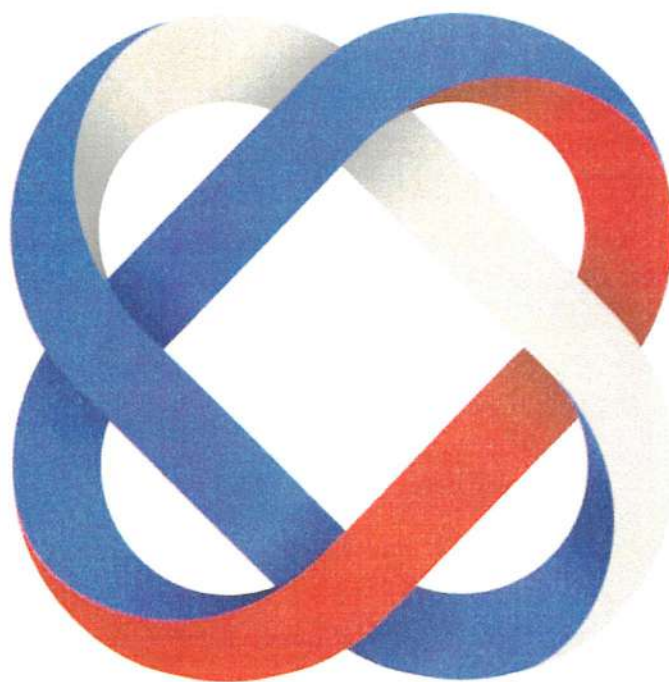


**Financial Statements and
Independent Auditor's Report**

Ayil Bank Open Joint Stock Company

December 31, 2024



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Independent auditor's report

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

Opinion

We have audited the financial statements of Ayil Bank Open Joint Stock Company (hereinafter –the Bank), which comprise the statement of financial position as of December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing and the requirements prescribed by the Regulation "On Minimum Requirements for External Audit of Banks and Other Financial and Credit Institutions Licensed by the National Bank of the Kyrgyz Republic (hereinafter - 'NBKR'), approved by Resolution of the Board of the NBKR dated June 15, 2017 No. 2017-P-12/25-2-(NPA) (as last amended by Resolution of the Board of the National Bank of the Kyrgyz Republic dated April 12, 2024 No. 2024-P-12/17-2-(NPA)) (the "NBKR requirements"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Standards on Independence) of the International Ethics Standards Board for Accountants (IESBA Code) and 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 those 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

The key audit matters are those that, in our professional judgment, were the most relevant to our audit of the financial statements for the current period. These issues have been considered in the context of our audit of the financial statements as a whole, and in forming our opinion on these statements, we do not express a separate opinion on these matters.

- Allowance for expected credit losses

Note 5.2 of the financial statements discloses information on accounting policies and Note 37.1 discloses information on credit risk analysis.

The allowance for expected credit losses was considered as a key audit issue due to the importance of the loans, as well as the subjectivity of the assumptions underlying the impairment assessment. The application of different judgments and assumptions may lead to significant differences in the results of the allowance for expected credit losses, which may have a material impact on the Bank's financial results.

Key areas of judgment included: assessment of the business model in which the assets are held, assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding, interpretation of the requirements for the determination of impairment in accordance with the application of IFRS 9 as reflected in the Bank's expected credit loss model, identification of risks with a significant deterioration in credit quality, assumptions used in the expected credit quality model, credit losses, such as counterparty's financial condition, expected future cash flow and future-oriented macroeconomic factors, and the need to apply additional overlays to reflect current or future external factors that are not adequately reflected in the expected credit loss model.

With respect to the classification and measurement of financial assets and financial liabilities, our audit procedures included the following:

- We reviewed the classification and assessment of the Bank's policy on financial assets and financial liabilities based on IFRS 9 and compared it with the requirements of IFRS 9;
- We evaluated the design and operational effectiveness of the relevant controls over the data used to determine the allowance for impairment, including transactional data obtained at the time of loan disbursement, current internal credit quality assessments, and other data related to the expected credit loss model;
- We evaluated the design and validated the operational effectiveness of the relevant controls over the expected credit loss model, including model construction and validation, ongoing monitoring/validation, model management, and mathematical accuracy;
- We verified the correctness of the Bank's determination of a significant increase in credit risk and the basis for classifying risks into different stages;
- For the forward-looking assumptions used by the Bank's management in its ECL calculations, we held discussions with management and confirmed the assumptions using publicly available information;
- We have verified the completeness of loans and advances, off-balance sheet items, investment securities, funds in other financial institutions included in the ECL calculations as of December 31, 2023;
- We understood the theoretical validity and checked the mathematical integrity of the models;
- We engaged our IT professionals in areas that required specialized knowledge (e.g., data reliability and expected credit loss model);
- We have checked the correctness of the initial balance adjustments.
- We assessed the reliability of information disclosures in the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and for the internal control system that Management deems necessary to prepare financial statements that are free from material misstatement 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, for disclosing, where appropriate, information relating to going concern and for reporting on the basis of a going concern assumption, except where Management intends to liquidate or discontinue the Bank, or when it has no viable alternative other than liquidation or termination.

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 conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess risks of material misstatement of financial statements due to fraud or errors; develop and conduct audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to support our opinion. The risk of not detecting a material misstatement as a result of fraud is greater than the risk of not detecting a material misstatement as a result of an error, as fraud may include collusion, forgery, intentional omission, misrepresentation or circumvention of internal control;
- Gain an understanding of the internal control system relevant to the audit in order to develop audit procedures appropriate to the circumstances, but not to express an opinion on the effectiveness of the Bank's internal control system;
- Assess the appropriateness of the accounting policies applied, the reasonableness of accounting estimates and the appropriate disclosures made by management;
- conclude that the Bank's management has appropriately applied the going concern assumption and, based on the audit evidence obtained, whether there is material uncertainty due to events or conditions that may give rise to significant doubts about the Bank's ability to continue as a going concern. If we conclude that there is a material uncertainty, we shall draw attention in our auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our auditor's report. However, future events or conditions may cause the Bank to lose its ability to continue as a going concern;
- Evaluate the overall presentation of the financial statements, their structure and content, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that is presented fairly;

We communicate with those charged with governance, including the planned scope and timing of the audit, as well as material audit findings, including significant internal control deficiencies that we identify during the audit process.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements with respect to independence and have informed them of all relationships and other matters that may reasonably be considered to affect the auditor's independence and, where appropriate, appropriate precaution.



From the matters that we have brought to the attention of those charged with governance, we identify the issues that were most relevant to the audit of the financial statements for the current period and therefore are the key audit issues. We describe these matters in our auditor's report unless public disclosure of these matters is prohibited by law or regulation, or when, in extremely rare circumstances, we conclude that information about a matter should not be disclosed in our opinion because it can reasonably be assumed that the adverse effects of disclosing such information would outweigh the public benefit of disclosing it.

The engagement partner on the audit resulting in this independent auditor's report is Armen Vanyan.

Armen Vanyan
Director/Partner
Qualification certificate of the auditor
Series A No. 0264 dated July 11, 2016

March 18, 2025
Bishkek
Grant Thornton LLC
License for auditing
State Service for Regulation and Supervision of the Financial Market
under the Government of the Kyrgyz Republic, on May 3, 2013



Statement of profit or loss and other comprehensive income

In thousands of Kyrgyz soms

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Interest income	26	11,259,711	8,710,904
Amortization of government grant	20	140,314	313,956
Interest expense	26	(4,131,219)	(2,738,559)
Net interest income before allowance for expected credit losses on interest bearing assets		7,268,806	6,286,301
Accruals of allowance for expected credit losses on interest bearing assets	30	223,538	169,310
Net interest income		7,492,344	6,455,611
Income from Islamic Finance	27	102,941	7,189
Expenses from Islamic Finance		(9)	-
Net income from Islamic Finance before allowance for expected credit losses		102,932	7,189
Accrual of allowance for expected credit losses on Islamic Finance assets	30	(24,529)	(9,013)
Net loss from Islamic Finance		78,403	(1,824)
Commission income	29	1,435,790	1,106,895
Commission expenses		(1,713,404)	(854,823)
Net foreign exchange gain	28	4,648,872	2,459,059
Accrual of allowance for impairment losses on other assets	30	(94,234)	(292,290)
Accrual of allowance for impairment losses on credit-related contingent liabilities		51,962	(106,483)
Other income, net		52,838	93,359
Net non-interest income		4,381,824	2,405,717
Operating income		11,952,571	8,859,504
Operating expenses	31	(3,865,121)	(2,810,888)
Profit before income tax		8,087,450	6,048,616
Income tax expense	32	(815,267)	(622,539)
Net profit for the year		7,272,183	5,426,077
Other comprehensive income			
Gain on revaluation of financial assets at fair value through other comprehensive income		12,369	35
Total other comprehensive income		12,369	35
Total comprehensive Income		7,284,552	5,426,112

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 101.

Statement of financial position

In thousands of Kyrgyz soms

	Notes	December 31,2024	December 31,2023
Assets			
Cash and cash equivalents	7	73,303,664	43,616,821
Loans and advances to banks and other financial institutions	8	10,131,328	9,670,915
Loans to customers	10	47,389,592	38,898,909
Islamic Finance receivables	11	2,454,372	314,725
Investments in securities	12	20,214,666	14,500,791
Property and equipment, intangible assets	13	1,964,359	1,329,284
Prepayment of income tax			-
Other assets	14	2,722,825	1,439,128
Other Islamic Finance assets	15	9,900	18,619
Total assets		158,190,706	109,789,192
Liabilities and equity			
Liabilities			
Deposits and balances from banks and other financial institutions	16	361,275	267,668
Current accounts and deposits from customers	17	119,185,138	77,430,060
Islamic Finance liabilities	18		97,613
Amounts due to the Ministry of Finance of the Kyrgyz Republic	19	5,447,111	5,133,837
Government grant	20	115,110	266,321
Other borrowed funds	21	4,048,600	5,585,770
Derivative financial liabilities	9	578,452	384,113
Funds received from a shareholder	22	6	-
Lease liabilities	23	185,617	123,067
Income tax liability		139,752	152,443
Deferred tax liabilities	32	185,925	147,967
Other liabilities	24	1,770,535	884,554
Total liabilities		132,949,390	90,473,413
Equity			
Share capital	25	16,467,480	12,401,820
Additional paid-in capital	25	90,958	89,521
Reserve capital	25	189,696	189,696
Allowance for revaluation of financial assets at fair value		12,369	35
Retained earnings		8,480,813	6,634,707
Total equity		25,241,316	19,315,779
Total liabilities and equity		158,190,706	109,789,192

The financial statements were approved on March 18, 2025 by:

Mr. Alimdzhanov T.
Chairman of the Management Board



Ms. Sadralieva A..
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 101.

Statement of changes in equity

In thousands of Kyrgyz soms	Share capital	Additional paid – in capital	General Reserves	Allowance for revaluation of financial assets at fair value	Retained earnings	Total equity
As of January 1, 2023	6,624,620	88,036	189,696	-	5,444,909	12,347,261
Gain on revaluation of financial assets at fair value through other comprehensive income for the period	-	-	-	35	-	35
Profit for the year	-	-	-	-	5,426,077	5,426,077
Other movement	-	1,485	-	-	-	1,485
Share capital issuance	5,777,200	-	-	-	-	5,777,200
Dividends declared	-	-	-	-	(4,236,279)	(4,236,279)
As of December 31, 2023	<u>12,401,820</u>	<u>89,521</u>	<u>189,696</u>	<u>35</u>	<u>6,634,707</u>	<u>19,315,779</u>
Gain on revaluation of financial assets at fair value through other comprehensive income for the period	-	-	-	12,334	-	12,334
Profit for the year	-	-	-	-	7,272,183	7,272,183
Other movement	-	1,437	-	-	-	1,437
Share capital issuance	4,065,660	-	-	-	-	4,065,660
Dividends declared	-	-	-	-	(5,426,077)	(5,426,077)
As of December 31, 2024	<u>16,467,480</u>	<u>90,958</u>	<u>189,696</u>	<u>12,369</u>	<u>8,480,813</u>	<u>25,241,316</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 101.

Statement of cash flows

In thousands of Kyrgyz soms

	December 31, 2024	December 31, 2023
<i>Cash flows from operating activities</i>		
Interest receipts	11,128,522	8,558,162
Interest payments	(4,026,607)	(2,441,585)
Fee and commission receipts	1,435,790	1,106,895
Fee and commission payments	(1,713,404)	(854,823)
Receipts from Islamic Finance	102,941	(65,438)
Payments made for Islamic financing expenses	(9)	-
Net receipts from foreign exchange	4,690,182	2,488,437
Other income receipts	49,822	90,402
Operating expenses payments	(3,652,046)	(2,594,782)
Cash flows from operating activities before changes in operating assets and liabilities	8,015,191	6,287,268
<i>(Increase)/decrease in operating assets</i>		
Loans and advances to banks and other financial institutions	(478,694)	(8,753,167)
Loans to customers	(8,026,938)	(7,636,568)
Islamic Finance receivables	(2,168,423)	(251,111)
Investments in securities	(692,078)	1,735,362
Other assets	(1,531,105)	(628,847)
<i>(Increase)/decrease in operating liabilities</i>		
Deposits and balances of banks and other financial institutions	115,113	74,809
Current accounts and deposits from customers	42,606,304	19,673,331
Derivative financial liabilities	748,915	384,113
Deferred income under Islamic financing principles	816,473	94,071
Other liabilities	1,054,903	186,306
Net cash from/(used in) operating activities before income tax paid	40,459,661	11,165,567
Income tax paid	(752,042)	(234,494)
Net cash from/(used in) operating activities	39,707,619	10,931,073
<i>Cash flows from investing activities</i>		
Purchases of investments in securities	(6,021,376)	(10,631,046)
Proceeds from disposal and redemption of investment securities	1,017,474	4,545,192
Proceeds from sale of property and equipment and intangible assets	3,045	2,636

In thousands of Kyrgyz soms	December 31, 2024	December 31, 2023
Purchases of property and equipment and intangible assets	(802,688)	(527,270)
Net cash from investing activities	(5,803,545)	(6,610,488)
<i>Cash flows from financing activities</i>		
Receipts of amounts due to the Ministry of Finance of the Kyrgyz Republic	859,064	2,113,327
Repayment of amounts owed to the Ministry of Finance of the Kyrgyz Republic	(550,730)	(792,252)
Receipts of other borrowed funds	234,412	381,212
Repayments of other borrowed funds	(1,776,170)	(623,778)
Fund received from a shareholder	4,065,666	4,677,200
Dividends paid	(5,426,077)	(4,236,279)
Payment of lease liabilities	(94,426)	(79,010)
Net cash from/(used in) financing activities	(2,688,261)	1,440,420
Effect of changes in exchange rates on cash and cash equivalents	(1,330,697)	154,920
Net increase/(decrease) in cash and cash equivalents	29,885,116	5,915,925
Cash and cash equivalents, beginning of the year	43,616,821	37,708,049
Effect of change in ECL on cash and cash equivalents	(198,273)	(7,153)
Cash and cash equivalents at the end of year	73,303,664	43,616,821

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 101.

Notes to the financial statements

1. General information

Aiyi Bank OJSC (the Bank) was established in the Kyrgyz Republic as an Open Joint Stock Company. The Bank obtained general banking license No №048 in 2006. The Bank is the successor of the Kyrgyz Agricultural Financial Corporation JSC, which was established by the Government of the Kyrgyz Republic in 1996 under the auspices of the World Bank for the purpose of providing loans to farmers and agricultural commodity producers.

The principal activities of the Bank are commercial banking, lending and operations with securities. Initially the Bank obtained a banking license for the granting of loans and provision of settlement services to agricultural customers in the national currency of the Kyrgyz Republic, the acquisition of government securities, and cash foreign currency exchange operations.

