	(5,515)	-	(11,526)	-	(284)	-	(21,384)
December 31, 2023	21,768	331,740	243,516	228,568	6,059	18,066	93,456	603,683	2,730	1,549,586
Additions	76,782	5,876	50,852	22,422	2,239	14,181	-	125,759	8,714	306,825
Internal movement	(58,326)	-	41,430	16,896	-	-	-	-	-	-
Revaluation	-	340,179	-	-	-	-	54,717	-	-	394,896
Disposal	-	(21,231)	(6,536)	(7,036)	-	(2,559)	-	-	(501)	(37,863)
December 31, 2024	40,224	656,564	329,262	260,850	8,298	29,688	148,173	729,442	10,943	2,213,444

	Equipment under installation	Buildings	Furniture and equipment	Computers	Transport	Right of use of leased property	Land	Intangible assets	Capital expendi- tures for leasehold improve- ments	Total
Accumulated depreciation										
December 31, 2022	-	1,678	109,240	101,636	6,059	5,303	-	143,160	101	367,177
Charge for the year	-	10,239	32,257	33,976	-	6,772	-	80,377	1,228	164,849
Disposal	-	-	(4,059)	(5,515)	-	(4,513)	-	(284)	-	(14,371)
December 31, 2023	-	11,917	137,438	130,097	6,059	7,562	-	223,253	1,329	517,655
Charge for the year	-	11,104	43,444	42,015	37	8,262	-	90,135	2,027	197,024
Disposal	-	(21,231)	(6,536)	(7,036)	-	(2,503)	-	-	(501)	(37,807)
December 31, 2024	-	1,790	174,346	165,076	6,096	13,321	-	313,388	2,855	676,872
Net book value										
As at December 31, 2023	21,768	319,823	106,078	98,471	-	10,504	93,456	380,430	1,401	1,031,931
As at December 31, 2024	40,224	654,774	154,916	95,774	2,202	16,367	148,173	416,054	8,088	1,536,572

As at December 31, 2024 and 2023 there were no property, equipment and intangible assets that were pledged as collateral for liabilities. As at December 31, 2024 and 2023 fully depreciated property, equipment and intangible assets in use equaled to 50,408 thousand soms and 54,659 thousand soms, respectively.

Buildings and land of the Bank are carried at a revalued amount, being the fair value at the time of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

During 2024, the Bank performed revaluation, the amount of revaluation is 394,896 thousand soms. Valuation was performed by independent appraiser "Al-Star" Property Valuation and Expertise Center LLC. The Independent appraiser used the comparative approach using market information to determine the fair value of buildings and structures.

14. NON-CURRENT ASSETS HELD FOR SALE

As at December 31, 2024 and 2023 assets held for sale of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Non-residential property	31,287	32,409
Houses	11,019	32,443
Apartments	-	17,177
	<u>42,306</u>	<u>82,029</u>

15. OTHER ASSETS

As at December 31, 2024 and 2023 other assets of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Other financial assets		
Accounts receivable for electronic money	430,000	-
Settlements with suppliers on processing SPOT transactions	380,472	242,533
Commissions receivable for encashment	60,900	-
Accounts receivable on Zolotaya Korona	23,487	50,598
Accounts receivable on Astrasend	14,425	16,232
Accounts receivable on Western Union	5,642	-
Accounts receivable on Money Gram	1,168	661
Accounts receivable on Bereke	766	1,138
Accounts receivable on Contact	744	310
Accounts receivable on Contact	32	307
Other	3,525	2,010
	<u>3,525</u>	<u>2,010</u>
Less: allowance for expected credit losses	(1,067)	(324)
Total other financial assets	<u>920,094</u>	<u>313,465</u>
Other non-financial assets		
Prepayments	349,898	259,070
Inventories	32,957	16,791
Taxes paid in advance	-	1,616
Advances to employees	6,030	-
	<u>388,885</u>	<u>277,477</u>
Total other non- financial assets	<u>388,885</u>	<u>277,477</u>
Total other assets	<u>1,308,979</u>	<u>590,942</u>

In 2024, the Bank entered into an agreement with Green Telecom Service LLC, under which the Bank, for a fee, facilitates payment collection through the mobile application "My OI+Bank" for subsequent transactions carried out by Green Telecom Service LLC without using electronic money or electronic wallets of the payers for payments to third parties. As of December 31, 2024, the accounts receivable for electronic funds amounted to 430,000 thousand soms.

As at December 31, 2024 and 2023, other financial assets were classified at stage 1.

Table below provides the movement in allowance for other financial assets:

	Allowance for expected credit losses
as at December 31, 2022	10,870
Recovery	(10,570)
Assets written-off	(438)
Foreign exchange difference	462
as at December 31, 2023	324
Accrual	748
Foreign exchange difference	(5)
as at December 31, 2024	1,067

16. CUSTOMER ACCOUNTS

As at December 31, 2024 and 2023 customer accounts of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Demand deposits	7,673,553	6,124,142
Term deposits	6,275,797	4,047,842
Deposit from the Social Fund of the Kyrgyz Republic	600,000	-
Accrued interest	73,560	80,093
Prepayment for bank guarantees	50,294	33,036
	<u>14,673,204</u>	<u>10,285,113</u>

Information by economic sector is presented as below:

	December 31, 2024	December 31, 2023
Retail sector (individuals and private entrepreneurs)	3,818,526	4,120,297
Financial organisations	2,347,596	386,455
Transport and communications	1,956,235	1,358,026
Trade	1,887,745	1,813,008
Government organisations	1,299,533	511,497
Extractive industry and metallurgy	968,294	410,602
Construction	390,070	745,668
Healthcare	58,992	50,790
Education	51,414	70,014
Real estate	30,379	40,381
Agriculture	27,546	4,237
Energy	11,883	18,078
Other	1,824,991	756,060
	<u>14,673,204</u>	<u>10,285,113</u>

17. DUE TO BANKS

As at December 31, 2024 and 2023 due to banks and financial institutions is presented as follows:

	December 31, 2024	December 31, 2023
Deposits of Halyk Bank Kazakhstan JSC	2,082,139	2,656,498
Correspondent accounts	166,796	43,794
Term deposit QIWI	-	299
	<u>2,248,935</u>	<u>2,700,591</u>

As at December 31, 2024 and 2023, accrued interest on due to banks amounted to 81,139 thousand soms and 93,510 thousand soms, respectively.