In December 2008, the Bank was additionally licensed to open customer accounts and provide banking services to corporate customers and individuals, money transfers and payment card services, agency services, and non-cash foreign currency exchange services. In addition, in December 2009, the Bank was additionally licensed to open deposit accounts for customers and to conduct leasing operations, issue guarantees and letters of credit. In 2016, the Bank additionally obtained a license for operations with precious metals and maintenance of metal accounts. On October 26, 2022, the Bank received license N 048/1 for the right to conduct banking operations in accordance with Islamic principles of banking and financing through the Islamic window in national and/or foreign currency for "Mudarabah" transaction, "Murabahah" transaction, "Qard" transaction, Islamic Window activities were launched during 2023. The activities of the Bank are regulated by the National Bank of the Kyrgyz Republic (the NBKR). The Bank is a member of the obligatory deposit insurance system in the Kyrgyz Republic.

As of December 31, 2024, the Bank has 38 branches, 26 regional subdivisions and 10 village subdivisions, 57 regional savings offices and 32 mobile cash desks from which it conducts business throughout the Kyrgyz Republic (December 31, 2023: 38 branches, 27 regional subdivisions and 10 village subdivisions, 64 regional savings offices and 33 mobile cash desks).

The legal address of the headquarters is the Kyrgyz Republic, Bishkek, 720040, Logvinenko Street, 14. The majority of the Bank's assets and liabilities are located in the Kyrgyz Republic. The Bank is 100% owned by the Cabinet of Ministers of the Kyrgyz Republic (the Cabinet of Ministers) represented by the State Property Management Fund under the Cabinet of Ministers of the Kyrgyz Republic. The number of employees of the Bank as of December 31, 2024 and December 31, 2023 was 2,191 and 1,921 accordingly.

2. Business environment in the Kyrgyz Republic

Changes in the economic environment and development of the legal, tax and regulatory frameworks within the Kyrgyz Republic are ongoing. The stability and development of the Kyrgyz Republic economy is largely dependent upon these changes. The authorities have reaffirmed their commitment to good governance, including efforts to combat corruption, as well as transparency and accountability in their operations.

The ongoing Russian-Ukrainian war since February 2022 has had a significant impact on both the conflicting countries and the global economy. Harsh economic sanctions have been announced by many leading countries and economic unions against Russia, including against Russian banks, individuals and other organizations. The ongoing war has resulted in a humanitarian crisis and huge economic losses in Ukraine, Russia and other countries.

Despite the complex challenges, the economy of the Kyrgyz Republic has shown and continues to show quite high sustainability due to effective macroeconomic policy and adequate actions constantly implemented by the President, the Cabinet of Ministers and the National Bank of the Kyrgyz Republic. The rates of economic growth and activity remain high, including due to the large inflow of foreign citizens. There are no restrictions on the right of foreign nationals to own, establish or operate business interests in the Kyrgyz Republic. Business registration procedures are generally straightforward. As a result of serving foreign nationals in 2022-2024 and the exchange rate, the financial sector has recorded a significant increase in revenues.

As the hostilities between Ukraine and Russia have not yet ceased, it is not possible to reliably assess their ultimate impact on the business environment of the Kyrgyz Republic.

The Kyrgyz som was stronger than expected, which helped to contain inflation, but created difficulties for exporters and enterprises with foreign currency liabilities. Global inflation and rising energy prices are putting pressure on the economy, especially due to its dependence on imports.

Despite these challenges, businesses are diversifying supply chains and exploring new markets, and the government's reform efforts pave the way for long-term sustainability. However, the Kyrgyz Republic's success will depend on the ability of its business community to effectively manage these risks.

These financial statements reflect management's assessment of the impact of the Kyrgyz Republic's business environment on the Bank's operations. The Bank's management continually analyzes the economic situation in the current environment. Future economic and political conditions and their impact on the Bank's operations may differ from management's current expectations.

3. Adoption of new and revised Standards

3.1 New and revised standards or interpretations

During the current year, the Bank adopted all new and revised standards and interpretations applicable to its operations and effective January 1, 2024, as issued by the International Accounting Standards Board (IASB) and the Interpretations Committee (IC).

The nature and impact of these changes are described below.

New and revised standards and interpretations effective for annual periods beginning on or after January 1, 2024

The following new standards and amendments, first adopted in 2023, did not have a material impact on the Fund's separate financial statements.

- "Classification of Liabilities as Current and Non-current" (Amendments to IAS 1),
- "Lease liabilities in sale and leaseback transactions" (Amendments to IFRS 16),
- "Supply Chain Financing Arrangements" (Amendments to IAS 7 and IFRS 7),

Except for the amendments to IAS 1 and the amendments to IFRS 2 Practical Application of IFRS 2 Accounting Policy Disclosures presented below, the other standards and amendments did not have a material impact on the financial statements of the Bank.

Amendments to IAS 1 and IFRS 2 Disclosures about accounting policies

The amendments to IAS 1 and IFRS 2 Practical Application provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments are intended to help entities provide more useful information about accounting policies by replacing the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and adding guidance on how entities should apply the concept of materiality.

3.2 Standards and interpretations not yet applied by the Bank

At the date of authorization of these financial statements, the International Accounting Standards Board (IFRS) has issued a number of new standards, amendments and interpretations to existing standards, but these are not yet effective and have not been early adopted by the Bank.

Management expects that all applicable pronouncements will be incorporated into the Fund's accounting policies beginning in the first period after the effective date of the pronouncement.

Management does not expect these amendments to have a material impact on the Fund's separate financial statements. These standards, amendments and interpretations are summarized below:

- "No Interchangeability" (Amendment to IAS 21)
- "Amendments to Classification and Measurement of Financial Instruments" (Amendments to IFRS 9 and IFRS 7)
- IAS 18 Presentation and Disclosure of Financial Statements

4. Basis of preparation

4.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and Interpretations approved by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on a going concern basis as management believes that the Bank has adequate resources to continue in operation for the foreseeable future. In making this assessment, management considered a wide range of information, including forecasts of profitability and funding requirements. The assessment also includes consideration of reasonably possible adverse economic scenarios and their potential impact on the Bank's profitability, capital and liquidity.

The Bank prepares its financial statements in accordance with the requirements of the current legislation of the Kyrgyz Republic and International Accounting Standards. These financial statements are based on the Bank's accounting records, which have been adjusted and reclassified to conform to IFRS.

4.2 Going concern

These financial statements have been prepared on the assumption that the Bank will continue as a going concern for the foreseeable future. In making this assumption, management considered the financial position, current intentions, profit from operations and access to financial resources of the Bank.

As at December 31, 2024 and 2023, the Bank's current liabilities exceeded current assets by 29,117,413 thousand KGS and 20,388,862 thousand KGS, respectively. The negative difference in liquidity of 29,117,413 thousand KGS is due to the fact that balances on current customer accounts are included in amounts due in less than one month in the liquidity disclosure, while in accordance with Management's expectations, the maturity of these customer accounts provide a long-term and stable source of funding for the Bank, as a significant portion of the Bank's customer accounts are held by state organizations (e.g. such as the Social Fund of the Kyrgyz Republic). Thus, the negative liquidity disclosure on contractual maturities up to 1 year is significantly reduced and becomes positive if behavioral maturities are applied.

As of December 31, 2024, the Bank has no breaches of covenants.

According to the order #203-r dated April 30, 2024 in order to increase the revenue part of the republican budget, in accordance with Articles 13, 17 of the Constitutional Law of the Kyrgyz Republic "On the Cabinet of Ministers of the Kyrgyz Republic", Article 115 of the Budget Code of the Kyrgyz Republic, the Ministry of Finance of the Kyrgyz Republic in accordance with the established procedure in coordination with the Committee on Budget, Economic and Fiscal Policy of the Jogorku Kenesh of the Kyrgyz Republic allocated to the Bank 4,065,666,300 (four billion sixty-five million six hundred sixty-six thousand three hundred and sixty-six thousand three hundred thousand KGS). Part of the funds in the amount of 4,065,660 thousand KGS were allocated to increase the authorized capital of the Bank.

On May 15, 2024 by the decision of the Extraordinary Meeting of Shareholders of the Bank the issue of additional 406,566 copies of ordinary shares at the expense of the state budget funds was approved in accordance with the order of the Cabinet of Ministers of the Kyrgyz Republic No. 203-r dated April 30, 2024 at the placement price (nominal value) of 10,000 (ten thousand) KGS each, total - 4,065,660,000 (four billion sixty-five million six hundred sixty thousand) KGS.

As at December 31, 2024, upon completion of the registration of the twenty-first issue of securities, part of the funds received from the shareholder were transferred to increase the share capital.

Management believes that based on current projections and measures, the Bank has sufficient funds to continue as a going concern for the foreseeable future and the going concern assumption is appropriate. In addition, Management believes that the Shareholder will continue to provide sufficient financial support to the Bank to enable it to meet its obligations for the foreseeable future, which Management believes is at least 12 months from the date of these financial statements.

4.3 Reclassification

The financial statements for 2023 have been reclassified to conform to the presentation for 2024. The current year presentation provides a clearer picture of the Bank's financial position.

Below are the reclassifications that had no effect on the Bank's balance sheet and the financial result.

Statement of Financial Position

	December 31, 2024)	Effect	December 31, 2023 (revised)
Liabilities under Islamic financing principles	97,613	(97,613)	-
Customer funds, under Islamic financing principles	-	3,542	3,542
Deferred income on Islamic financing principles	-	94,071	94,071

4.4 Basis of measurement

The financial statements have been prepared on a fair value basis for financial instruments measured at fair value through profit or loss and at fair value measured through other comprehensive income. Other financial assets and liabilities are carried at amortised cost, while non-financial assets and liabilities are carried at historical cost.

4.5 Functional and presentation currency

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The functional and presentation currency of the Bank is the Kyrgyz Som (KGS) as, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the Bank. The financial statements are presented in thousands of KGS, the national currency of the Kyrgyz Republic, which is not convertible outside of it.

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The exchange rates of foreign currencies in which the Bank transacts are presented as follows:

	December 31, 2024	December 31, 2023
1 US Dollar/KGS	87.0000	89.0853
1 EUR/KGS	90.5844	98.5328

5. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

5.1 Recognition of income and expenses

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The effective interest rate method

The effective interest rate is the rate that discounts estimated future cash flows of a financial instrument to the net carrying amount over the expected life of the financial asset or liability, or (where appropriate) a shorter period. Future cash flows are estimated by reference to all contractual terms of the instrument.

All fees and other amounts paid or received between the parties that are an integral part of the effective interest rate and that are directly attributable to a given lending arrangement are included, together with transaction costs and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognized in profit or loss at initial recognition.

Interest income/interest expense is computed by applying the effective interest rate to the gross carrying amount of non-credit-impaired financial assets (i.e., at the amortized cost of the financial asset before adjustment for any expected credit loss rate) or to the amortized cost of financial liabilities. For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the amortized cost of credit-impaired financial assets (i.e., gross carrying amount less allowance for expected credit losses (ECL)). For financial assets acquired or originated as a result of loan impairment, the effective interest rate reflects the EIR in determining future cash flows expected to be derived from the financial asset.

Amortised cost and gross carrying amount

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

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

Fee and commission income/expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 28).

Other fee and commission income - including cash transaction fees, settlement fees and other fees – is recognised as the related services are performed.

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

Other income and expense items are recognised in profit or loss when the corresponding service is provided.

Performance obligations and revenue recognition policies:

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

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

- The Bank provides banking services to retail and corporate customers, including account management, cash and settlement transactions, foreign currency transactions and servicing fees.
- Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate customers.
- Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.
- Servicing fees are charged on a monthly basis and are based on fixed rates.

- Revenue from account service and servicing fees is recognised overtime as the services are provided.
- Revenue related to transactions is recognised at the point in time when the transaction takes place.

5.2 Financial Instruments

5.2.1 Classification

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets within the scope of IFRS 9 shall be measured at either amortised or fair value after initial recognition in accordance with the entity's business model for managing financial assets and contractual cash flow characteristics.

Specifically:

- Debt instruments 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 amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments that reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Bank has not identified a change in its business models.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Upon initial recognition of equity investments that are not held for trading, the Bank may unconditionally elect to present subsequent changes in fair value in the OCI.

5.2.2 Reclassification

In the event of a change in the business model under which the Bank holds certain financial assets, such assets are reclassified. The classification and measurement requirements related to the new category are applied prospectively from the first day of the first reporting period following the occurrence of changes in the business model that led to the reclassification of the Bank's financial assets. Changes in contractual cash flows are analysed in accordance with the accounting policy. Financial liabilities are never reclassified.

5.2.3 Impairment

The Bank recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Due from banks;
- Loans to customers;
- Islamic Finance receivables;
- Investment securities at amortised cost;
- Financial assets at fair value through other comprehensive income;
- Other financial assets (Cash assets in settlements; Other accounts receivables);
- Financial guarantee contracts issued and credit commitments.

No impairment loss is recognised on equity investments.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1);
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Note 37.1

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The estimate of expected credit losses is made for individual loans or portfolios of loans with similar risk characteristics. Calculation of the estimated allowance for expected credit losses (whether on an individual or a group basis) is based on the present value of cash flows expected for the asset using the original effective interest rate.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank;
- The borrower is unlikely to pay its credit obligations to the Bank in full; or
- The borrower has more than two restructurings due to financial difficulties.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. The weighting of these different scenarios forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental

bodies, relevant think tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, lending forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a backstop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

5.2.4 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 (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize 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) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

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 the following:

- Qualitative factors. For example, after a change of conditions, the cash flows stipulated by the contract include not only payments of principal and interest; the currency of the contract or the counterparty has changed. The extent to which interest rates, maturities, and terms have changed is also analyzed.

If these 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 10% the Bank deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognized 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 paramount 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; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, 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 on forborne loans 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 recognize the financial asset and also recognizes a collateralized 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 recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized 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 recognize under continuing involvement, and the part it no longer recognizes 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 recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized 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 recognized in OCI is not subsequently reclassified to profit or loss.

5.2.5 Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- For loan commitments and financial guarantee contracts: as a provision.

Financial liabilities

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) designated as at FVTPL at initial recognition.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Net gain/(loss) on other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

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 amortized cost of a financial liability and of allocating interest expense over the relevant period.

5.2.6 Offsetting

Financial assets and liabilities, as well as income and expenses, are offset and the net amount is recognised in the financial statements when there is a legally enforceable right of set-off of recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle liabilities at the same time.

Income and expenses are recognised in net terms only to the extent permitted by IFRS or in respect of gains or losses arising from a group of similar transactions. Income and expenses are recognised in net terms only where permitted by IFRS or in respect of gains and losses arising from a group of similar transactions, such as the Bank's trading activities.

5.2.7 Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

An exchange between the Bank and a creditor of debt instruments with materially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Bank accounts for a material change in the terms of an existing financial liability or a part thereof as an extinguishment of the original financial liability and recognition of a new financial liability. Similarly, a significant change in the conditions of an existing financial liability or a part thereof (whether this change is attributable to the financial difficulties of the debtor or not) shall be accounted for as extinguishment of the initial financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-monetary assets transferred or liabilities assumed, shall be recognized in profit or loss.

Financial guarantee contracts issued by Bank are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue. The Bank has not designated any financial guarantee contracts as at FVTPL.

5.3 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBKR and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

5.4 Amounts due from financial institutions

In the course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

5.5 Trading assets and liabilities

"Trading assets and liabilities" are those assets and liabilities that The Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

5.6 Loans and advances to customers

Loans and advances are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. 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 recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

5.7 Islamic Finance operations

Murabahah

Murabahah is a transaction for the sale of an asset to the Client, acquired by the Bank at his request or already owned by the Bank. Mark-up is the Bank's profit under the Murabahah agreement, set in the form of a fixed amount or a share of the cost of the asset (goods). The amount and terms of payment of the markup are agreed between the client and the Bank and must be reflected in the amount of the concluded Murabaha agreement. The sale price of the asset by the Bank to the Client is determined by the parties to the transaction as the sum of the purchase price, including the Bank's direct costs associated with the execution of the transaction, plus the markup agreed by the parties to the transaction.

An asset acquired by an Islamic window for subsequent sale under a Murabahah transaction is recognised on the balance sheet when all the benefits and risks associated with holding the asset are transferred to the Bank's Islamic window. Assets are measured by the sum of costs, which consists of all the costs of the purchase and all the costs associated with bringing the asset to its current location and condition. This includes all taxes (except for those that will later be recovered), transportation costs, insurance costs, agent costs (if the asset is purchased by the Bank's Islamic Window through an agent).

The expenses incurred by the client as an agent of the Bank's Islamic Window to bring the asset to its current location and condition are also included in the value of the asset when it is measured. Discounts are deducted from the value of the asset.

The Bank must make sure that the supplier of the goods is a third party and not the client (the final buyer of the goods) or his representative. The supplier of the goods must be a third party in relation to the client and the Bank. It is not allowed for the client to act as a seller in a transaction of purchase and sale of goods to the Bank, or as a client under a Murabahah agreement with the Bank.

Murabahah financing receivables are recognised on the balance sheet of the Bank's Islamic Window at the time the Murabahah financing agreement comes into effect, i.e. when all the benefits and risks associated with the ownership of the asset are transferred to the client.

Murabahah operations and other Islamic financing are measured at amortised cost if both of the following conditions are met:

- the asset is held as part of a business model, the purpose of which is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and profits.

The markup is calculated monthly in accordance with the terms of the Murabahah agreement. Funds received from the client in the form of a penalty (fine, penalty) are not the Bank's income, and are accepted from the client to the account of other liabilities, which are subsequently directed by the Bank for charitable purposes (needed) to organizations not affiliated with the Bank.

Qard

Qard is a transaction to attract monetary resources, under which one party presents funds to the other party in the form of an interest-free loan (without payment of remuneration to the client) on the terms of safety, full repayment of the deposit on demand and with the possibility of free disposal of them. The recipient of funds, in turn, guaranteeing the safety of funds and their release at the first request to the providing party, can use these attracted resources in its operations based on the principles of Islamic banking and financing.

Basically, the assets that have arisen as a result of Islamic client financing are financial assets with a fixed or expected return payment. These assets are not listed in an active market. They arise when the Bank provides funds directly to the client without the intention of trading in the receivables. Financial liabilities are liabilities carried at amortised cost.

5.8 Investment securities

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

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

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

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

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

5.9 Sale (purchase) transactions of securities with the obligation of repurchase (sale)

Sale and repurchase agreements (repos) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to financial institutions or customers.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate and are not recognized in the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return the securities is recorded as a trading liability and measured at fair value.

5.10 Leases

For any new contracts the Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset that is either explicitly stated in the contract or implicitly identified by identification at the time the asset is made available to the Bank,
- The bank has the right to receive almost all economic benefits from the use of the identified asset during the entire period of use, taking into account its rights within a certain scope of the contract.

- The bank has the right to determine the method of use of the identified asset throughout the entire period of use. The bank assesses whether it has the right to specify "how and for what purposes" the asset is used during the entire period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At commencement, the Bank measures the lease liability at the present value of the lease payments outstanding at that date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in the other liabilities.

Bank as a lessor

As a lessor the Bank classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

5.11 Property and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost less accumulated depreciation and impairment losses.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation of property, plant and equipment is accrued on a straight-line basis over their estimated useful lives and is recognised in profit or loss. The estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period. Depreciation commences on the date of acquisition, or in respect of internally

constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Estimated useful lives are as follows:

	<u>Useful life (years)</u>	<u>Rate (%)</u>
Buildings	50	2%
Constructions	10-25	4-10%
Leasehold improvements	3	33%
Computers	3-10	20%-33%
Furniture and office equipment	3-15	6,7%-33%
Vehicles	5-10	10-20%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5.12 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful life averages from 5 to 10 years, however, in accordance with the Bank's Accounting Policy, the useful life can be established for assets on an individual basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried forward to a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

5.13 Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost and fair value less costs to sell.

5.14 Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

5.15 Government grants

Government grants are assistance provided by the Government, government agencies and state-owned entities in the form of transferring resources to the Bank in exchange for compliance with certain past or future conditions that are relevant to the Bank's operations. Government grants are not recognised unless there is reasonable assurance that the Bank will meet all associated conditions and receive the specified grants.

5.16 Borrowings

Borrowings, which include amounts due to the National bank of Kyrgyz Republic, amounts due to financial institutions, amounts due to customers are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

5.16.1 Interest-free and below market interest rate borrowed funds

Borrowed funds received for a provision of finance lease loans to customers from the Ministry of Finance of the Kyrgyz Republic within the frame of interstate programs with other foreign countries and under programs with international organisations and funds represent government loans and received at below market or zero interest rate.

The benefit from obtaining a government loan at a below-market interest rate is treated as a government grant. The benefit from the below-market interest rate is measured as the difference between the fair value of the loan at initial recognition and the amount of proceeds.

Further, such government grants are amortised using the effective interest rate method over the period of the government loan and recognised in profit or loss as Amortisation of government grants.

5.17 Interest prepaid by the MFKR to subsidize agricultural financing

A government assistance from the MFKR represent a reimbursement of the difference in interest rates between stated and market interest rates on loans issued to customers within the program of agricultural financing. The difference in interest rates is recorded as accounts receivable and a government grant.

Amortisation of the government grant is recognised in profit or loss under Amortisation of the government grant on a straight-line basis over the life of the respective loans to customers.

5.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are

taxable or deductible in other years and items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary.

Differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5.19 Operating taxes

In the Kyrgyz Republic, where the Bank operates, there are requirements for the accrual and payment of various taxes applicable to the Bank's activities, other than income tax. These taxes are reflected in the income statement / income statement and other comprehensive income as part of operating expenses.

5.20 Financial guarantees and loan commitment

"Financial guarantees" are contracts that require The Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. "Loan commitments" are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

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

5.21 Provisions

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

5.22 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.

5.23 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

5.24 Share Capital

Share Capital

Ordinary shares are classified as share capital. Costs directly attributable to the issuance of common shares and stock options are recognized as a reduction to share capital, net of any tax effects. The excess of contributions to the authorized capital over the par value of issued shares is recognized as share premium.

Retained earnings

Includes retained earnings of the current and previous periods.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Kyrgyz legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

6. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies the Bank management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 period.

6.1 Critical accounting judgements

Classification of Financial Assets

The bank evaluates the business model in which the assets are held and assesses whether the contractual terms of the financial asset are solely payments of principal and interest on the principal. (See Note 5.2.1).

Establish criteria for calculating ECL

The Bank establishes the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determines methodology for incorporating forward-looking information into measurement of ECL and selects and approves of models used to measure ECL

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

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

- quantitative test based on movement in probability of default (PD);
- qualitative indicators, such as prolongation and restructures;
- overdue – overdue of more than 30 days and less than 90 days
- default (Stage 3) for the last 12 months. There is a significant increase in credit risk when, despite the fact that at the reporting date the balance is not classified as default, the debt over the past 12 months was at least once in the Stage 3;
- cross default: overdue on other loans of the borrower in the Bank or other financial institutions (if there is an information from other financial institutions or a credit bureau) for more than 30 days and less than 90 days.

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

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

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

Definition of default

A financial asset is classified by the Bank as a financial asset that is subject to an event of default in the following cases:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without resource by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

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

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank

formulates three economic scenarios: a basic case, which is the median scenario and two less likely scenarios, one optimistic and one pessimistic.

The basic scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the country where the Bank operates, such as the National Statistic Committee and the Ministry of Economy of the Kyrgyz Republic.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of Financial instruments and, using an analysis of historical data of 2014-2023, has estimated relationships between macro-economic variables and credit risk and credit losses.

The basic economic scenarios used for loan portfolio as at December 31, 2023 and December 31, 2022 included the following key indicators for the Kyrgyz Republic:

	2024	2023
<i>Macroeconomic variables</i>		
GDP, real (percent, y/y) ⁱ	9.04	4,6
Inflation (percent y/y) ⁱⁱ	6.21	8,9
Import (percent y/y) ⁱⁱⁱ	(6.80)	12,64
Unemployment rate (percent y/y) ^{iv}	1.80	5,2
Official exchange rate (KGS per US dollar, average (percent, y/y)	(2.51)	4,5
Foreign trade turnover (percent, YoY) ^v	0.87	8,24

Data sources:

ⁱ Main Macroeconomic Indicators of the Kyrgyz Republic, NBKR Bulletin. /Macroeconomic forecast EDB for 2024-2026

ⁱⁱ Main Macroeconomic Indicators of the Kyrgyz Republic, NBKR Bulletin. / Macroeconomic forecast EDB for 2024-2026

ⁱⁱⁱ Table V.3. Import structure (by sections of the Commodity Classification of Foreign Economic Activity), NBKR Bulletin / Main socio-economic indicators of development of the Kyrgyz Republic for 2023–2027

^{iv} *Basic macroeconomic indicators of the Kyrgyz Republic, Bulletin of the NBCR. / Main socio-economic indicators of development of the Kyrgyz Republic for 2023-2027*

^v *National Statistical Committee of the Kyrgyz Republic: Export-Import Operations of the Kyrgyz Republic / Main Socio-Economic Development Indicators of the Kyrgyz Republic for 2023–2027*

Estimated expected credit losses (ECL)

The main inputs for estimating expected credit losses are likely to be the temporal structures of the following variables:

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

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

Generating the term structure of PD

In calculating the ECL, as indicated above, the 12-month weighted average PD (adjusted by macroeconomic factor) for Stage 1 is used, and the weighted average lifetime PD (adjusted by macroeconomic factor) is used for Stages 2 and 3.

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

Bank decided to use an interval of 9 years. The annual interval is chosen due to the fact that the average loan term is 9 years.

For the calculation of PD, all loans are allocated to portfolios and stages. Then the same portfolio of loans is ranked by data categories at the end of the period under consideration.

Calculation of LGD

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV (loan-to-value) ratios are a key parameter in determining LGD. LTV ratios are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Calculation of EAD

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

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

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

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

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

Separate market borrowed funds

Other borrowed funds received from the MFKR, State Mortgage Company, Russian – Kyrgyz Development Fund (RKDF) and Bakubat Talas Welfare Fund represent a separate market due to the specific nature of clients and conditions of the lending. The specific nature of clients and conditions of the lending include specific industry of economy, geographic region, term and maturity and a specific interest rate that a Bank would demand in making a further lending to its clients. This interest rate would reflect the borrower's credit risk, taking into account the purpose of the loan, the loan amount, currency, duration and minimum profit of the Bank which is determined by creditor.

6.2 Key sources of estimation uncertainty

The below are listed key estimations that the management have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Determining the number and relative weights of forward-looking scenarios for each product/market type and identifying forward-looking information related to each scenario. In assessing the ECL, the Bank uses reasonable and supportable forward-looking information that is based on assumptions about the future movement of various

economic factors and how these factors will affect each other. (refer to Note 37 for more details), including a sensitivity analysis of the reported ECL to changes in estimated future information.

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Bank uses valuation models to determine the fair value of its financial instruments. Refer to Note 34 for more details on fair value measurement.

Useful life of property, plant and equipment

The useful lives of property, plant and equipment are determined using judgment based on the organization's experience with similar assets. Future economic benefits are embodied in the assets and are consumed principally through use.

However, factors such as operational, technical or commercial depreciation often result in a reduced economic benefit of the asset. Management assesses the remaining useful life in accordance with the current technical condition of the asset and the expected period during which the Bank expects to obtain benefits. The following primary factors are considered in estimating the remaining useful life: expected usage of the asset, depending on operational factors and maintenance program, that is, depreciation and technical and commercial depreciation resulting from changes in market conditions.

Continuation of lease agreement

When the Bank has an option to renew a lease, management uses its judgment to determine whether it is reasonably certain that the option will be exercised. Management considers all facts and circumstances, including its past practices and any costs that would be incurred to replace the asset if the renewal option were not exercised, to determine the lease term.

7. Cash and cash equivalents

<i>In thousands of Kyrgyz soms</i>	2024	2023
Cash on hand	15,236,543	12,082,134
Nostro accounts with the NBKR	7,503,739	5,076,561
Nostro accounts with other banks:		
rated from A- to AA+	8,092,828	948,346
rated BBB- to BBB+	4,664,484	95,770
rated BB- to BB+	3,921,883	168,175
rated below B+	1,005,411	10,855
not rated	3,266,912	3,667,029
	20,951,518	4,890,175
Cash equivalents:		
Term deposit with the NBKR with original maturity less than three months, rated B	29,800,000	1,000,000
Securities with maturity of up to 30 days	-	20,581,746
Total cash equivalents	29,800,000	21,581,746
Total cash and cash equivalents	73,491,800	43,630,616
Less: allowance for expected credit losses	(188,136)	(13,795)
Total cash and cash equivalents	73,303,664	43,616,821

As of December 31, 2024 and 2023 balances with the NBKR include KGS 7,575,966 thousand and KGS 4,700,148 thousand, respectively, comprising obligatory reserves in the NBKR. The Bank's ability to withdraw from such accounts is not restricted by the Kyrgyz legislation.

The credit ratings are presented by reference to the credit ratings of Moody's credit ratings agency or other similar international credit rating agencies. No placements with banks are past due.

As of December 31, 2024 the Bank has balances with one bank, whose balances exceed 10% of equity (December 31, 2023: one bank). The gross value of these balances as of December 31, 2024 is KGS 3,778,108 thousand (December 31, 2023: KGS 1,954,907 thousand).

8. Loans and advances to banks and other financial institutions

In thousands of Kyrgyz soms	2024	2023
Deposits in other financial institutions	9,129,715	9,370,970
Loans to financial institutions	974,248	291,868
Deposit in NBKR	66,655	27,326
Accrued interest	5,305	1,658
Total loans and advances to banks and other financial institutions	<u>10,175,923</u>	<u>9,691,822</u>
Less: allowance for expected credit losses	(44,595)	(20,907)
Total loans and advances to banks and other financial institutions	<u><u>10,131,328</u></u>	<u><u>9,670,915</u></u>

As at December 31, 2023, deposits with other financial institutions include a security deposit from Frontera Capital Frontier in the amount of KGS 890,853 thousand maturing on October 27, 2024, which served as collateral for a loan granted to Frontera Capital Frontier (Note 21), as at December 31, 2024 this loan was repaid and on September 12, 2024 the collateral was returned to the Bank under the loan agreement.

9. Derivative financial instruments

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation.

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out below.

In thousands of Kyrgyz soms	2024			2023		
	Nominal value	Fair value of assets	Fair value of obligations	Nominal value	Fair value of assets	Fair value of obligations
Derivatives held for sale						
Currency transactions	9,617,754	-	(578,452)	8,098,214	-	(384,113)
Total derivatives	<u>9,617,754</u>	<u>-</u>	<u>(578,452)</u>	<u>8,098,214</u>	<u>-</u>	<u>(384,113)</u>

10. Loans to customers

In thousands of Kyrgyz soms	2024	2023
Loans to customers at amortised cost	49,773,253	41,856,569
Less: allowance for expected credit losses	(2,383,661)	(2,957,660)
Total loans to customers net of allowance for impairment losses	<u>47,389,592</u>	<u>38,898,909</u>

Loans to customers comprise:

In thousands of Kyrgyz soms	2024	2023
Loans to corporate clients	7,175,755	5,584,852
<i>Loans to retail clients:</i>		
- Loans to small businesses	22,432,982	21,597,098
- Mortgage loans	7,787,489	5,768,436
- Finance lease	5,518,462	4,446,413
- Consumer loans	6,858,565	4,459,770
Total loans to retail customers	<u>42,597,498</u>	<u>36,271,717</u>
Loans to customers before deducting allowance for expected credit losses	49,773,253	41,856,569
Less: allowance for expected credit losses	(2,383,661)	(2,957,660)
Total loans to customers net of allowance for impairment losses	<u>47,389,592</u>	<u>38,898,909</u>

As at December 31, 2024 and 2023 a significant amount of loans is granted to companies operating in the Kyrgyz Republic, which represents a significant geographical concentration in one region.