18. BORROWINGS

As at December 31, 2024 and 2023 borrowings of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Loans from the Ministry of finance of the Kyrgyz Republic	340,811	340,811
Loans from the RKDF	<u>335,093</u>	<u>261,672</u>
Interest payable	<u>548</u>	<u>523</u>
	<u>676,452</u>	<u>603,006</u>

The table below shows changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Liabilities arising from financing activities are those liabilities whose cash flows have been or will be classified as cash flows from financing activities in the statement of cash flows.

	For the year ended December 31, 2024	For the year ended December 31, 2023
As at January 1	<u>603,006</u>	<u>671,726</u>
Received during the year	782,537	842,921
Repaid during the year	(707,241)	(920,118)
Effect of exchange differences	(1,876)	8,910
Interest and penalties expense	67,350	51,178
Interest and penalties paid	<u>(67,324)</u>	<u>(51,611)</u>
As at December 31	<u>676,452</u>	<u>603,006</u>

From 2016 to 2024, the Bank has attracted funds from the Russian-Kyrgyz Development Fund (the "RKDF") in the amount of 14,535 thousand US dollars and 2,995 thousand US dollars for 5 years with a tenor of 6 months. As at December 31, 2024 the carrying amount of the funds was equal to 335,641 thousand soms (2023: 262,195 thousand soms). Loans to business entities from borrowings were issued within the framework of the Bank's existing small, medium and corporate lending programmes with only a change in the interest rate set in accordance with the terms and conditions of the Fund.

SME lending programme through the Bank from the Fund is aimed at target financing of small and medium-sized businesses under the following conditions:

- loans are issued for the acquisition, renovation, expansion and modernisation of fixed assets in the following sectors: agribusiness, clothing and textiles, manufacturing, mining and metallurgy, transport, medical services, tourism;
- interest rate for the Bank in national currency - 8% per annum (marginal interest rate for SMEs - 12% per annum);
- interest rate for the Bank in US dollars – 3.5% per annum (marginal interest rate for SMEs - 6% per annum);
- the maximum amount of a loan granted by the Bank to one SME may not exceed the equivalent of 1,000 thousand US dollars;
- the term of the issued loans is up to 5 years.

In respect of the above loans, the Bank has undertaken to comply with special covenants. These covenants include compliance with contractual ratios and various other financial ratios. According to the letter dated November 18, 2024, the RKDF decided to change the funding rate and the established value for the indicator "Share of classified loans of total loan portfolio". As at December 31, 2024, the Bank did not breach any of these covenants.

Loans from the RKDF as at December 31, 2024 and 2023, are consisted of the following:

Creditor	Maturity date	December 31, 2024	December 31, 2023
RKDF	06.11.2029	51,417	-
RKDF	21.11.2029	49,590	-
RKDF	05.09.2029	47,415	-
RKDF	30.08.2028	44,857	51,669
RKDF	29.03.2029	21,837	-
RKDF	27.09.2029	17,226	-
RKDF	20.11.2025	15,332	31,398
RKDF	21.07.2025	11,793	24,152
RKDF	04.08.2025	9,244	18,486
RKDF	27.01.2027	9,187	13,167
RKDF	06.08.2029	6,960	-
RKDF	08.09.2025	6,767	13,858
RKDF	05.12.2026	6,668	11,112
RKDF	11.03.2026	4,940	8,417
RKDF	10.10.2029	4,350	-
RKDF	25.06.2029	4,350	-
RKDF	25.02.2026	4,002	6,668
RKDF	11.03.2025	3,867	11,878
RKDF	04.12.2025	2,927	5,854
RKDF	24.01.2029	2,666	4,444
RKDF	20.11.2025	2,525	5,051
RKDF	10.06.2026	1,966	3,332
RKDF	08.09.2025	1,353	2,772
RKDF	04.08.2025	1,160	2,376
RKDF	24.01.2025	1,032	3,097
RKDF	20.08.2025	667	1,333
RKDF	26.05.2025	556	1,667
RKDF	26.03.2026	439	745
RKDF	16.09.2024	-	6,533
RKDF	04.09.2024	-	5,503
RKDF	23.12.2024	-	4,454
RKDF	29.02.2024	-	4,256
RKDF	26.03.2024	-	2,509
RKDF	05.12.2024	-	2,079
RKDF	16.09.2024	-	1,990
RKDF	08.09.2025	-	1,980
RKDF	08.09.2025	-	1,958

Creditor	Maturity date	December 31, 2024	December 31, 2023
RKDF	26.03.2023	-	1,556
RKDF	19.01.2024	-	1,591
RKDF	16.09.2024	-	1,386
RKDF	25.10.2024	-	1,287
RKDF	26.07.2024	-	1,114
RKDF	08.09.2025	-	778
RKDF	16.09.2024	-	594
RKDF	26.03.2024	-	395
RKDF	05.03.2024	-	233
		<u>335,093</u>	<u>261,672</u>

As at December 31, 2024 the carrying amount of the loan from the Ministry of finance of the Kyrgyz Republic (the "MF KR") is 340,811 thousand soms (2023: 340,811 thousand soms).

Borrowings from the MF KR as at December 31, 2024 and 2023 are consisted of the following:

Creditor	Maturity date	December 31, 2024	December 31, 2023
MF KR	10.07.2028	50,000	50,000
MF KR	27.07.2028	50,000	50,000
MF KR	21.12.2028	37,450	37,450
MF KR	19.10.2028	30,000	30,000
MF KR	19.11.2028	30,000	30,000
MF KR	06.06.2028	25,000	25,000
MF KR	01.07.2026	15,000	15,000
MF KR	03.08.2026	15,000	15,000
MF KR	24.05.2028	15,000	15,000
MF KR	20.06.2028	14,800	14,800
MF KR	08.02.2026	13,701	13,701
MF KR	11.05.2028	10,000	10,000
MF KR	30.04.2026	10,000	10,000
MF KR	11.10.2026	7,000	7,000
MF KR	25.06.2028	5,500	5,500
MF KR	17.04.2029	5,380	5,380
MF KR	17.04.2029	4,500	4,500
MF KR	07.10.2025	1,350	1,350
MF KR	22.06.2028	1,130	1,130
		<u>340,811</u>	<u>340,811</u>

19. OTHER LIABILITIES

As at December 31, 2024 and 2023 other liabilities of the Bank consisted of the following:

	December 31, 2024	December 31, 2023
Other financial liabilities		
Accounts payable for electronic money	355,730	-
Plastic card settlements	165,037	247,807
Accounts payable	50,769	81,124
Provision for contingent liabilities	15,618	26,746
Unused vacation provision	54,853	34,188
Unpaid bonus provision	6,566	26,398
Net payables under finance lease	16,929	11,073
Accounts payable for money transfer systems	1,193	8,549
Individuals deposits insurance	7,209	6,254
Other	720	333
Total other financial liabilities	674,624	442,472
Other non-financial liabilities		
Outstanding receipts	22,654	22,181
Taxes payable	46,772	19,467
Deferred income	43,385	9,645
Accrued corporate income tax	12,741	8,156
Subsidies receivable	195	461
Deferred income	26,591	39,514
Total other non-financial liabilities	152,338	99,424
	826,962	541,896

As at 31 December 2024, liabilities through "My O!+Bank" mobile application in favor of third parties amounted to 355,730 thousand soms (Note 15).

Table below provides the movement in unused vacation provision:

	Unused vacation provision
at December 31, 2022	31,236
Accrual	2,952
at December 31, 2023	34,188
Accrual	20,665
at December 31, 2024	54,853

Table below provides the movement in provision for bonus:

	Unpaid bonus provision
at December 31, 2022	<u>51,933</u>
Recovery	<u>(25,535)</u>
at December 31, 2023	<u>26,398</u>
Recovery	<u>(19,832)</u>
at December 31, 2024	<u>6,566</u>

Table below provides the movement in provision for contingent liabilities:

	Provision for contingent liabilities
at December 31, 2022	<u>12,815</u>
Accrual	13,079
Foreign exchange differences	<u>852</u>
at December 31, 2023	<u>26,746</u>
Recovery	(10,695)
Foreign exchange differences	<u>(433)</u>
at December 31, 2024	<u>15,618</u>

20. SHARE CAPITAL

As at December 31, 2024 and 2023 the amount of registered and paid share capital equaled to 1,200,008 thousand soms. Share capital of the Bank consists of 2,400,016 ordinary shares with a par value of 500 soms each. As at December 31, 2024 99.998% of shares of the Bank was owned by MCC Akcha Bulak LLC and 0.002% of shares of the Bank was owned by Korneeva E.V. As at December 31, 2023 100% of shares of the Bank were owned by Halyk Bank Kazakhstan JSC.

All ordinary shares are of the same class and each has one vote.

The general banking reserve represents the total banking risk reserve. As at December 31, 2024 and 2023 general banking risk reserve was created in the amount of 1,782 thousand soms and 1,429 thousand soms, respectively.

21. EARNINGS PER SHARE

Calculation of basic earnings per share is based on profit and weighted average number of ordinary shares in circulation during the year, as presented below:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Profit for the year	100,493	373,656
Weighted average number of ordinary shares	<u>2,400,016</u>	<u>2,400,016</u>
Basic earnings per share, in soms	42	156

22. CONTINGENT LIABILITIES

Capital expenditure commitments

As at December 31, 2024 and 2023, the Bank had no capital commitments.

Credit related commitments, guarantees and other financial contracts

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk adjustment amount is defined by applying credit conversion factor and counterparty risk weightings according to the principles employed by NBKR.

As at December 31, 2024 and 2023 the Bank had no capital expenditure commitments.

	December 31, 2024	December 31, 2023
Off-balance sheet liabilities		
Credit lines	684,860	1,171,984
Guarantees	126,639	161,364
Letters of credit	<u>65,040</u>	<u>-</u>
Less: allowance for contingent liabilities	<u>(15,618)</u>	<u>(26,746)</u>
	<u>860,921</u>	<u>1,306,602</u>

As at December 31, 2024 and 2023 the Bank had no capital expenditure commitments.

Legal proceedings

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

Taxation

Kyrgyz commercial legislation and tax legislation in particular may give rise to varying interpretations. In addition, there is a risk of tax authorities making arbitrary judgments about business activities. If a particular treatment, based on Management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences in the provision and recovery of the provision for impairment losses on loans to customers, as an underestimation of the taxable profit. The management of the Bank believes that it has accrued all probable tax amounts due.

Economic environment

The Bank's principal business activities are within the Kyrgyz Republic. Laws and regulations affecting the business environment in the Kyrgyz Republic are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

Operating environment

Emerging market of the Kyrgyz Republic is subject to more risks than developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in countries and the countries' economy in general. Laws and regulations affecting businesses in the Kyrgyz Republic continue to change rapidly.

Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal difficulties leading to the challenges faced by the Bank. The future economic direction of the Kyrgyz Republic is largely dependent on economic, fiscal and monetary measures undertaken by the Government, together with legal, regulatory developments.

Management of the Bank is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Bank's business in the foreseeable future.

Pensions and retirement plans

In accordance with the laws and regulations of the Kyrgyz Republic, employees have rights for State Pension Provisions. As at December 31, 2024 and 2023, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

These financial statements do not include any adjustments that would be necessary due to the resolution of this uncertainty in the future. Possible adjustments may be recorded in the financial statements in the period when the need for their reflection becomes evident and it becomes possible to estimate their values.

23. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. MCC Akcha Bulak LLC is the Bank's main shareholder and controls it. Related parties include key management personnel, affiliates and entities under common ownership, and entities over which the Bank has the ability to exercise a significant influence.