Finance Lease

Included in loans to customers are the following amounts of receivables under finance lease agreements for agricultural equipment in which the Bank is the lessor and consisting of:

In thousands of Kyrgyz soms	2024	2023
For up to 1 year	402,463	323,943
For more than one year, but less than five years	4,446,808	3,579,235
For more than 5 years	2,028,388	1,632,649
Minimum rent payments	6,877,659	5,535,827
Less: unearned financial income	(1,359,197)	(1,089,414)
	<u>5,518,462</u>	<u>4,446,413</u>
Less: allowance for expected credit losses	(128,120)	(163,755)
Net investment in the finance lease	<u>5,390,342</u>	<u>4,282,658</u>

During the year, finance lease receivables increased for the following reasons: increase in prices for machinery due to respective increase in customs duties on imports from countries that are not part of the Eurasian customs union, along with an increase in the foreign exchange rate, as well as an increase in the amount of financial leases on agricultural machinery.

The Bank entered into finance lease agreements as a lessor for tractors, combines, industrial equipment, attachments, special equipment, cars, and breeding cattle. The average finance lease term is 5 years with subsequent purchase upon full repayment by the borrowers.

The Bank is not significantly exposed to currency risk on leases because of December 31, 2025 5.2% of finance leases are denominated in foreign currencies (2023 – 4.4%). The risk of residual value of leased equipment is not significant due to the existence of a secondary market for the equipment.

Credit quality analysis

The following table provides information on the credit quality of financial assets measured at amortised cost as of December 31, 2024. Unless otherwise stated, for financial assets, the amounts in the table represent the gross carrying amounts. For an explanation of the terms "Assets related to Stage 1", "Assets related to Stage 2" and "Assets related to Stage 3" please refer to Note 5.

In thousands of Kyrgyz soms	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to corporate clients				
No overdue	5,985,551	993,653	31,257	7,010,461
Overdue for less than 30 days	66,026	-	26,608	92,634
Overdue 30- 59 days	-	56,201	16,459	72,660
Overdue 60- 89 days	-	-	-	-
Overdue 90-179 days	-	-	-	-
Overdue for more than 180 days	-	-	-	-
	6,051,577	1,049,854	74,324	7,175,755
Less: allowance for expected credit losses	(136,992)	(134,557)	(8,940)	(280,489)
Book value	5,914,585	915,297	65,384	6,895,266
Loans to small businesses				
No overdue	19,172,833	507,476	512,606	20,192,915
Overdue for less than 30 days	90,106	76,475	139,077	305,658
Overdue 30- 59 days	-	40,801	17,608	58,409
Overdue 60- 89 days	-	16,566	11,297	27,863
Overdue 90-179 days	-	-	138,803	138,803
Overdue for more than 180 days	-	-	1,709,334	1,709,334
	19,262,939	641,318	2,528,725	22,432,982
Less: allowance for expected credit losses	(127,775)	(39,065)	(1,664,485)	(1,831,325)
Book value	19,135,164	602,253	864,240	20,601,657
Mortgage loans				
No overdue	7,405,809	261,572	52,489	7,719,870
Overdue for less than 30 days	24,213	5,695	6,117	36,025
Overdue 30- 59 days	-	13,917	6,349	20,266
Overdue 60- 89 days	-	1,133	8,424	9,557
Overdue 90-179 days	-	-	-	-
Overdue for more than 180 days	-	-	1,771	1,771
	7,430,022	282,317	75,150	7,787,489
Less: allowance for expected credit losses	(37,788)	(15,970)	(19,360)	(73,118)
Book value	7,392,234	266,347	55,790	7,714,371

	2024			
In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
Finance lease				
No overdue	5,016,632	308,622	46,825	5,372,079
Overdue for less than 30 days	24,041	25,966	13,244	63,251
Overdue 30- 59 days	-	7,056	3,978	11,034
Overdue 60- 89 days	-	11,497	7,544	19,041
Overdue 90-179 days	-	-	14,542	14,542
Overdue for more than 180 days	-	-	38,515	38,515
	<u>5,040,673</u>	<u>353,141</u>	<u>124,648</u>	<u>5,518,462</u>
Less: allowance for expected credit losses	(54,564)	(40,421)	(33,135)	(128,120)
Book value	<u>4,986,109</u>	<u>312,720</u>	<u>91,513</u>	<u>5,390,342</u>
Потребительские кредиты				
No overdue	6,640,207	124,030	17,177	6,781,414
Overdue for less than 30 days	23,032	14,426	957	38,415
Overdue 30- 59 days	-	7,006	2,379	9,385
Overdue 60- 89 days	-	1,822	2,387	4,209
Overdue 90-179 days	-	237	11,413	11,650
Overdue for more than 180 days	-	-	13,492	13,492
	<u>6,663,239</u>	<u>147,521</u>	<u>47,805</u>	<u>6,858,565</u>
Less: allowance for expected credit losses	(37,517)	(12,950)	(20,142)	(70,609)
Book value	<u>6,625,722</u>	<u>134,571</u>	<u>27,663</u>	<u>6,787,956</u>
Total loans to retail customers	<u>38,396,873</u>	<u>1,424,297</u>	<u>2,776,328</u>	<u>42,597,498</u>
Less: allowance for expected credit losses	(257,644)	(108,406)	(1,737,122)	(2,103,172)
Loans to retail customers net of allowance for expected credit losses	<u>38,139,229</u>	<u>1,315,891</u>	<u>1,039,206</u>	<u>40,494,326</u>
Total loan to customers	<u><u>44,448,450</u></u>	<u><u>2,474,151</u></u>	<u><u>2,850,652</u></u>	<u><u>49,773,253</u></u>
Total allowance for expected credit losses	<u><u>(394,636)</u></u>	<u><u>(242,963)</u></u>	<u><u>(1,746,062)</u></u>	<u><u>(2,383,661)</u></u>
Total loan to customers less allowance for expected credit losses	<u><u>44,053,814</u></u>	<u><u>2,231,188</u></u>	<u><u>1,104,590</u></u>	<u><u>47,389,592</u></u>

The following table provides information on the credit quality of financial assets measured at amortised cost as of December 31, 2023.

	2023			
In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
Loans to corporate clients				
No overdue	4,425,309	674,631	134,658	5,234,598
Overdue for less than 30 days	7,703	20,008	2,855	30,566
Overdue 30- 59 days	-	93,983	1,050	95,033
Overdue 60- 89 days	-	50,222	5,820	56,042
Overdue 90-179 days	-	-	151,930	151,930
Overdue for more than 180 days	-	-	16,683	16,683
	4,433,012	838,844	312,996	5,584,852
Less: allowance for expected credit losses	(126,718)	(171,502)	(200,712)	(498,932)
Book value	4,306,294	667,342	112,284	5,085,920
Loans to small businesses				
No overdue	17,764,421	641,694	290,793	18,696,908
Overdue for less than 30 days	80,865	45,748	74,831	201,444
Overdue 30- 59 days	-	52,904	144,084	196,988
Overdue 60- 89 days	-	14,244	17,639	31,883
Overdue 90-179 days	-	458	73,206	73,664
Overdue for more than 180 days	-	-	2,396,211	2,396,211
	17,845,286	755,048	2,996,764	21,597,098
Less: allowance for expected credit losses	(158,437)	(55,824)	(1,943,601)	(2,157,862)
Book value	17,686,849	699,224	1,053,163	19,439,236
Mortgage loans				
No overdue	5,379,799	312,903	27,996	5,720,698
Overdue for less than 30 days	9,474	13,205	1,190	23,869
Overdue 30- 59 days	4,982	8,870	1,880	15,732
Overdue 60- 89 days	-	3,301	-	3,301
Overdue 90-179 days	-	752	68	820
Overdue for more than 180 days	-	-	4,016	4,016
	5,394,255	339,031	35,150	5,768,436
Less: allowance for expected credit losses	(35,336)	(26,887)	(7,476)	(69,699)
Book value	5,358,919	312,144	27,674	5,698,737
Finance lease				
No overdue	4,128,225	227,086	8,652	4,363,963
Overdue for less than 30 days	8,851	25,966	2,419	37,236
Overdue 30- 59 days	-	11,009	9,575	20,584
Overdue 60- 89 days	-	183	-	183
Overdue 90-179 days	-	-	12,236	12,236
Overdue for more than 180 days	-	-	12,211	12,211
	4,137,076	264,244	45,093	4,446,413

2023

In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
Less: allowance for expected credit losses	(82,694)	(56,307)	(24,754)	(163,755)
Book value	4,054,382	207,937	20,339	4,282,658
Consumer loans				
No overdue	4,311,763	90,422	8,456	4,410,641
Overdue for less than 30 days	8,830	6,792	1,088	16,710
Overdue 30- 59 days	2,948	6,963	410	10,321
Overdue 60- 89 days	-	1,829	3,544	5,373
Overdue 90-179 days	-	89	2,224	2,313
Overdue for more than 180 days	-	-	14,412	14,412
	4,323,541	106,095	30,134	4,459,770
Less: allowance for expected credit losses	(40,513)	(12,088)	(14,811)	(67,412)
Book value	4,283,028	94,007	15,323	4,392,358
Total loans to retail customers	31,700,158	1,464,418	3,107,141	36,271,717
Less: allowance for expected credit losses	(316,980)	(151,106)	(1,990,642)	(2,458,728)
Loans to retail customers net of allowance for expected credit losses	31,383,178	1,313,312	1,116,499	33,812,989
Total loan to customers	36,133,170	2,303,262	3,420,137	41,856,569
Total allowance for expected credit losses	(443,698)	(322,608)	(2,191,354)	(2,957,660)
Total loan to customers less allowance for expected credit losses	35,689,472	1,980,654	1,228,783	38,898,909

Modified financial assets

As of December 31, 2024 and December 31, 2023 loans overdue by less than 90 days and allocated to stage 3 to in the tables above, are mainly represented by loans restructured due to the financial difficulties of the borrowers, for which the stabilization period have not yet expired.

Available collateral and other means of improving loan quality

The tables below provide information on collateral and other credit enhancements for loans to customers by type of collateral as of December 31, 2024 and 2023.

2024

In thousands of Kyrgyz soms	Gross carrying value	Loss allowance provision	Carrying value	Property and other types of collateral	Cash deposits	Unsecured	Total
Loans to corporate clients	7,175,755	(280,489)	6,895,266	6,870,856	24,410	-	6,895,266
Loans to small businesses	22,432,982	(1,831,325)	20,601,657	18,461,373	1,496	2,138,788	20,601,657
Mortgage loans	7,787,489	(73,118)	7,714,371	7,714,199	-	172	7,714,371
Finance lease	5,518,462	(128,120)	5,390,342	5,390,342	-	-	5,390,342
Consumer loans	6,858,565	(70,609)	6,787,956	5,493,905	11,075	1,282,976	6,787,956

Total	<u>49,773,253</u>	<u>(2,383,661)</u>	<u>47,389,592</u>	<u>43,930,675</u>	<u>36,981</u>	<u>3,421,936</u>	<u>47,389,592</u>
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2023

In thousands of Kyrgyz soms	Gross carrying value	Loss allowance provision	Carrying value	Property and other types of collateral	Cash deposits	Unsecured	Total
Loans to corporate clients	5,584,852	(498,932)	5,085,920	4,933,801	152,119	-	5,085,920
Loans to small businesses	21,597,098	(2,157,862)	19,439,236	17,164,963	2,843	2,271,430	19,439,236
Mortgage loans	5,768,436	(69,699)	5,698,737	5,698,394	-	343	5,698,737
Finance lease	4,446,413	(163,755)	4,282,658	4,282,658	-	-	4,282,658
Consumer loans	4,459,770	(67,412)	4,392,358	3,228,157	162,971	1,001,230	4,392,358
Total	<u>41,856,569</u>	<u>(2,957,660)</u>	<u>38,898,909</u>	<u>35,307,973</u>	<u>317,933</u>	<u>3,273,003</u>	<u>38,898,909</u>

2023

Fair value of available collateral:

According to the Bank's policy, the ratio between the loan amount and the value of the collateral should be at a minimum 80%. For certain loans, the Bank revises the appraised value of collateral as at the date of the loan to its present value, considering the estimated changes in the value of real estate objects. The Bank may also make an individual assessment of collateral at each reporting date if any indication of impairment arises.

Withdraw security

During the year ended December 31, 2024 the Bank acquired a number of assets by obtaining control over collateral for loans to customers with a net carrying amount of KGS 543,662 thousand (year ended December 31, 2023: KGS 361,578 thousand). These assets are presented in the line "Other assets" as seized property. The Bank's practice is to sell this property or lease it under a finance lease.

Pledged assets

As of December 31, 2024 the Bank provided a loan portfolio of 2,484 loans in the amount of KGS 3,716,470 thousand as collateral for borrowed funds of State Mortgage Company OJSC. (as of December 31, 2023: 2,807 loans in the amount of KGS 4,017,518 thousand). Also loans with a carrying amount of KGS 102,284 thousand (December 31, 2023: KGS 312,650 thousand) served as collateral for loans provided to the Bank by the Russian-Kyrgyz Development Fund.

Analysis of the loan portfolio by industry

Loans were issued primarily to customers operating in the Kyrgyz Republic who operate in the following sectors of the economy:

In thousands of Kyrgyz soms	Gross carrying value	ECL	Net carrying value
Loans for agriculture			
<i>Livestock raising, including:</i>	<u>10,973,451</u>	<u>(127,828)</u>	<u>10,845,623</u>
- Increase in the number of cattle	7,861,654	(57,637)	7,804,017
- Sheep breeding	1,027,197	(4,486)	1,022,711
- Horse breeding	1,525,261	(9,906)	1,515,355
- Other	559,339	(55,799)	503,540

In thousands of Kyrgyz soms	Gross carrying value	ECL	Net carrying value
<i>Crop production, including:</i>	6,352,604	(99,273)	6,253,331
- Finance lease	4,699,545	(87,476)	4,612,069
- Cereals	487,902	(4,496)	483,406
- Vegetable growing	438,901	(3,465)	435,436
- Other	726,256	(3,836)	722,420
<i>Poultry, beekeeping and other loans for agriculture</i>	201,903	(7,934)	193,969
Total loans for agriculture	17,527,958	(235,035)	17,292,923
Mortgage loans	4,178,605	(596,981)	3,581,624
Trade	7,231,127	(790,868)	6,440,259
Consumer loans	7,854,994	(73,644)	7,781,350
Manufacturing	1,796,773	(289,831)	1,506,942
Services	6,858,565	(70,609)	6,787,956
Construction	1,328,464	(45,374)	1,283,090
Transport	1,170,295	(29,263)	1,141,032
Other loans to small businesses	1,826,472	(252,056)	1,574,416
Total	49,773,253	(2,383,661)	47,389,592

In thousands of Kyrgyz soms	Gross carrying value	ECL	2023 Net carrying value
Loans for agriculture			
<i>Livestock raising, including:</i>	10,407,977	(181,634)	10,226,343
- Increase in the number of cattle	7,708,193	(88,929)	7,619,264
- Sheep breeding	1,250,988	(12,507)	1,238,481
- Horse breeding	1,038,784	(9,253)	1,029,531
- Other	410,012	(70,945)	339,067
<i>Crop production, including:</i>	7,346,531	(317,636)	7,028,895
- Finance lease	5,792,890	(300,169)	5,492,721
- Cereals	504,579	(5,383)	499,196
- Vegetable growing	311,730	(1,454)	310,276
- Other	737,332	(10,630)	726,702
<i>Poultry, beekeeping and other loans for agriculture</i>	91,476	(7,728)	83,748
Total loans for agriculture	17,845,984	(506,998)	17,338,986
Mortgage loans	5,796,793	(70,034)	5,726,759
Trade	5,132,118	(522,653)	4,609,465
Consumer loans	4,459,770	(67,413)	4,392,357
Manufacturing	3,480,197	(603,509)	2,876,688
Services	1,882,243	(622,375)	1,259,868
Construction	1,104,167	(156,504)	947,663
Transport	973,648	(28,480)	945,168

In thousands of Kyrgyz soms	Gross carrying value	ECL	2023 Net carrying value
Other loans to small businesses	1,181,649	(379,694)	801,955
Total	41,856,569	(2,957,660)	38,898,909

Concentration of loans to customers

As of December 31, 2024 there were no borrowers accounting for more than 10% of equity (December 31, 2023: nil).