In the statement of financial position as at December 31, 2024 and 2023 the following amounts were represented which arose due to transactions with related parties:

	December 31, 2024			December 31, 2023		
	Weighted average rate	Related party transactions	Total category as per the financial statements caption	Weighted average rate	Related party transactions	Total category as per the financial statements caption
Loans to customers	18.9%	429,500	11,588,822	16.0%	2,771	8,889,436
Due from banks		-	4,213,695	12.0%	373,058	2,328,214
Other assets		724,728	1,308,979		115,025	590,942
Customer accounts	2.4%	(1,894,535)	(14,673,204)	2%	(12,255)	(10,285,113)
Due to banks	3.5%	(155,000)	(2,248,935)	5.0%	(2,700,209)	(2,700,591)
Other liabilities		(355,730)	(826,962)		-	(541,896)

In the statement of profit or loss and other comprehensive income for the years ended December 31, 2024 and 2023 the following amounts were represented which arose due to transactions with related parties:

For the year ended December 31, 2024			For the year ended December 31, 2023	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	43,641	1,704,753	5,839	1,520,260
Interest expenses	(33,279)	(747,520)	(136,545)	(626,875)
Commission income	166,349	440,752	162,256	413,789
Commission expenses	(44,500)	(474,785)	(7,534)	(385,768)
Operating expenses:				
Compensation to key management personnel	52,217	633,506	36,644	462,733
Contributions to Social Fund of KR	14,730	104,179	9,985	77,615

24. PRUDENTIAL REQUIREMENTS

In order to ensure capital adequacy in accordance with established quantitative measures the Bank is required to maintain minimum amounts and ratios of total capital (12%) to total assets weighted in view of risk.

The ratio was calculated in accordance with the NBKR. Actual amounts of the Bank's capital ratios as at December 31, 2024 and 2023 are as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Movement in capital		
At the beginning of the year	3,428,696	3,075,160
Effect of revaluation of property, plant and equipment	360,878	-
Net profit for the year	137,529	353,536
At the end of the year	3,927,103	3,428,696

	December 31, 2024	December 31, 2024
Composition of regulatory capital:		
Tier 1 capital:		
Bank's shareholders' equity	3,648,799	2,869,168
Less: net book value of intangible assets	416,054	380,430
	<u>3,232,745</u>	<u>2,488,738</u>
Tier 2 capital:		
Profit for the year	100,493	343,150
General reserves	236,435	190,719
	<u>336,928</u>	<u>533,869</u>
Total regulatory capital	<u>3,569,673</u>	<u>3,022,607</u>
Risk-weighted assets	<u>19,738,557</u>	<u>15,889,686</u>

Capital amounts and ratios	Actual amount	For Capital Adequacy purposes	Ratio for Capital Adequacy purposes	Minimum Required Ratio
As at December 31, 2024				
Total capital	3,603,900	3,187,846	16.2%	12.0%
Tier 1 capital	3,229,936	2,813,882	12.2%	6.0%
Tier 2 capital	373,964	373,964		
As at December 31, 2023				
Total capital	3,416,570	3,036,140	19.1%	12.0%
Tier 1 capital	2,872,315	2,491,885	13.2%	6.0%
Tier 2 capital	544,255	544,255		

As at December 31, 2024 and 2023, the total capital of the Bank calculated for capital adequacy purposes consisted of Tier 1 and Tier 2 capital.

25. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue on a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Bank consists of debt and equity of shareholders, which includes issued capital, reserves and retained earnings as disclosed in statement of changes in equity.

The Management Board reviews the capital structure on a regular basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Bank balances its overall capital structure through capitalization of retained earnings, attraction of additional debts or the redemption of existing debt.

During 2024 the Bank's overall capital risk management policy remained unchanged and consistent with prior year.

26. RISK MANAGEMENT POLICIES

Management of risk is fundamental in Bank's business. The main risks inherent to the Bank's operations are those related to:

- Credit exposures;
- Operational risk
- Liquidity risk;
- Market risk.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its planned objectives. These principles are used by the Bank to manage the following risks:

Credit risk

Credit risk is the risk of loss arising for the Bank when a counterparty is unable to meet its contractual obligations on time or in full.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Management Board. There are several levels of Credit Committees in the Bank. Origination of significant loans, which exceed 10% of the Bank's equity, after Credit Committee's review is subject for review and approval of the Board of Directors. Also the Bank manages the credit risk by comprehensive diversification by types of crediting, credit risk exposure, terms of loans maturities, industries, geographical characteristics and risk accepted in relation to one borrower criteria.

In accordance with the economic situation in various industries, the Bank determines combined limits on originating of financial instruments, Banked in certain business categories: corporate business, medium and small business, and retail business. Priority areas of lending (trade, production, construction, tourism, services) are determined in accordance with the Bank's Credit policy. Entities of particular industries should satisfy a number of certain requirements. Maximum limits of loan amounts, terms, interest rates and tariffs are set in accordance with internal documents of the Bank, regulating execution of appropriate transactions, and Credit programs taking into consideration target Banks of borrowers.

The Bank obtains collateral in the form of cash, real estate and movable assets and corporate and personal guarantees to mitigate credit risk. The market value of collateral is decreased using discount coefficients, stipulated by internal regulations of the Bank.

Structure and authorities of credit committees

Credit committees, Assets and Liabilities Management Committee ("ALMC"), the Management Board and the Board of Directors are credit authorities responsible for implementation of the Bank's Credit Policy and credit decision-making process.

Maximum exposure

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

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of loan commitments, if the loan amount was called on. In the following table the account cash and cash equivalents does not include cash on hand.

	Maximum exposure	Offset	Net exposure after offset	Collateral	2024 net exposure after offset and collateral
Cash and cash equivalents	2,107,253	-	2,107,253	-	2,107,253
Due from banks	3,141,461	-	3,141,461	-	3,141,461
Loans to customers	12,316,673	-	12,316,673	(11,130,365)	1,186,308
Investment securities	1,023,309	-	1,023,309	-	1,023,309
Other assets	921,161	-	921,161	-	921,161

	Maximum exposure	Offset	Net exposure after offset	Collateral	2023 net exposure after offset and collateral
Cash and cash equivalents	2,108,868	-	2,108,868	-	2,108,868
Due from banks	2,328,223	-	2,328,223	-	2,328,223
Loans to customers	9,688,449	-	9,688,449	(9,208,366)	480,083
Investment securities	1,132,612	-	1,132,612	-	1,132,612
Other assets	313,789	-	313,789	-	313,789

Off-balance sheet risk

The Bank applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of loan commitments, guarantees will be subject to the same credit management policies as for loans and advances.

Credit ratings

Financial assets are graded according to the current credit ratings they have been issued by an international rating agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets, which have ratings lower than BBB, are classed as speculative grade. In the following table the account cash and balances with the National Bank of the Kyrgyz Republic does not include cash on hand.

The following tables provide classification of financial assets of the Bank by credit ratings:

	AAA	AA	A	BBB	<BBB	Credit rating not assigned	December 31, 2024
Cash and cash equivalents	-	-	-	-	1,938,359	168,491	2,106,850
Due from banks	-	-	2,400,171	731,963	29	9,191	3,141,354
Loans to customers	-	-	-	-	-	11,588,822	11,588,822
Investment securities	-	-	-	-	-	1,016,032	1,016,032
Other assets	-	-	-	-	-	920,094	920,094

	AAA	AA	A	BBB	<BBB	Credit rating not assigned	December 31, 2023
Cash and cash equivalents	-	-	-	-	2,108,609	-	2,108,609
Due from banks	1,953,880	372,723	168	244	-	1,199	2,328,214
Loans to customers	-	-	-	-	-	8,889,436	8,889,436
Investment securities	-	-	-	-	-	1,128,722	1,128,722
Other assets	-	-	-	-	-	313,465	313,465

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

Financial assets past due but not impaired

	Current not impaired assets	Less than 3 months	3 - 6 months	6 months - 1 year	More than 1 year	Impaired financial assets	December 31, 2024
Cash and cash equivalents	4,213,695	-	-	-	-	-	4,213,695
Due from banks	3,141,461	-	-	-	-	(107)	3,141,354
Loans to customers	12,316,673	-	-	-	-	(727,851)	11,588,822
Investment securities	1,016,032	-	-	-	-	-	1,016,032
Other assets	921,161	-	-	-	-	(1,067)	920,094

Financial assets past due but not impaired

	Current not impaired assets	Less than 3 months	3 - 6 months	6 months - 1 year	More than 1 year	Impaired financial assets	December 31, 2023
Cash and cash equivalents	4,009,973	-	-	-	-	-	4,009,973
Due from banks	2,328,223	-	-	-	-	(9)	2,328,214
Loans to customers	9,688,449	-	-	-	-	(799,013)	8,889,436
Investment securities	1,128,722	-	-	-	-	-	1,128,722
Other assets	313,789	-	-	-	-	(324)	313,465

Geographical concentration

The Assets and Liability Management Committee exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimise potential losses from the investment climate fluctuations in the Kyrgyz Republic. The ALMC sets up country limits, which apply mainly to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	Kyrgyzstan	OECD countries	Other	December 31, 2024
FINANCIAL ASSETS:				
Cash and cash equivalents	4,213,695	-	-	4,213,695
Due from banks	-	2,400,171	741,183	3,141,354
Loans to customers	11,588,822	-	-	11,588,822
Investment securities	1,016,032	-	-	1,016,032
Other assets	920,094	-	-	920,094
TOTAL FINANCIAL ASSETS	17,738,643	2,400,171	741,183	20,879,997
FINANCIAL LIABILITIES:				
Due to banks	-	-	2,248,935	2,248,935
Customer accounts	4,838,183	44,867	9,790,154	14,673,204
Borrowings	676,452	-	-	676,452
Other liabilities	674,624	-	-	674,624
TOTAL FINANCIAL LIABILITIES:	6,189,259	44,867	12,039,089	18,273,215
NET POSITION	11,549,384	2,355,304	(11,297,906)	2,606,782
	Kyrgyzstan	OECD countries	Other	December 31, 2023
FINANCIAL ASSETS:				
Cash and cash equivalents	4,009,973	-	-	4,009,973
Due from banks	-	1,953,880	374,334	2,328,214
Loans to customers	8,028,000	-	861,436	8,889,436
Investment securities	1,128,722	-	-	1,128,722
Other assets	313,465	-	-	313,465
TOTAL FINANCIAL ASSETS	13,480,160	1,953,880	1,235,770	16,669,810
FINANCIAL LIABILITIES:				
Due to banks	-	-	2,700,591	2,700,591
Customer accounts	9,871,849	32,804	380,460	10,285,113
Borrowings	603,006	-	-	603,006
Other liabilities	442,472	-	-	442,472
TOTAL FINANCIAL LIABILITIES:	10,917,327	32,804	3,081,051	14,031,182
NET POSITION	2,562,833	1,921,076	(1,845,281)	2,638,628

Liquidity risk

Liquidity risk is the risk of difficulties in obtaining funds for the payment of obligations upon the occurrence of the actual date of payment and to meet cash requirements in the process of lending to clients. The Bank's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

The ALMC controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the treasury department, which deals in the money markets for current liquidity support and cash flow optimisation.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process.