Loan maturities

The maturities of loans constituting the Bank's loan portfolio as at the reporting date are disclosed in (Note 38.2) and represent the periods from the reporting date to the maturity date for loan agreements.

Below is information on restructured loans to customers who applied to the Bank during 2024 and 2023, which otherwise would be overdue or impaired. Restructuring is a change in the terms of the loan agreement due to the deterioration of the financial position of the borrower. Prolongation of the credit refers to the prolongation of the payment of principle and interest.

Industry	Restructured loans	Prolonged loans	ECL	2024 Total carrying value
Mortgage	379,411	9,198	(8,638)	379,971
Service	343,661	130,533	(262,872)	211,322
Manufacturing and processing industry	54,812	420,804	(327,391)	148,225
Finance lease	114,715	8,883	(12,280)	111,318
Trade	211,736	50,942	(156,773)	105,905
Construction	18,144	15,298	(437)	33,005
Livestock raising	101,395	63,671	(45,926)	119,140
Horticulture & Agriculture	11,811	24,510	(2,938)	33,383
Consumer loans	17,734	4,089	(2,663)	19,160
Agro-Service	4,424	-	(196)	4,228
Other	5,155	48,378	(12,362)	41,171
Total	1,262,998	776,306	(832,476)	1,206,828

Industry	Restructured loans	Prolonged loans	ECL	2023 Total carrying value
Mortgage	465,793	11,192	(14,523)	462,462
Service	810,511	108,695	(615,988)	303,218
Manufacturing and processing industry	89,256	540,922	(396,155)	234,023
Finance lease	175,872	13,043	(24,591)	164,324
Trade	263,678	81,859	(185,865)	159,672
Construction	234,665	37,827	(139,361)	133,131
Livestock raising	158,805	5,341	(57,795)	106,351
Horticulture & Agriculture	26,737	23,760	(5,723)	44,774

Industry				2023
	Restructured loans	Prolonged loans	ECL	Total carrying value
Consumer loans	13,008	5,451	(2,515)	15,944
Agro-Service	11,620	232	(4,322)	7,530
Other	4,957	31,490	(11,659)	24,788
Total	2,254,902	859,812	(1,458,497)	1,656,217

11. Islamic Finance receivables

	2024	2023
<i>Murabahah Operations</i>		
- Legal entities	781,550	114,994
- Individuals	1,705,865	208,776
	2,487,415	323,770
Less: Net of allowance for expected credit losses	(33,043)	(9,045)
Total Islamic Finance receivables	2,454,372	314,725

Credit quality analysis

The following table provides information on the credit quality of Islamic finance receivables as of December 31, 2024. Unless otherwise indicated, the amounts in the table reflect the gross carrying amount of financial assets. An explanation of the terms "Stage 1 assets", "Stage 2 assets" and "Stage 3 assets" is provided in Note 5.

In thousands of Kyrgyz soms				2024
	Stage 1	Stage 2	Stage 3	Total
Islamic Finance receivables				
No overdue	2,465,583	21,832	-	2,487,415
	2,465,583	21,832	-	2,487,415
Less: allowance for expected credit losses	(29,777)	(3,266)	-	(33,043)
Total Islamic Finance receivables	2,435,806	18,566	-	2,454,372

In thousands of Kyrgyz soms				2023
	Stage 1	Stage 2	Stage 3	Total
Islamic Finance receivables				
No overdue	323,725	45	-	323,770
	323,725	45	-	323,770
Less: allowance for expected credit losses	(9,037)	(8)	-	(9,045)
Total Islamic Finance receivables	314,688	37	-	314,725

Collateral

Information on collateral for Murabahah transactions with clients is as follows:

In thousands of Kyrgyz soms							2024
	Gross carrying value	Loss allowance provision	Carrying value	Property and other types of collateral	Cash deposits	Unsecured	Total
Islamic Finance receivables	2,487,415	(33,043)	2,454,372	2,439,873	-	14,499	2,454,372
Total	2,487,415	(33,043)	2,454,372	2,439,873	-	14,499	2,454,372

In thousands of Kyrgyz soms	Gross carrying value	Loss allowance provision	Carrying value	Property and other types of collateral	Cash deposits	Unsecured	Total
Islamic Finance receivables	323,770	(9,045)	314,725	310,314	-	4,411	314,725
Total	323,770	(9,045)	314,725	310,314	-	4,411	314,725

Analysis of Murabaha's portfolio by industry

Murabahah receivables were issued primarily to customers operating in the Kyrgyz Republic who operate in the following sectors of the economy:

	2024	2023
Mortgage loans	1,695,326	159,445
Agriculture	382,657	47,851
Consumer loans	154,660	22,345
Trade	143,517	45,864
Manufacturing	72,426	40,473
Services	18,438	-
Transport	18,161	951
Construction	2,230	6,841
	2,487,415	323,770
Less: allowance for expected credit losses	(33,043)	(9,045)
Total	2,454,372	314,725

12. Investment in securities

Investment securities measured at amortized cost

In thousands of Kyrgyz soms	2024	Weighted average rate	2023	Weighted average rate
<i>Held by the bank</i>				
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	20,288,119	9.5%	14,561,815	6.2
Less: allowance for expected credit losses	(99,215)		(74,453)	-
Total investments in securities	20,188,904	-	14,487,362	-

As of December 31, 2024 and 2023 investment securities measured at amortized cost are in Stage 1. Investment securities are not overdue.

As of December 31, 2024 investment securities totaling KGS 606,729 thousand were pledged as collateral for debts received by the Bank (RKDF - KGS 606,729 thousand) (as at December 31, 2022 KGS 641,729 thousand, respectively).

Investment securities at fair value through other comprehensive income

Name	Country of registration	% controlling share		In thousands of Kyrgyz soms	
		2024	2023	2024	2023
Interbank Processing Center CJSC	Kyrgyz Republic	2.06%	2.06%	25,762	13,429

Name	Country of registration	% controlling share		In thousands of Kyrgyz soms	
		2024	2023	2024	2023
Total				25,762	13,429

As of December 31, 2024 and December 31, 2023 financial assets at fair value through other comprehensive income represent shares of Interbank Processing Center CJSC. Management believes that the estimated fair value of these instruments is approximately equal to their value as of December 31, 2024 and 2023.

13. Property and equipment, intangible assets

	In thousands of Kyrgyz soms					Total	
	Initial cost	Land, buildings, construction	Office equipment	Computers	Transport		Computer software
At December 31, 2022	252,427	659,403	248,578	111,638	297,511	270,677	1,840,234
Additions	22,612	339,930	46,088	43,974	73,733	27,984	554,321
Disposals	(1,547)	(43,520)	(8,688)	-	(35,019)	(14,470)	(103,245)
Modifications	-	-	-	-	-	17,323	17,323
At December 31, 2023	273,492	955,813	285,977	155,612	336,225	301,514	2,308,633
Additions	12,536	158,601	196,855	39,690	27,507	126,326	561,515
Disposals	(1,385)	(45,311)	(17,304)	(6,635)	-	(25,270)	(95,905)
Modifications	567	311	26	-	43,236	34,198	78,338
Transfers	315,748	49,801	(64,039)	5,618	9,998	-	317,126
At December 31, 2024	600,958	1,119,215	401,515	194,285	416,966	436,768	3,169,707
Accumulated depreciation							
At December 31, 2022	(66,049)	(323,723)	(157,833)	(60,891)	(106,234)	(118,961)	(833,691)
Depreciation	(10,271)	(69,973)	(41,244)	(11,748)	(36,076)	(71,766)	(241,078)
Disposals	1,528	43,463	8,689	-	35,019	6,731	95,420
Modifications	-	-	-	-	-	-	-
At December 31, 2023	(74,792)	(350,243)	(190,388)	(72,639)	(107,291)	(183,996)	(979,349)
Depreciation	(11,105)	(98,368)	(55,384)	(16,047)	(42,950)	(89,724)	(313,578)
Disposals	1,182	45,079	17,305	6,572	-	17,441	87,579
At December 31, 2024	(84,715)	(403,532)	(228,467)	(82,114)	(150,241)	(256,279)	(1,205,348)
At December 31, 2022	186,378	335,680	90,745	50,747	191,277	151,716	1,006,543
At December 31, 2023	198,700	605,570	95,589	82,973	228,934	117,518	1,329,284
At December 31, 2024	516,243	715,683	173,048	112,171	266,725	180,489	1,964,359

As of December 31, 2024 and 2023 fully depreciated fixed assets amounted to KGS 307,206 thousand and KGS 270,795 thousand, respectively.

Restrictions on property, plant and equipment

As of December 31, 2024 and 2023, property, plant and equipment and intangible assets have not been pledged as collateral.

Contractual commitments

The Bank has no contractual obligations for construction of buildings and other capital investments in property, plant and equipment.

Right-of-use assets

Assets in the form of the Bank's right to use include the lease of buildings for branches and savings banks. The leases have an automatic renewal option. The average lease term is 3 years (2023: 3 years).

In thousands of Kyrgyz soms	2024	2023
Amounts recognized in the statement of profit and loss		
Depreciation expense	313,578	241,078
Interest expense	11,258	9,061
Rent expense	38,070	15,581

14. Other assets

In thousands of Kyrgyz soms	2024	2023
OTHER FINANCIAL ASSETS		
Money transfer receivables	1,696,133	364,054
Receivables from IFCD on interest subsidies	441,197	165,160
Other accounts receivables	7,786	6,531
	<u>2,145,116</u>	<u>535,745</u>
Less: impairment allowance for expected credit losses	(39,186)	(20,625)
Total other financial assets	<u>2,105,930</u>	<u>515,120</u>
OTHER NON-FINANCIAL ASSETS		
Foreclosed property	61,497	38,434
Prepayment for equipment which will be given for finance lease	240,139	593,480
Other prepayments	241,192	224,583
Materials and supplies	73,336	62,729
Tax settlements other than income tax	327	4,378
Investment property	404	404
Total other non-financial assets	<u>616,895</u>	<u>924,008</u>
Total other assets	<u>2,722,825</u>	<u>1,439,128</u>

During the year ended December 31, 2024 the Bank acquired a number of assets by taking control of collateral securing loans to customers with a net carrying amount of KGS 61,497 thousand (2023: KGS 38,434 thousand). These assets are presented within other assets as repossessed assets. The Bank's practice is to sell these assets or finance lease them.

15. Other Islamic Finance assets

In thousands of Kyrgyz soms	2024	2023
Prepayment paid on Murabahah Transactions	9,900	18,619
Total other Islamic Finance assets	9,900	18,619

16. Deposits and balances from banks and other financial institutions

In thousands of Kyrgyz soms	2024	2023
Due to banks and other financial institutions (residents)	305,652	148,776
Time deposits of banks and other financial institutions (non-residents)	51,407	73,464
Correspondent accounts of other banks	4,216	45,428
Total deposits and balances from banks and other financial institutions	361,275	267,668

As of December 31, 2024, and 2023 the Bank did not have banks or financial institutions, whose loan balances exceeded 10% of equity.

17. Current accounts and deposits from customers

In thousands of Kyrgyz soms	2024	2023
Current accounts and deposits from corporate customers		
- Current accounts and demand deposits	95,438,491	57,923,375
- Term deposits	5,667,313	4,121,619
	101,105,804	62,044,994
Current accounts and deposits from retail customers		
- Current accounts and demand deposits	8,268,802	6,616,528
- Term deposits	9,810,532	8,768,538
	18,079,334	15,385,066
Total current accounts and deposits from customers	119,185,138	77,430,060

As at December 31, 2024 and December 31, 2023, customer current accounts and deposits of KGS 65,867,513 thousand and KGS 39,186,633 thousand (55% and 51%), respectively, were received from 5 customers, which represents a significant concentration.

As at December 31, 2024 the interest rate on amounts due to customers ranges from 0% to 16% (weighted average 6.2%) and as at December 31, 2023 the interest rate on amounts due to customers ranges from 0.15% to 16% (weighted average 5.6%).

18. Islamic Finance liabilities

In thousands of Kyrgyz soms	2024	2023
<i>Qard Hassan</i>		
- Legal entities	1,727	343
- Individuals	20,798	3,199

In thousands of Kyrgyz soms	2024	2023
Term deposits of Mudarabah individuals	55	-
Total Islamic Finance liabilities	22,580	3,542

19. Amounts due to the Ministry of Finance of the Kyrgyz Republic

In thousands of Kyrgyz soms	2024	2023
Loans for provision of finance leases to customers	917,645	1,178,542
Subordinated debt	914,965	914,965
Subordinated loans for international projects	32,366	43,465
Loans for "Islamic Window" financing	89,200	89,571
Loans for financing business entities	3,403,937	2,643,957
Loans for financing agricultural sector	86,919	261,258
Other	2,079	2,079
Total amounts due to the Ministry of Finance of the Kyrgyz Republic	5,447,111	5,133,837

The subordinated liabilities will, in the event of the winding-up of the Bank, be subordinated to the claims of depositors and all other creditors of the Bank.

Loans for provision of finance lease to customers

As of December 31, 2024 and 2023 the Bank has the following loans for provision of finance leases to customers:

In thousands of Kyrgyz soms	Currency	Nominal interest rate	Issue date	Maturity	December 31, 2024	December 31, 2023
Loan from Eurasian Development Bank (repayable funds)	KGS	5%	March 1, 2021	April 12, 2028	271,123	348,587
Loan from Eurasian Development Bank (repayable funds)	KGS	3%	April 22, 2022	June 15, 2032	214,815	243,458
Loan for provision of finance lease to customers from the government of Turkey (Leasing 3)	KGS	2%	March 14, 2013	February 19, 2033	113,737	131,279
Loan from Eurasian Development Bank	KGS	5%	December 12, 2014	December 15, 2024	32,178	118,504
Loan for provision of finance lease to customers (assistance from the government of People's Republic of China-Leasing 4)	KGS	0%	July 29, 2011	December 24, 2024	80,738	113,471
Loan People's Republic of China (Leasing 6)	KGS	1.5%	December 22, 2021	December 29, 2041	85,376	85,376
Loan for provision of finance leases to customers (People's Republic of China)	KGS	2%	June 28, 2019	June 28, 2029	47,447	54,595
Loan for provision of finance leases on development of agricultural machinery (Budget loan)	KGS	0%	August 2, 2012	September 15, 2027	32,463	43,504
Loan USA USAID (Leasing 6)	KGS	1.5%	December 22, 2021	December 29, 2041	29,987	29,987

In thousands of Kyrgyz soms	Nominal interest			Maturity	December 31, 2024	December 31, 2023
	Currency	rate	Issue date			
Loan from Eurasian Development Bank (repayable funds)	KGS	5%	March 1, 2021	April 12, 2028	271,123	348,587
Loan Turkey (Leasing 6)	KGS	1.5%	December 22, 2021	December 29, 2041	9,781	9,781
Total					917,645	1,178,542

During the years ended December 31, 2024 and December 31, 2023, the Bank had no defaults or other breaches of repayment schedules and loan covenants with respect to principal and interest.

Loan from Eurasian Development Bank (repayable funds)

In 2021, on the return account of the National Bank of the Kyrgyz Republic were accumulated funds from the Anti-Crisis Fund of the Eurasian Economic Community under the previously provided loan under the agreement on investment loan from the Anti-Crisis Fund of the Eurasian Economic Community.

On March 1, 2011 the Cabinet of Ministers of the Kyrgyz Republic signed an agreement with the Eurasian Development Bank on providing a loan from these funds for leasing agricultural equipment to agricultural entities at the rate of 5% .Loans from these funds are provided to lessees for up to 7 years at the rate of 9% .Own contribution should be made by lessee in money terms of not less than 20% of the leased item cost excluding other direct costs.

On April 22, 2022 additional funds in the amount of KGS 271,715 thousand were received in accordance with the terms of agreement No 19-04-01/26.

The Bank believes that the fair value of this loan on initial recognition corresponds to the amounts received from Eurasian Development Bank. As of December 31, 2024 the amount outstanding under this loan is KGS 485,939 thousand.

Loan for provision of finance lease to customers from the government of Turkey (Leasing 3)

On March 18, 2013 the Bank signed a loan agreement with MFKR for the amount of 232,832 thousand KGS with an interest rate of 2%. The purpose of the loan is to provide technical credit in the form of 225 tractors for their further leasing to agricultural producers. Leasing of tractors is provided for up to 7 years with interest rates ranging from 8% to 11% depending on the amount of the borrower's own contribution.

As of the date of origination, this loan was recognized at fair value and the resulting discount was recognized as part of the government grant. As of December 31, 2024 the outstanding amount under this loan is KGS 113,737 thousand.

Loan from Eurasian Development Bank

On November 13, 2014 the Bank signed an agreement with Ministry of Finance of the Kyrgyz Republic and the Ministry of Agriculture and Melioration of the Kyrgyz Republic on provision of a loan in the amount of not greater than equivalent of USD 20,000 thousand which were provided to the Kyrgyz Republic by the Eurasian Development Fund from the sources of the Anti-crisis fund of the Eurasian Economic Union. The loan was provided for 10 years with 5% interest rate within the project Financing of supplies of agricultural machinery to the Kyrgyz Republic. From these funds, Bank issues loans denominated in KGS to agricultural sector for purchase of machinery at 9% interest rate up to 7 years. Own contribution must be made by the lessee in monetary terms in amount of at least 20% of the value of the leased asset, excluding other direct costs.

The Bank believes that the fair value of this loan at initial recognition is consistent with the amounts received from Eurasian Development Bank. As of December 31, 2024 the outstanding amount of the loan is KGS 32,178 thousand.

Loan for provision of finance lease to customers (assistance from the government of People's Republic of China-Leasing 4)

On July 27, 2011 the Bank signed an agreement with MFKR for an interest-free loan of KGS 197,935 thousand from financing under a grant of the Government of the People's Republic of China. The purpose of the loan is to provide state support and development of leasing of agricultural machinery, equipment for processing of agricultural products and other equipment for agriculture. On October 12, 2015 the Bank signed an additional agreement with the MFKR to provide additional funds in the amount of KGS 120,500 thousand with a zero-

interest rate from the financial resources under the grant of the People's Republic of China, accumulated in the accounts of the National Bank of the Kyrgyz Republic, to open a separate credit line for leasing of agricultural machinery to agricultural producers.

From these funds, the Bank extends loans for the purchase of agricultural machinery, agricultural processing equipment and other agricultural equipment at interest rates ranging from 6% to 9%, depending on the amount of the borrower's own contribution.

As of the origination date, this loan was recognized at fair value and the resulting discount was recognized as part of the government grant. As of December 31, 2024 the amount outstanding under this loan is KGS 80,738 thousand.

Loans People's Republic of China, USAID and Turkey (Leasing 6)

On 22 December 2021 in order to provide state support to rural producers for the technical equipment and modernization of the machine and tractor fleet, as well as the development of leasing of agricultural machinery, equipment for processing agricultural products, as well as other equipment for agriculture, the Bank signed an agreement with the MFKR for the provision of the loans in the amount of KGS 85,365 thousand, KGS 29,983 thousand and KGS 9,779 thousand with an interest rate of 1.5% to open a separate credit line and provide agricultural, processing machinery, sprinkler machines and equipment for drip irrigation in leasing. Loans under this program are issued to borrowers in KGS for up to 10 years at a rate of 4.5%.

At the origination date, the Bank recognised these loans at fair value and resulting discount was recognised as a government grant.

Loan for provision of finance leases to customers (People's Republic of China)

On May 24, 2019 the Bank signed a loan agreement with MFKR for a loan of 102,500 thousand KGS with an interest rate of 2% from the funds accumulated in the repayable accounts in the National Bank of the Kyrgyz Republic under previously provided grants from China, the Republic of Turkey and USAID. Loans under this program are issued to borrowers in KGS for up to 10 years at an interest rate of 6%.

As of the origination date, this loan was recognized at fair value and the resulting discount was recognized as part of the government grant. As of December 31, 2024 the amount outstanding under this loan is KGS 47,447 thousand.

Loan for provision of finance leases on development of agricultural machinery (Budget loan)

On August 1, 2012 the Bank signed an agreement with MFKR on provision of interest-free budget loan of KGS 195,000 thousand, including mutual investment funds of repayable grants from the Government of Japan of KGS 115,000 thousand and grants from the Government of the People's Republic of China of KGS 80,000 thousand for development of leasing of agricultural machinery and increase of leasing credit resources. Leases under this program are issued to borrowers for up to 7 years at interest rates ranging from 6% to 9% depending on the amount of the borrower's own contribution.

As of the origination date, this loan was recognized at fair value and the resulting discount was recognized as part of the government grant. As of December 31, 2024 the outstanding amount on this loan is KGS 32,463 thousand.

Subordinated debt

On October 21, 2013, MFKR and the Bank signed agreement No. 19-05/31 and additional agreements in 2014 and in 2015, pursuant to which the Bank received an interest-free, perpetual and unsecured subordinated debenture. The debenture was obtained to provide loans to consumers for crop and livestock production and various services. Under the terms of the agreements, the Bank is obliged to repay the provided funds in case of reorganization and change of legal form of activity or refusal to provide loans to consumers. The MFKR has the right to control the targeted use of the provided funds, as well as at the request of the MFKR the Bank undertakes to carry out independent audits of the use of funds by submitting quarterly and annual reports by the Bank on the distribution of funds, as well as at the request of the MFKR the Bank undertakes to carry out independent audits of the use of funds.

Subordinated loans for international projects

Certain international development organizations provide funds to the MFKR, which are subsequently lent to the Bank as subordinated loans from MFKR. As of December 31, 2024 and 2023 the Bank has the following subordinated loans in respect of international projects:

In thousands of Kyrgyz soms

	Currency	Nominal interest rate	Issue date	Maturity	December 31, 2024	December 31, 2023
International Development Association, Agro-business and Marketing Project;	KGS	LIBOR (6,65%)	December 10, 2012	May, 15 2029	23,073	29,303
International Development Association, Agro-business and Marketing Project;	USD	LIBOR+1% (1,155% 1,52957% 4,37614%)	November 1, 2011	May 15, 2027	4,453	6,789
International Development Association, Agro-business and Marketing Project;	KGS	LIBOR+2% (8,65%10%,6 % 11%,5%)	April 26, 2007	November 15, 2026	2,810	4,789
International Development Association, Assistance in Development of Agricultural Productivity Project	USD	LIBOR (0,155%)	May 2, 2014	May 15, 2029	2,030	2,584
Total					32,366	43,465

Loan for "Islamic Window" financing

Loan from the Islamic Development Bank

On August 22, 2023 the Bank signed a debt obligation with the Islamic Development Bank (hereinafter referred to as the IDB) to provide a loan in the amount of KGS 89,200 thousand with an interest rate of 2%. The purpose of the loan is to finance business entities and individuals for the purchase of agricultural inputs and equipment necessary for the development of sustainable irrigated agriculture in Issyk-Kul and Naryn regions in accordance with the Islamic Principles of Finance. As of December 31, 2024 the outstanding amount under this loan is KGS 89,571 thousand.

Other loans from Ministry of Finance of the Kyrgyz Republic

In thousands of Kyrgyz soms	Currency	Nominal interest rate	Issue date	Maturity	December 31, 2024	December 31, 2023
MSME Emergency Support Project	KGS	0%	September 20, 2021	September 20, 2025	2,950,308	2,288,504
Loans from AIIB (Asian Infrastructure Investment Bank)	KGS	0%	September 19, 2022	September 19, 2026	378,301	204,802
Financing of business entities	KGS	1.5%	July 20, 2020	July 20, 2025	75,328	119,491
Commodity credit from the Ministry of Agriculture and Water Resources	KGS	0.5%	February 24, 2022	-	44,536	107,418
Financing of agricultural sector	KGS	1.5%	August 20, 2020	August 20, 2025	20,063	40,176
Financing of agricultural sector	KGS	1.5%	April 8, 2020	April 8, 2025	11,160	33,480
Financing of agricultural sector	KGS	1.5%	May 29, 2020	May 29, 2025	11,160	33,480
Development of other regions - for investment projects	KGS	3.5%	December 27, 2019	December 27, 2024	-	35,276

In thousands of Kyrgyz soms					December 31,	December 31,
	Currency	Nominal interest rate	Issue date	Maturity	2024	2023
Development of hard to reach regions - for investment projects	KGS	1.5%	September 25, 2020	September 25, 2025	-	31,160
Financing of business entities	KGS	1.5%	December 25, 2019	December 25, 2024	-	11,428
Other	KGS	0% - 6.5%	September 25, 2020	December 31, 2025	2,079	2,079
Total					3,492,935	2,907,294

Loans from AIIB (Asian Infrastructure Investment Bank)

On August 13, 2021, an agreement was signed between the Ministry of Economy and Finance on the project of emergency support of micro, small and medium enterprises on the basis of the Loan Agreement between the Kyrgyz Republic and the Asian Infrastructure Investment Bank. On September 19, 2022, an amount of KGS 42,000 thousand was received for the implementation of infrastructure projects. The amounts received are to be repaid 48 months after they are fully disbursed by the Bank. The amount received is to be utilized by the Bank within one quarter from the date of receipt. Upon expiration of the term, the undisbursed amount shall be repaid. Disbursement schedules should be made only for the disbursed part. As of December 31, 2024, the amount outstanding under the loan is KGS 378,301 thousand. The Bank believes that the fair value of this loan on initial recognition corresponds to the amounts received from AIIB.

Financing of business entities

In order to restore and ensure economic and social stability, support business entities in the context of the spread of coronavirus, on June 9, 2020, by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic the Financing Business Entities Program was approved. The program is aimed at supporting the following business sectors: tourism; textile production, pharmaceutical industry; transport services; agricultural sector, food production; manufacturing industry, except for the mining industry, and other areas of economic activity. Besides Ayil Bank OJSC, other 9 commercial banks of the Kyrgyz Republic were selected to participate in this program. The loan terms provided by the banks-participants to the population varies depending on the maturity and purposes.

The Bank believes that the fair value of loans received within Financing Business Entities program at initial recognition is consistent with the amounts received from MFKR because they were obtained within the framework of a state program, which is considered as a separate market with identical terms to all participants.

Commodity credit from the Ministry of Agriculture and Water Resources

With the aim of state support in provision of agricultural producers with seeds of high-yielding varieties of cereals, oilseeds and legumes, and also for timely carrying out spring sowing in 2022, the Cabinet of Ministers of the Kyrgyz Republic approved the Order №24-p dated January 25, 2022. According to this Order it was assigned to State Material Reserves Fund under Ministry of Emergency Situations to purchase seeds of crops from Russian companies according to technical specification and volumes. In turn, the Ministry of Agriculture has been instructed to carry out laboratory quality control of seeds in the process of reception, storage and release of seeds according to technical specifications of the Kyrgyz Republic. In the order, the Bank is instructed to conclude loan agreements with customers on the basis of applications under the following conditions:

- entity must meet the criteria of solvency;
- interest rate - 4.5 % per annum, of which 0.5% is transferred to the national budget, and the remaining 4% remains in the Bank as income
- condition of repayment of loans - repayment of 50% by November 15, 2022, 50%- November 15, 2023.

If desired, the customer can pay at the Bank's cashier's desk for the seeds. Once the seeds arrive in the country, the Ministry of Agriculture raps them to the regions based on requests from District Agricultural Development Offices (DADS's). When the client applies, the employees of the DADS refer to the Bank, then, if desired, the client can pay for the seeds received in cash or apply for a loan and write an application.

The Bank started to consider customers' applications for purchase of spring seeds in February 2022, loan disbursement started on March 2, 2022. For 2022-2023, the Bank issued 8,057 loans totaling KGS 266,157 thousand for seeds for spring sowing and in 2022 - 234 loans totaling KGS 18,607 thousand for winter sowing.

On the basis of the Resolution № 522-p of the Cabinet of Ministers of the Kyrgyz Republic dated September 28, 2022 the Bank started considering applications for the seeds for winter sowing for the harvest in 2023 and the spring sowing in 2023. The repayment schedule for customers is set as follows:

- 30% principal through Nov. 15, 2023;
- 35% of principal through Nov. 15, 2024;
- 35% of principal through November 15, 2025.

For 2024, the Bank issued 210 loans totaling KGS 11,707 thousand for seeds for winter and spring sowing.

Also, according to the Order of the Cabinet of Ministers of the Kyrgyz Republic No. 552-r dated September 21, 2023, the repayment period of commodity loans for customers who received seeds not sold before August 1, 2023 on the following repayment terms has been established:

- 30% of the principal debt until November 15, 2024;
- 35% of the principal debt until November 15, 2025;
- 35% of principal through November 15, 2026.

Development of other regions - for investment projects

On December 6, 2019, the Bank signed an agreement with MFKR to participate in a state program aimed at the development of regions of the Kyrgyz Republic, in particular, remote mountain regions. The terms of the loans provided within this project vary depending on the purpose of the loan: investment projects up to 5 years – 1.5%, for investment projects for more than 5 years – at 3.5%, for working capital replenishment – 5.5%.

The Bank considers that the fair value of the loans received within 'Development of other regions' program at initial recognition is consistent with the amounts received from MFKR because they were obtained within the framework of a state program aimed at the development of regions of the Kyrgyz Republic, which is considered as a separate market with identical terms to all participants.

Financing of agricultural sector

On January 12, 2013, the Cabinet of Ministers of the Kyrgyz Republic approved the Agricultural Finance Project to provide subsidized loans to local commercial banks. Under these projects, the Bank finances to provide state assistance to agricultural producers for fall and spring sowing, livestock breeding and processing of agricultural products in the Kyrgyz Republic. Under this project, the MFKR provides additional interest of 6.69% per annum - for loans disbursed in 2021, 11.75% per annum - for loans disbursed in 2022, 11.10% per annum - for loans disbursed in 2023 and 8.55% per annum - for loans disbursed in 2024.

The difference between stated interest and market rates is recognized on the Bank's balance sheet as a receivable from the MFCD and the government subsidy. The MFCD reimburses this difference on a quarterly basis over the next twelve months after the Bank disburses loans to clients under this project. Starting from 2023 under FSH-11 based on the decision of the Cabinet of Ministers of the Kyrgyz Republic No. 72-r dated February 27, 2023 and 2024 under FSH-12 based on the order of the Cabinet of Ministers of the Kyrgyz Republic No. 12-r dated 29.01.2024, the IFCD will subsidize the projects by further increasing the authorized capital of the Bank. These funds are intended for granting soft loans and financing, including in accordance with Islamic principles.

20. Government grant

In thousands of Kyrgyz soms

	2024	2023
Interest prepaid by the MFKR to subsidise agricultural financing	3,125	137,617
Interest-free and below market interest rate loans	111,985	128,704
Total	115,110	266,321

The following tables represent the movement of government grant for the year ended December 31, 2024 and 2023:

In thousands of Kyrgyz soms

Opening balance as of January 1, 2023	322,829
Additions in subsidies	436,404
Amortisation of government grant	(313,956)
Other changes	(178,956)
Closing balance as of December 31, 2023	266,321
Opening balance as of January 1, 2024	266,321
Additions in subsidies	347,434
Amortisation of government grant	(140,314)
Other changes	(358,331)
Closing balance as of December 31, 2024	115,110

Interest-free and below market interest rate loans

During 2024 and 2023, the Bank recognized government subsidies arising from loans from the MFKR at zero and/or below market rates. These funds raised are used to execute transactions with clients on financial leasing. Following initial recognition, the Bank recognizes earned income in the income statement and other comprehensive income under the item Amortization of government grant for the period of corresponding to the term of the loan portfolio issued to customers.