The following table presents an analysis of balance sheet interest rate risk and liquidity risk:

	Weighted average rate	Less than 1 month	1 – 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	December 31, 2024
FINANCIAL ASSETS:							
Loans to customers	15.06%	557,806	665,248	2,818,309	6,087,652	1,459,807	11,588,822
Investment securities	12.28%	-	100,258	-	915,774	-	1,016,032
Total financial assets, interest bearing		<u>557,806</u>	<u>765,506</u>	<u>2,818,309</u>	<u>7,003,426</u>	<u>1,459,807</u>	<u>12,604,854</u>
Cash and cash equivalents		4,213,695	-	-	-	-	4,213,695
Due from banks		3,141,354	-	-	-	-	3,141,354
Other assets		<u>920,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,094</u>
TOTAL FINANCIAL ASSETS		<u>8,832,949</u>	<u>765,506</u>	<u>2,818,309</u>	<u>7,003,426</u>	<u>1,459,807</u>	<u>20,879,997</u>
FINANCIAL LIABILITIES:							
Customer accounts	7.37%	882,120	1,016,848	4,171,697	855,694	18,431	6,944,790
Due to banks	3.79%	347,023	-	1,041,070	694,046	-	2,082,139
Borrowings	0.98%	9,313	27,721	76,209	563,209	-	676,452
Other liabilities	22.07%	<u>1,000</u>	<u>3,130</u>	<u>6,112</u>	<u>6,687</u>	<u>-</u>	<u>16,929</u>
Total financial liabilities, interest bearing		<u>1,239,456</u>	<u>1,047,699</u>	<u>5,295,088</u>	<u>2,119,636</u>	<u>18,431</u>	<u>9,720,310</u>
Customer accounts		7,725,242	3,172	-	-	-	7,728,414
Due to banks		166,796	-	-	-	-	166,796
Other liabilities		<u>657,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,695</u>
TOTAL FINANCIAL LIABILITIES:		<u>9,789,189</u>	<u>1,050,871</u>	<u>5,295,088</u>	<u>2,119,636</u>	<u>18,431</u>	<u>18,273,215</u>
Difference between financial assets and liabilities		<u>(956,240)</u>	<u>(285,365)</u>	<u>(2,476,779)</u>	<u>4,883,790</u>	<u>1,441,376</u>	
Difference between interest bearing financial assets and liabilities		<u>(681,650)</u>	<u>(282,193)</u>	<u>(2,476,779)</u>	<u>4,883,790</u>	<u>1,441,376</u>	

	Weighted average rate	Less than 1 month	1 – 3 months	3 months - 1 year	1 year - 5 years	More than 5 years	December 31, 2023
FINANCIAL ASSETS:							
Loans to customers	14.49%	354,601	18,456	1,425,829	2,942,325	4,148,225	8,889,436
Investment securities	7.10%	499,406	-	356,153	273,163	-	1,128,722
Total financial assets, interest bearing		854,007	18,456	1,781,982	3,215,488	4,148,225	10,018,158
Cash and cash equivalents		4,009,973	-	-	-	-	4,009,973
Due from banks		2,328,214	-	-	-	-	2,328,214
Other assets		313,465	-	-	-	-	313,465
TOTAL FINANCIAL ASSETS		<u>7,505,659</u>	<u>18,456</u>	<u>1,781,982</u>	<u>3,215,488</u>	<u>4,148,225</u>	<u>16,669,810</u>
FINANCIAL LIABILITIES:							
Customer accounts	7.65%	2,457,437	802,637	2,307,831	645,570	454	6,213,929
Due to banks	5.08%	93,808	-	-	2,562,989	-	2,656,797
Borrowings	0.99%	2,114	7,393	36,052	543,123	14,324	603,006
Other liabilities	10.50%	574	1,167	4,743	4,589	-	11,073
Total financial liabilities, interest bearing		2,553,933	811,197	2,348,626	3,756,271	14,778	9,484,805
Customer accounts		4,038,148	-	33,036	-	-	4,071,184
Due to banks		43,794	-	-	-	-	43,794
Other liabilities		431,399	-	-	-	-	431,399
TOTAL FINANCIAL LIABILITIES		<u>7,067,274</u>	<u>811,197</u>	<u>2,381,662</u>	<u>3,756,271</u>	<u>14,778</u>	<u>14,031,182</u>
Difference between financial assets and liabilities		<u>438,385</u>	<u>(792,741)</u>	<u>(599,680)</u>	<u>(540,783)</u>	<u>4,133,447</u>	
Difference between interest bearing financial assets and liabilities		<u>(1,699,926)</u>	<u>(792,741)</u>	<u>(566,644)</u>	<u>(540,783)</u>	<u>4,133,447</u>	

The above tables suggest a potential liquidity gap according to agreements. These tables provide a simplistic view of funding maturities and are for information purposes only. The tables include the maturity dates for customer accounts and short-term deposits, as they fall due. Based on prior experience, the Bank considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over.

The Bank is aware of the importance of maintaining the stability of these deposits. In order to achieve this, it is essential that the Bank ensures depositor confidence in the Bank's liquidity, by continuing to position itself as a leading financial institution in both the Kyrgyz Republic and abroad.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial

liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

Undiscounted liabilities analysis

The table below presents distribution of Bank's liabilities as at December 31, 2024 and 2023 for contractual undiscounted cash outflows:

	Weighted average rate	Less than 1 month	1 – 3 months	3 months-1 year	1 year-5 years	over 5 years	December 31, 2024
FINANCIAL LIABILITIES:							
Customer accounts	7.37%	8,607,362	1,032,335	4,363,260	1,044,819	25,220	15,072,996
Due to banks	3.79%	513,819	-	1,065,663	772,959	-	2,352,441
Borrowings	0.98%	9,313	27,766	76,674	579,760	-	693,513
Other liabilities	0.56%	670,644	3,585	6,989	7,430	-	688,648
TOTAL FINANCIAL LIABILITIES:		9,801,138	1,063,686	5,512,586	2,404,968	25,220	18,807,598
	Weighted average rate	Less than 1 month	1 – 3 months	3 months-1 year	1 year-5 years	over 5 years	December 31, 2023
FINANCIAL LIABILITIES:							
Customer accounts	7.65%	6,495,585	812,730	2,450,908	793,728	628	10,553,579
Due to banks	5.08%	137,602	-	-	2,953,589	-	3,091,191
Borrowings	0.99%	2,114	7,405	36,275	559,265	15,034	620,093
Other liabilities	0.25%	432,063	1,328	5,258	4,767	-	443,416
TOTAL FINANCIAL LIABILITIES:		7,067,364	821,463	2,492,441	4,311,349	15,662	14,708,279

Market risk

Market risk is a risk that Bank's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The objective of market risk management is to optimise risk/return, minimise losses in case of adverse events and decrease deviation of factual financial results from the expected one.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes ALMC fixes limits on security portfolios, open positions, and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate sensitivity

Interest rate risk is defined as the risk of interest income decrease, interest expense increase or negative impact on equity resulting from adverse changes of market interest rates.

Most of the Bank's loan contracts and other financial assets and liabilities that bear interest are at fixed interest rates.

The Bank management provides monitoring of an interest margin of the Bank and considers that the Bank is not exposed to a significant risk of the interest rate change and respective cash flows risk.

The ALMC also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. Department of economic analysis, planning and marketing tracks the current results of the Bank financial activity, assesses the Bank sensitivity to the interest rate changes and their effect on the Bank profit.

Accounting classification and fair values

IFRS defines fair value as 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.

The three-tier hierarchy for inputs used in measuring fair value, which priorities the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1: If a quoted market price is available for an instrument, the fair value is calculated based on the observable market price;

Level 2: When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty;

Level 3: Where market-based valuation parameters are not directly observable, management will make a judgement as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognised in the income statement on initial recognition. Subsequent gains or losses are only recognised to the extent that it arises from a change in a factor that market participants would consider in setting a price.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans up to the estimated maturity using prevailing market rates as at the respective year-end.

Investments at amortized cost

The assessment is carried out by discounting the estimated future cash flows for attracting investments by the estimated exclusion period using average portfolio rates at the end of the year.

Due to banks

As at December 31, 2024 and 2023 the fair value of due to banks approximates the carrying amount as the interest rate has not changed significantly since the debt origination.

Customer accounts

The estimate on fair value was made by discounting the future cash flows of customer accounts up to the estimated maturity using prevailing market rates for as at respective year-end.

Management believes that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values except as disclosed in the table below.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2024:

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
Cash and cash equivalents	4,213,695	-	-	4,213,695	4,213,695
Due from banks	3,141,354	-	-	3,141,354	3,141,354
Loans to customers	11,588,822	-	-	11,588,822	11,588,822
Investment securities	1,016,032	-	-	1,016,032	1,016,032
Other assets	920,094	-	-	920,094	920,094
	<u>20,879,997</u>	<u>-</u>	<u>-</u>	<u>20,879,997</u>	<u>20,879,997</u>
Due to banks	2,248,935	-	-	2,248,935	2,248,935
Customer accounts	14,673,204	-	-	14,673,204	14,673,204
Borrowings	676,452	-	-	676,452	676,452
Other liabilities	674,624	-	-	674,624	674,624
	<u>18,273,215</u>	<u>-</u>	<u>-</u>	<u>18,273,215</u>	<u>18,273,215</u>

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

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
Cash and cash equivalents	4,009,973	-	-	4,009,973	4,009,973
Due from banks	2,328,214	-	-	2,328,214	2,328,214
Loans to customers	8,889,436	-	-	8,889,436	8,889,436
Investment securities	1,128,722	-	-	1,128,722	1,128,722
Other assets	313,465	-	-	313,465	313,465
	<u>16,669,810</u>	<u>-</u>	<u>-</u>	<u>16,669,810</u>	<u>16,669,810</u>
Due to banks	2,700,591	-	-	2,700,591	2,700,591
Customer accounts	10,285,113	-	-	10,285,113	10,285,113
Borrowings	603,006	-	-	603,006	603,006
Other liabilities	442,472	-	-	442,472	442,472
	<u>14,031,182</u>	<u>-</u>	<u>-</u>	<u>14,031,182</u>	<u>14,031,182</u>

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in such a transaction, independent of each other parties, other than in a forced or liquidation sale. The estimates may not reflect the amounts that the Bank would be able to get at the actual implementation of its existing holdings of various financial instruments.

The carrying value of cash approximately equals to fair value due to the short-term nature of such financial instruments.

IFRS 13 defines fair value as the amount that would be received after selling an asset or paid after transferring a liability in an orderly transaction on the main (or most advantageous) market at the measurement date under current market conditions. Since there are no markets for most of the Bank's financial instruments, under the current economic conditions and specific risks that characterize the tool, judgment should be applied to determine the fair value.

As at December 31, 2024 and 2023, the following methods and assumptions were used by the Bank to assess the fair value of financial instruments for which it was practical to determine the value:

Cash and cash equivalents - current value of cash and cash equivalents corresponds to fair value.

Accounts receivable and other accounts receivable - current value approximates the fair value of these financial instruments, as the provision for doubtful debts is valid estimation of the required discount to reflect the credit risk.

Accounts payable and other liabilities - current value approximates the fair value of these financial instruments due to the short-term nature of the instrument.

Long-term liabilities - current value approximates fair value as the interest rate of long-term debt approximates market rate, with reference to loans with similar credit risk and maturity at the balance sheet date.

Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. The Bank classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

- | | |
|---------|--|
| Level 1 | Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can assess at the measurement date; or |
| Level 2 | Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or |
| Level 3 | Unobservable inputs for the assets or liabilities, requiring the Bank to make market-based assumptions. |

Level 1 classifications primarily include financial assets and financial liabilities that are exchange traded, whereas Level 2 classifications primarily include financial assets and financial liabilities which derive their fair value primarily from exchange quotes and readily observable quotes. Level 3 classifications primarily include financial assets and financial liabilities which derive their fair value predominately from models that use applicable market based estimates surrounding location, quality and credit differentials. In circumstances where the Bank cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

It is the Bank's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default, insolvency or bankruptcy by the counterparty.

The following tables show the fair values of financial assets and financial liabilities as at December 31, 2024 and 2023. Other assets and liabilities which are measured at fair value on a recurring basis are cash and cash equivalents. There are no nonrecurring fair value measurements.