Interest prepaid by the MFKR to subsidies agricultural financing

On January 12, 2013, the Cabinet of Ministers of the Kyrgyz Republic approved the Agricultural Finance Project to provide subsidized loans to local commercial banks. Under these projects, the Bank finances to provide state assistance to agricultural producers for fall and spring sowing, livestock breeding and processing of agricultural products in the Kyrgyz Republic. Under this project, the MFKR provides additional interest of 6.69% per annum - for loans disbursed in 2021, 11.75% per annum - for loans disbursed in 2022, 11.10% per annum - for loans disbursed in 2023 and 8.55% per annum - for loans disbursed in 2024.

The difference between stated interest and market rates is recognized on the Bank's balance sheet as a receivable from the MFCD and the government subsidy. The MFKR reimburses this difference on a quarterly basis over the next twelve months following the Bank's disbursement of loans to customers.

The Bank recognizes this reimbursement from the IFCD under "Recognition of government subsidy" in the statement of profit or loss and other comprehensive income.

The IFCD, in turn, has the right to monitor the targeted use of the provided funds and request information on loans issued under this project. In case of identification of cases of misuse of financing provided under the FSC, the MSCF may request the return of the state subsidy previously received by the Bank under the Program.

21. Other borrowed funds

In thousands of Kyrgyz soms

	2024	2023
State Mortgage Company	3,734,379	4,027,181
Russian-Kyrgyz Development Fund	201,329	203,012
Other borrowed funds	112,892	1,355,577
Total other borrowed funds	4,048,600	5,585,770

During the year ended December 31, 2024, the Bank had no defaults or other breaches of repayment schedules and loan covenants with respect to principal and interest.

In the year ended December 31, 2023, the Bank breached certain financial covenants under its loan agreements with the Russian-Kyrgyz Development Fund and also cross-defaulted under the Frontera Capital Frontier. The Bank received letters from the FCMC dated July 19, 2023 and February 6, 2024 regarding the deviation under the financial covenant "Share of classified loans in the total loan portfolio". According to the official letter received from the Fund, the FCMC does not intend to apply measures and sanctions against the Bank in connection with deviations on this covenant, as deviations are within acceptable limits. Also on July 25, 2023 the Bank received a waiver from Frontera Capital Frontier.

The table below provides details of other borrowed funds as of December 31, 2024 and 2023:

In thousands of Kyrgyz soms	Currency	Interest rate	Issues date	Maturity	December 31, 2024	December 31, 2023
State Mortgage Company	KGS	4-5-6-8%	March 24, 2016	May 4, 2048	3,734,379	4,027,181
Russian-Kyrgyz Development Fund	USD	1-3%	July 20, 2016	December 27, 2028	164,883	125,740
Bakubat Talas Welfare Fund	KGS	4%	January 15, 2019	November 11, 2026	90,618	240,000
Russian-Kyrgyz Development Fund	KGS	5-8%	September 3, 2015	July 26, 2028	36,446	77,272
State Development Bank of the Kyrgyz Republic	KGS	6%	December 16, 2024	December 17, 2029	22,274	-
Frontera Capital Frontier Market	KGS	10,5%	December 27, 2021	October 27, 2024	-	864,629
Bekmoldoevsky Ayil Okmotu	KGS	6,5%	December 11, 2023	June 11, 2024	-	250,948
Total					4,048,600	5,585,770

Loan from State Mortgage Company

On 1 February 2016 under the implementation of "Affordable Housing 2015-2020 Program" of the Cabinet of Ministers of the Kyrgyz Republic, the Bank signed a General Agreement for Cooperation with the State Mortgage Company OJSC (the SMC). In accordance with this agreement, the SMC will provide the Bank with funds for issuing and refinancing mortgage loans to citizens of the Kyrgyz Republic. At the same time, the interest rate on mortgage loans issued by the Bank shall not exceed the interest rate on funds received by more than 5%.

On 15 September 2021 the Bank signed an additional agreement to the General Agreement on cooperation with the SMC under the "My Home 2021-2026 Program". Under the agreement, the SMC provided additional funds to the Bank to issue and refinance loans to citizens of the Kyrgyz Republic. The interest rate on mortgage loans issued by the Bank from these funds shall not exceed 4% per annum for the purchase of residential real estate and 8% per annum for the construction of housing, the rate on which is reduced by 4% per annum after completion of construction.

On 29 December 2021 the Bank signed an additional agreement to the General Agreement on Cooperation with the GMC dated 1 February 2016 to provide investment funds to the Bank in the amount of KGS 3,500,000 thousand for the following purposes:

- for purchase of housing and construction of housing under the "Preferential Mortgage Program";
- construction of housing under the "Affordable Mortgage Program".

On August 2, 2022, the Bank signed an Additional Agreement to the General Agreement on Cooperation with the SMC dated February 1, 2016 "Interbank Type of Mutual Settlements" as part of the implementation of the "My Home 2021-2026 Program".

On September 27, 2022 the Bank signed an Additional Agreement to the General Agreement on Cooperation with the SMC dated February 1, 2016 for the provision of investment funds to the Bank in the amount of KGS 5,000,000 thousand as part of the implementation of the "My Home 2021-2026 Program".

On July 5, 2023 the Bank signed an Additional Agreement to the General Agreement on Cooperation with the SMC dated February 1, 2016 for the provision of investment funds to the Bank in the amount of KGS 5,500,000 thousand as part of the implementation of the "My Home 2021-2026 Program".

Loans from Russian – Kyrgyz Development Fund (RKDF)

On September 2, 2015 and March 5, 2016 within the framework of the program of the RKDF for the provision of small and medium enterprises with access to loan resources through commercial banks, the Bank signed two agreements with the RKDF for KGS loans in the total amount of KGS 950,000 thousand. The loans should be provided only for the purposes specified in the loan agreements with the RKDF and to borrowers meeting certain criteria. On July 11, 2016 under the same program, the Bank signed the third agreement with RKDF for a loan in the amount of USD 10,000,000. On July 26, 2017 the Bank signed the fourth agreement with RKDF for a loan in the amount of USD 1,500,000 to fund the "Intensive Gardens Program". In 2020 the Bank signed the fifth agreement with RKDF for USD 5,000,000 under the existing Program. The interest rate on loans to customers issued by the Bank should not exceed the interest rate on loans received by the Bank by more than 5% per annum.

Due to changes in the quality of the loan portfolio, at the suggestion of the RKDF, since June 2019, the Fund provides tranches of loans to the Bank secured by highly liquid assets. As of December 31, 2024, the borrowings from RKDF are secured by loans issued to customers with a carrying amount of KGS 312,650 thousand (December 31, 2023: KGS 312,650 thousand) (Note 10).

As of December 31, 2024 investments in securities of KGS 606,729 thousand are pledged as collateral for borrowings provided to the Bank by the Russian-Kyrgyz Development Fund (December 31, 2023: KGS 641,729 thousand) (Note 12).

In accordance with the Credit Agreement, RKFM undertook to provide the Bank with funds on terms of maturity, repayment, payment and security in the form of a special-purpose revolving (revolving) credit line with a credit limit not exceeding USD 10 million. The Bank is obliged to repay the received Loan and pay interest for the use of the Loan on the following terms and conditions:

The Bank shall pay interest to the Fund for the use of the Loan in the following amount:

- 2.5% (Two point five percent) per annum for tranches in U.S. dollars (for the purchase of equipment, machinery and transport manufactured in the Russian Federation - 1% (One percent) per annum in U.S. dollars).
- 7% (Seven percent) per annum for tranches in KGS (in case of purchase of equipment, machinery and transportation manufactured in the Russian Federation).
- Credit utilization period - up to 7 years for each tranche.
- Credit availability period until March 17, 2025.

OJSC "State Development Bank of the Kyrgyz Republic"

In accordance with the Credit Agreement No. 001-02/005-2024 dated August 22, 2024 for financing under the Program "Leasing through Partner Banks, FCF and other FCIs" between OJSC "Ayl Bank" and OJSC "State Development Bank of the Kyrgyz Republic". The Bank has been granted a financing limit (Loan) in the amount of 100,000,000 (one hundred million) soms, which will be provided to the Borrower in tranches according to the application for the loan/tranche. For the use of the Loan, the Borrower shall pay interest to the Lender in the following amount of 6% (six) percent per annum for each tranche. Fulfillment of the Borrower's obligations under this Agreement shall be secured by the following collateral property - rights of claim to the loan portfolio. Financing term up to 8 years, disbursement term - until February 22, 2025.

Loan from Bakubat Talas Welfare Fund

During 2020, the Bank signed two agreements with Bakubat Talas Welfare Fund for a total amount of KGS 150,000 thousand for development of small and medium business and agricultural projects in the Talas region. The Bank provides loans not exceeding 4% of the interest rate paid to Bakubat Talas Welfare Fund.

The Bank's management believes that there are no other financial instruments similar to the other borrowed funds received from the RKDF, the State Mortgage Company. These products represent a separate market due to the nature of their customers. As a result, other borrowings from RKDF, State Mortgage Company were received in the ordinary course of business and, as such, were recorded at fair value at the recognition date.

Loans from international microfinance organizations

On December 27, 2021, the Bank signed a new agreement with Frontiera Capital Frontierr for a loan of KGS 848,000 thousand with an annual interest rate of 10.5%. The loan is provided for general corporate purposes. As at December 31, 2024 the loan is closed (December 31, 2023: KGS 864,629 thousand).

Loan from Bekmoldoevsky Ayil Okmotu

On November 2, 2023 the Bank signed an agreement with Bekmoldoevsky Ayil Okmotu to receive financing in the amount of KGS 500,000 thousand with an annual interest rate of 6.5%. The borrowed funds are provided for general corporate purposes. On December 11, 2023 the first tranche in the amount of KGS 250,000 thousand was transferred, but due to the lack of funds in the Ayil okmotu's budget, an additional agreement was signed to the loan agreement dated February 15, 2024, which regulates that the debt amount is KGS 250,000 thousand. As at December 31, 2024 the loan is fully closed (December 31, 2023: KGS 250,948 thousand).

Covenants

The Bank is obligated to comply with financial covenants in relation to funds and loans from banks and financial institutions. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios.

As at December 31, 2024, the total amount of debt to the RCDF was 201,329 thousand KGS. The Bank did not breach the indicator "Share of classified loans", as the Fund excluded the recommended value for this indicator, according to the letter of the Russian-Kyrgyz Development Fund No. i-1437/1/24 dated September 4, 2024.

As of December 31, 2023, the Bank breached compliance with the following financial covenants:

Maximum exposure to credit risk, the share of classified loans in the loan portfolio is not more than 10% under the loan agreement with the Russian-Kyrgyz Development Fund;

As at December 31, 2023, the total amount outstanding to RKDF was KGS 203,012 thousand. The Bank received letters from RKDF dated 19.07.2023 and 06.02.2024 regarding the deviation of financial covenant "Share of classified loans in total loan portfolio". According to the official letter received from the Fund, the FCMC does not intend to apply measures and sanctions against the Bank in connection with deviations on the mentioned covenant, as the deviations are within acceptable limits. Also, on 25.07.2023, the Bank received a waiver from Frontera Capital Frontier. These facts did not result in the necessity to present the outstanding debt on these borrowings in the category "until repayment and less than one month" in the liquidity risk disclosure (Note 38.2).

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

	2024				
	Amounts due to MFKR	Other borrowed funds	Funds received from shareholders	Other	Total
In thousands of Kyrgyz soms					
Balance of January 1, 2024	5,133,837	5,585,770	-	123,067	10,842,674
Dividends declared	-	-	-	5,426,077	5,426,077
Changes from financing cash flows					
Proceeds from amounts due to the Ministry of Finance of the Kyrgyz Republic	859,064	-	-	-	859,064
Repayment of amounts due to the Ministry of Finance of the Kyrgyz Republic	(550,730)	-	-	-	(550,730)
Proceeds from other borrowed funds	-	234,412	-	-	234,412
Repayment of other borrowed funds	-	(1,776,170)	-	-	(1,776,170)
Funds received from a shareholder	-	-	4,272,487	-	4,272,487
Dividends payment	-	-	-	(5,426,077)	(5,426,077)
Repayment of lease liabilities	-	-	-	(94,426)	(94,426)
Total changes from financing cash	308,334	(1,541,758)	4,272,487	(5,520,503)	(2,481,440)
Effect of changes in foreign exchange rates	(346)	22,154	-	(2,372)	19,436
Issue of shares	-	-	(4,065,660)	-	(4,065,660)
Other changes					
Change in accrued interest	(2,150)	(17,566)	-	-	(19,716)
Cash refund	-	-	(206,821)	-	(206,821)
Other changes (issuance of commodity credit by seeds)	24,155	-	-	-	24,155
Other changes	(16,719)	-	-	159,348	142,629
Balance as of December 31, 2024	5,447,111	4,048,600	6	185,617	9,681,334

2023

In thousands of Kyrgyz soms

	Amounts due to MFKR	Other borrowed funds	Funds received from shareholders	Other	Total
Balance of January 1, 2023	3,843,645	5,819,475	1,100,000	156,145	10,919,265
Dividends declared	-	-	-	4,236,279	4,236,279
Changes from financing cash flows					
Proceeds from amounts due to the Ministry of Finance of the Kyrgyz Republic	2,113,327	-	-	-	2,113,327
Repayment of amounts due to the Ministry of Finance of the Kyrgyz Republic	(792,252)	-	-	-	(792,252)
Repayment of amounts due to the NBKR	-	-	-	-	-
Proceeds from other borrowed funds	-	381,212	-	-	381,212
Repayment of other borrowed funds	-	(623,778)	-	-	(623,778)
Funds received from a shareholder	-	-	4,677,200	-	4,677,200
Dividends payment	-	-	-	(4,236,279)	(4,236,279)
Repayment of lease liabilities	-	-	-	(79,010)	(79,010)
Total changes from financing cash	1,321,075	(242,566)	(1,100,100)	(4,315,289)	1,440,420
Effect of changes in foreign exchange rates	483	10,595	-	643	11,721
Issue of shares	-	-	(5,777,200)	-	(5,777,200)
Other changes					
Change in accrued interest	(2,194)	(1,734)	-	-	(3,928)
Other changes (issuance of commodity credit by seeds)	54,202	-	-	-	54,202
Other changes	(83,374)	-	-	45,289	(38,085)
Balance as of December 31, 2023	5,133,837	5,585,770	-	123,067	10,842,674

22. Funds received from a shareholder

In thousands of Kyrgyz soms	2024	2023
Funds received from a shareholder	6	-
Total funds received from a shareholder	6	-

According to the order #203-r dated April 30, 2024 in order to increase the revenue part of the republican budget, in accordance with Articles 13, 17 of the Constitutional Law of the Kyrgyz Republic "On the Cabinet of Ministers of the Kyrgyz Republic", Article 115 of the Budget Code of the Kyrgyz Republic, the Ministry of Finance of the Kyrgyz Republic in accordance with the established procedure in coordination with the Committee on Budget, Economic and Fiscal Policy of the Jogorku Kenesh of the Kyrgyz Republic allocated to the Bank 4,065,666,300 (four billion sixty-five million six hundred sixty-six thousand three hundred and sixty-six thousand three hundred thousand soms). Part of the funds in the amount of KGS 4,065,660 thousand were allocated to increase the authorized capital of the Bank.

As at December 31, 2024, upon completion of registration of the twenty-first issue of securities, part of the funds received from the shareholder were transferred to increase the share capital.

23. Deferred income under Islamic financing principles

In thousands of Kyrgyz soms	2024	2023
Deferred income under Islamic financing principles	909,289	94,071
Total deferred income on Islamic financing principles	909,289	94,071

24. Lease liabilities

With the exception of short-term leases and leases of underlying low-value assets, each lease is presented on the balance sheet as a right-of-use asset and as a lease liability. Right-of-use assets are presented within property, plant and equipment, intangible assets and right-of-use assets in the statement of financial position (Note 13). Lease payments are fixed.

The following is a summary of the change in lease obligations during the period.