	Level 1	Level 2	Level 3	December 31, 2024
Cash and cash equivalents	4,213,695	-	-	4,213,695
Due from banks	157,520	2,983,834	-	3,141,354
Loans to customers	-	11,588,822	-	11,588,822
Investment securities	-	1,016,032	-	1,016,032
Other assets	-	-	920,094	920,094
	<u>4,371,215</u>	<u>15,588,688</u>	<u>920,094</u>	<u>20,879,997</u>
Due to banks	166,796	2,082,139	-	2,248,935
Customer accounts	7,673,553	6,999,651	-	14,673,204
Borrowings	-	676,452	-	676,452
Other liabilities	-	-	674,624	674,624
	<u>7,840,349</u>	<u>9,758,242</u>	<u>674,624</u>	<u>18,273,215</u>
	Level 1	Level 2	Level 3	December 31, 2023
Cash and cash equivalents	4,009,973	-	-	4,009,973
Due from banks	2,269,204	59,010	-	2,328,214
Loans to customers	-	8,889,436	-	8,889,436
Investment securities	-	1,128,722	-	1,128,722
Other assets	-	-	313,465	313,465
	<u>6,279,177</u>	<u>10,077,168</u>	<u>313,465</u>	<u>16,669,810</u>
Due to banks	43,794	2,656,797	-	2,700,591
Customer accounts	6,124,142	4,160,971	-	10,285,113
Borrowings	-	603,006	-	603,006
Other liabilities	-	-	442,472	442,472
	<u>6,167,936</u>	<u>7,420,774</u>	<u>442,472</u>	<u>14,031,182</u>

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The treasury department controls currency risk by management of the open currency position on the estimated basis of Kyrgyz som devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimise losses from significant currency rates fluctuations toward its national currency. The treasury department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of NBKR. NBKR requires open foreign currency position to be less than 15% of total capital.

Information about the level of foreign currency exchange rate risk of the Bank is set out below:

	KGS	USD	Euro	RUB	Other	December 31, 2024
FINANCIAL ASSETS:						
Cash and cash equivalents	2,677,498	1,242,520	166,358	115,022	12,297	4,213,695
Due from banks	1,466	2,946,844	128,947	19,992	44,105	3,141,354
Loans to customers	7,554,487	4,032,060	-	-	2,275	11,588,822
Investment securities	1,016,032	-	-	-	-	1,016,032
Other assets	791,386	54,887	2	10,347	2,572	859,194
TOTAL FINANCIAL ASSETS	12,040,869	8,276,311	295,307	145,361	61,249	20,819,097
FINANCIAL LIABILITIES:						
Due to banks	83,758	2,165,177	-	-	-	2,248,935
Customer accounts	8,927,846	5,259,797	284,379	137,941	63,241	14,673,204
Borrowings	371,212	305,240	-	-	-	676,452
Other liabilities	614,919	45,703	12,252	751	999	674,624
TOTAL FINANCIAL LIABILITIES:	9,997,735	7,775,917	296,631	138,692	64,240	18,273,215
Offset of spot operations	-	60,900	-	-	-	60,900
OPEN CURRENCY POSITION	2,043,134	561,294	(1,324)	6,669	(2,991)	2,606,782
	KGS	USD	Euro	RUB	Other	December 31, 2023
FINANCIAL ASSETS:						
Cash and cash equivalents	2,500,652	986,044	284,520	204,460	34,297	4,009,973
Due from banks	15,970	2,162,079	76,266	14,076	59,823	2,328,214
Loans to customers	5,210,723	3,646,713	-	-	32,000	8,889,436
Investment securities	1,128,722	-	-	-	-	1,128,722
Other assets	287,127	9,605	343	12,392	3,998	313,465
TOTAL FINANCIAL ASSETS	9,143,194	6,804,441	361,129	230,928	130,118	16,669,810
FINANCIAL LIABILITIES:						
Due to banks	43,794	2,587,898	-	298	68,601	2,700,591
Customer accounts	6,229,730	3,444,366	340,260	223,967	46,790	10,285,113
Borrowings	403,187	199,819	-	-	-	603,006
Other liabilities	276,913	146,004	16,890	264	2,401	442,472
TOTAL FINANCIAL LIABILITIES:	6,953,624	6,378,087	357,150	224,529	117,792	14,031,182
Offset of spot operations	-	-	-	-	-	-
OPEN CURRENCY POSITION	2,189,570	426,354	3,979	6,399	12,326	2,638,628

Currency rate sensitivity

Following table presents a sensitivity analysis of the Bank to 10% increase and decrease of the US Dollar to Kyrgyz som in 2024 and 2023. Based on the current economic environment in the Kyrgyz Republic management of the Bank believes that 10% increase of US Dollar and Euro to Kyrgyz som exchange rate is a realistic change. 10% - a level of sensitivity, which is used internally by banks when reporting foreign currency risk internally to key management personnel of the Bank and is an estimate by management of the Bank. Sensitivity analysis applies only to outstanding foreign currency balances available at the end of the period for conversion of which actual end-of-the-period exchange rate changed by 10% is used. The management of the Bank believes income tax not to have substantial effect for the purpose of currency risk management.

Impact on net income before income tax, based on the nominal value of the asset as at December 31, 2024 and 2023 is represented below:

	December 31, 2024		December 31, 2023	
	Official exchange rate of USD, +10%	Official exchange rate of USD, -10%	Official exchange rate of USD, +10%	Official exchange rate of USD, -10%
Effect on profit or loss before income tax	56,129	(56,129)	42,635	(42,635)

Limitations of sensitivity analysis

The above tables demonstrate the effect of changes based on the main clause while other assumptions remain unchanged. In fact, there is a connection between the assumptions and other factors. It should also be noted that the sensitivity has nonlinear character so should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into account that the Bank actively manages the assets and liabilities. In addition, the Bank's financial position may be subject to change depending on changes in the market. For example, the strategy of the Bank's financial risk management aims to manage exposure to market fluctuations. In the case of sudden adverse price fluctuations in the securities market leadership can refer to such methods as selling investments, changing investment portfolio, as well as other methods of protection.

Consequently, changes in assumptions may not have influence on the commitment and significant impact on the assets recorded on the balance sheet at market price. In this situation, different methods of valuation of assets and liabilities may lead to volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements with a view to the disclosure of potential risks, which represent only the Bank's forecast of the upcoming changes in the market that cannot be predicted with any certainty.

27. SEGMENT REPORTING

The Bank's activities applies only to commercial lending and other banking operations and are concentrated in the Kyrgyz Republic.

28. EVENTS AFTER THE REPORTING DATE

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