In thousands of Kyrgyz soms	
Opening balance as of January 1, 2024	156,145
Additions	27,186
Lease termination	(8,146)
Contract modifications	17,188
Lease payments	(79,010)
Interest expense	9,061
Foreign exchange difference	643
Closing balance as of December 31, 2024	123,067
Opening balance as of January 1, 2024	123,067
Additions	126,326
Lease termination	(6,201)
Contract modifications	27,965
Lease payments	(94,426)
Interest expense	11,258

In thousands of Kyrgyz soms

Foreign exchange difference	(2,372)
Closing balance as of December 31, 2024	<u>185,617</u>

25. Other liabilities

In thousands of Kyrgyz soms

	<u>2024</u>	<u>2023</u>
OTHER FINANCIAL LIABILITIES		
Allowance for credit liabilities	211,227	263,189
Settlements with creditors	569,828	90,075
Other liabilities	547,795	195,354
Total other financial liabilities	<u>1,328,850</u>	<u>548,618</u>
OTHER NON-FINANCIAL LIABILITIES		
Accounts payable for other taxes	257,240	153,204
Payables to personnel on unused vacations	101,334	102,139
Precious metals deposits of customers	15,879	13,847
Other non-financial liabilities	67,232	66,746
Total non-financial liabilities	<u>441,685</u>	<u>335,936</u>
Total other liabilities	<u>1,770,535</u>	<u>884,554</u>

26. Share capital

Issued capital

As at December 31, 2024, the authorized, issued and outstanding share capital of the Bank consists of 1,646,748 ordinary shares (December 31, 2023: KGS 1,240,182 thousand). The nominal value of each share is KGS 10 thousand.

On May 15, 2024, the Extraordinary Meeting of the Bank's shareholders approved the issue of additional 406,566 copies of ordinary shares at the expense of the state budget in accordance with the order of the Cabinet of Ministers of the Kyrgyz Republic No. 203-r dated April 30, 2024 at the placement price (par value) of KGS 10,000 (ten thousand) each, totaling KGS 4,065,660,000 (four billion sixty-five million six hundred sixty thousand).

As of December 31, 2024, upon completion of registration of the twenty-first issue of securities, part of the funds received from the shareholder were transferred to increase the authorized capital.

Holders of ordinary shares are entitled to receive dividends as they are announced, and also have the right to one vote per share at the Bank's annual and general meetings of shareholders. The Bank's share capital is represented by the following number of shares (in thousands):

	<u>Number of shares</u>	<u>Total (In thousands of Kyrgyz soms)</u>
<i>Ordinary shares</i>		
As of January 1, 2023	662,462	6,624,620
Issue of shares	577,720	5,777,200
As of December 31, 2023	<u>1,240,182</u>	<u>12,401,820</u>
Issue of shares	406,566	4,065,660
As of December 31, 2024	<u>1,646,748</u>	<u>16,467,480</u>

Additional paid-in capital

In November 2017, the Cabinet of Ministers of the Kyrgyz Republic provided the Bank with free of charge transportation, office furniture, technical and computer equipment for temporary use on a non-refundable basis. Property, plant, and equipment were recorded at fair value as additions to property, plant and equipment and additional paid-in capital. The Bank did not account for furniture and IT equipment as lease under IFRS 16 due to their low value. During the year ended December 31, 2024, the increase in additional paid-in capital in the amount of KGS 1,485 thousand includes the cost of renting this property, as well as expenses related to the registration of the shares issue (as of December 31, 2023 - KGS 1,437 thousand).

General reserve

In accordance with the Charter, the Bank creates a reserve from retained earnings, which is not available for payment as dividends. The purpose of the reserve is to preserve liquidity and capital adequacy of the Bank in case of deterioration of the Bank's profitability, reinvestment in the Bank's operations and other purposes in accordance with the decision of the General Meeting of Shareholders. As of December 31, 2024 and 31 December 2023, the total reserve amounted to KGS 189,696 thousand. There were no allocations to the reserve for future needs in 2024.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to the legislation of the Kyrgyz Republic.

On April 4, 2024, based on the resolution of the General Meeting of Shareholders of the Bank dated March 28, 2024, dividends were paid in the amount of KGS 5,426,077 thousand (2022: KGS 4,236,279 thousand).

In accordance with the Instruction of the National Bank of the Kyrgyz Republic on Determining the Standards of Capital Adequacy of Commercial Banks of the Kyrgyz Republic, approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2022-P-12/63-1-(NPA) dated 12.10.2022, banks do not have the right to make a decision on the payment of dividends if the "capital buffer" index, calculated taking into account the deduction of the amount of dividends planned for payment, is lower than the value established by the NBKR.

The capital buffer index is defined as the ratio of net total capital to the sum of balance sheet assets and off-balance sheet liabilities, weighted by risk minus special provisions to cover potential losses and damages. The value of the "capital buffer" index of banks is set by the Supervision Committee of the National Bank.

As of 31 December 2024 the capital buffer index requirement was set at least 20% (2023: at least 25%).

27. Net interest income

In thousands of Kyrgyz soms

	<u>2024</u>	<u>2023</u>
<i>Interest income at effective interest rate</i>		
Loans to customers	5,932,084	4,366,768
Investment in securities	3,484,554	3,165,830
Loans and advances to banks and other financial institutions	1,843,073	1,178,306
Total interest income at effective interest rate	<u>11,259,711</u>	<u>8,710,904</u>
Amortization of government grant	140,314	313,956
<i>Interest expense</i>		
Current accounts and deposits from customers	(3,634,268)	(2,386,832)
Other borrowed funds	(195,272)	(248,487)
Amounts due to the Ministry of Finance of the Kyrgyz Republic	(124,298)	1,615
Discount on interest income on loans to customers	(129,855)	(88,565)
Interest expense on lease	(11,258)	(9,061)
Deposits and balances from banks and other financial institutions	(9,930)	(2,946)

In thousands of Kyrgyz soms	2024	2023
Repurchase agreements	(104)	-
Other	(26,234)	(4,283)
Total interest expense	(4,131,219)	(2,738,559)
Net interest income before allowance for expected credit losses on interest bearing assets	7,268,806	6,286,301

28. Income from Islamic Finance

In thousands of Kyrgyz soms	2024	2023
Income from Murabahah operations	102,941	7,189
Total income from Islamic finance	102,941	7,189

In thousands of Kyrgyz soms	2024	2023
Expenses from Mudarabah operations	(9)	-
Total expenses from Islamic finance	(9)	-

29. Net foreign exchange gain

In thousands of Kyrgyz soms	2024	2023
Realized gain on foreign exchange transactions	4,690,182	2,488,437
Unrealized gain/(loss) from revaluation	(41,310)	(29,378)
Total net profit from foreign currency translation	4,648,872	2,459,059

30. Commission income and expense

In thousands of Kyrgyz soms	2024	2023
<i>Fee and commission income:</i>		
Settlements	601,875	520,319
Money Transfers	567,005	418,491
Commission income for payment cards	209,947	136,564
Commission fee for storage of valuables	19,588	17,595
Other	37,375	13,926
Total commission income	1,435,790	1,106,895
<i>Fee and commission expense:</i>		
Money transfer fees	(1,043,119)	(355,368)
Commission expenses for payment cards	(313,312)	(237,233)
Settlements	(103,375)	(103,882)
Commission fees for storage of valuables	(7,391)	(7,039)
Other commission expenses	(246,207)	(151,301)
Total commission expense	(1,713,404)	(854,823)

In thousands of Kyrgyz soms	2024	2023
Total net income from commissions	(277,614)	252,072

31. Losses from (impairment) / recovery

In thousands of Kyrgyz soms	2024	2023
<i>Accruals of allowance for expected credit losses on interest bearing assets:</i>		
Allowance for expected credit losses on loans to customers	470,261	196,170
Allowance for expected credit losses on investments in securities	(24,762)	(23,293)
Allowance for expected credit losses on cash and cash equivalents	(198,273)	(7,153)
Allowance for expected credit losses on loans and advances to banks and other financial institutions	(23,688)	3,586
	223,538	169,310
Accrual of allowance for expected credit losses on Islamic Finance assets	(24,529)	(9,013)
<i>Accrual of allowance for impairment losses on other assets:</i>		
Other financial assets	(19,552)	(4,170)
Non-financial assets	(74,682)	(288,120)
	(94,234)	(292,290)
<i>Accrual of allowance for impairment losses on credit-related contingent liabilities:</i>		
Allowance for expected credit losses on credit-related contingent liabilities	51,962	(106,483)
Total losses from (impairment) / recovery	156,737	(238,476)

32. Operating expenses

In thousands of Kyrgyz soms	2024	2023
Employee compensation	2,507,708	1,816,957
Payroll related taxes	433,454	305,353
Depreciation and amortization	315,674	241,078
Repairs and maintenance	163,523	136,422
Security services	100,255	91,654
Stationery and office supplies	55,263	36,410
Rent	38,070	15,581
Advertising and marketing	35,563	29,363
Representative expenses	34,179	22,807
Professional services	33,863	27,605
Taxes other than tax income	27,304	15,724
Training	23,942	11,039

In thousands of Kyrgyz soms	2024	2023
Communication and information services	21,728	17,031
Utilities	21,074	15,438
Business trip expenses	20,219	11,437
Other expenses	33,302	16,989
Total operating expenses	<u>3,865,121</u>	<u>2,810,888</u>

33. Income tax expense

The Bank measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Kyrgyz Republic where the Bank operate, which may differ from IFRS.

Current income tax

Current income tax is calculated based on the estimated taxable profit for the year, taking into account income tax rates in force or substantively enacted at the reporting date, as well as adjustments for income tax of previous years.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2023 and 2022 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

In accordance with the Tax Code of the Kyrgyz Republic, which came into force on January 1, 2022 (according to the Law of the Kyrgyz Republic dated January 18, 2022 No 4) the amount of reserves formed by the Bank in accordance with the regulatory requirements of the National Bank is subject to deduction from the total annual income for the purposes of calculation of taxable income. The amounts of the provisions are calculated in accordance with the "Regulation of the NBKR on the Classification of Assets and Related Provisions for Potential Losses and Losses" No 95-04, registered with the Ministry of Justice of the Kyrgyz Republic dated August 23, 2004. The amount of provisions for potential losses in these financial statements are formed in accordance with the requirements of IFRS.

The tax rate used for the reconciliations below is the corporate tax rate of 10% payable by corporate entities in the Kyrgyz Republic on taxable profits (as defined) under tax law in that jurisdiction.

Deferred tax assets/(liabilities) as at December 31, 2024 and 2023 comprise:

В тысячах кыргызских сом	2024				
	2023	Признанные в составе прибыли или убытка	Итого чистые отложенные налоги	Отложенный налоговый активы	Отложенные налоговые обязательства
Loans and advances from banks and loans to customers	(123,194)	(15,068)	(138,262)	-	(138,262)
Property and equipment	(31,513)	(11,989)	(43,502)	-	(43,502)
Right-of-use asset	(11,752)	(6,297)	(18,049)	-	(18,049)
Provision	(1,766)	(13,160)	(14,926)	-	(14,926)
Investment securities	7,445	2,477	9,922	-	(138,262)
Loans to customers under the principles of Islamic Finance	506	(176)	330	330	-
Lease liability	12,307	6,255	18,562	18,562	-
Net deferred tax liability	<u>(147,967)</u>	<u>(37,958)</u>	<u>(185,925)</u>	<u>18,892</u>	<u>(353,001)</u>

В тысячах кыргызских сом	2023				
	2022	Признанные в составе прибыли или убытка	Итого чистые отложенные налоги	Отложенный налоговый активы	Отложенное налоговое обязательства
Loans and advances from banks and loans to customers	(128,643)	5,449	(123,194)	-	(123,194)
Property and equipment	(21,076)	(10,437)	(31,513)	-	(31,513)
Right-of-use asset	(15,171)	3,419	(11,752)	-	(11,752)
Provision	(4,115)	2,349	(1,766)	-	(1,766)
Investment securities	5,116	2,329	7,445	7,445	-
Loans to customers under the principles of Islamic Finance	-	506	506	506	-
Lease liability	15,615	(3,308)	12,307	12,307	-
Net deferred tax liability	<u>(148,274)</u>	<u>307</u>	<u>(147,967)</u>	<u>20,258</u>	<u>(168,225)</u>

Income tax expenses for the period are presented in the table below:

In thousands of Kyrgyz soms	2024	2023
Current income tax expense	777,309	622,846
Deferred tax expense	37,958	(307)
Income tax expense	<u>815,267</u>	<u>622,539</u>

The effective tax rate reconciliation is as follows for the years ended December 31, 2024 and 2023:

In thousands of Kyrgyz soms	2024	2023
Profit before income tax	8,087,450	6,048,616
Tax at the statutory tax rate (10%)	808,745	604,862
Non-deductible costs	6,522	17,677
Income tax expense	<u>815,267</u>	<u>622,539</u>

34. Commitments and contingencies

Credit related commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank applies the same credit risk management policies and procedures when granting credit commitments and financial guarantees as it does for granting loans to customers.

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

In thousands of Kyrgyz soms	2024	2023
Loan and credit line commitments	4,878,043	1,521,768
Guarantees	189,432	105,149
Overdrafts	10,119	21,105
	5,077,594	1,648,022
Less: allowance for expected credit losses	(211,227)	(263,189)
Total contingent liabilities and credit commitments	4,866,367	1,384,833

Credit quality of other contingent liabilities

The following table provides information on the credit quality of the contingent liabilities as at December 31, 2024 and 2023:

In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	2024 Total
Credit related commitments				
Loan and credit line commitments	4,506,194	370,847	1,002	4,878,043
Guarantees	135,935	53,497	-	189,432
Overdrafts	8,805	782	532	10,119
	4,650,934	425,126	1,534	5,077,594
Less: allowance for expected credit losses	(182,287)	(27,943)	(997)	(211,227)
Net credit related commitments	4,468,647	397,183	537	4,866,367

In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	2023 Total
Credit-related commitments				
Loan and credit line commitments	983,675	504,408	33,685	1,521,768
Guarantees	98,465	6,684	-	105,149
Overdrafts	16,544	2,378	2,183	21,105
	1,098,684	513,470	35,868	1,648,022
Less: allowance for expected credit losses	(35,786)	(201,203)	(26,200)	(263,189)
Net credit related commitments	1,062,898	312,267	9,668	1,384,833

As of December 31, 2024 and 2023 the Bank did not have significant credit concentrations related to credit related commitments.

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

Insurance

The insurance industry in the Kyrgyz Republic is in a developing state and many forms of insurance protection common in other party of the world are not yet generally available.

Until the Bank provides full insurance, there is a risk that the loss or destruction of certain assets may have a negative impact on the Bank's operations and financial position. Nevertheless, the Bank insured buildings, vehicles, ATMs, terminals and cash contained therein, thereby reducing possible risks.

The Bank is a member of the deposit protection system of the Kyrgyz Republic, which is implemented by the Deposit Protection Agency and regulated by the Law of the Kyrgyz Republic "On Protection of Bank Deposits". In the event of a guarantee event, in accordance with the law, each depositor, an individual, is paid compensation of no more than KGS 1,000 thousand in total, including interest on deposits.

Pending legal proceedings

Management is not aware of any significant actual or pending litigation or potential claims that may be brought against the Bank.

Taxation

The taxation system in the Kyrgyz Republic is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to revenue, expenses and other items in the financial statements prepared in accordance with IFRS. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. However, under certain circumstances a tax year may remain open for six subsequent years.

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

35. Fair value of financial instruments

The Bank's management determines the policies and procedures for both recurring fair value measurement, as in the case of unquoted trading and available-for-sale securities, unquoted derivatives, investment property and buildings, and for non-recurring measurement, as in the case of assets held for sale.

At each reporting date the Bank analyses changes in the value of assets and liabilities which require revaluation or reassessment according to the Bank's accounting policy. For this analysis, the Bank verifies the major inputs used in the previous valuation by comparing the information in the valuation computations with contracts and other relevant documents. The Bank also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Except as disclosed in the following table, management believes that the carrying amounts of the Bank's financial assets and liabilities recorded in the financial statements approximate their fair values.

In thousands of Kyrgyz soms	December 31, 2024		December 31, 2023	
	Book value	Fair value	Book value	Fair value
Loans to customers	47,389,592	47,389,592	38,898,909	38,898,909
Islamic Finance receivables	2,454,372	2,454,372	314,725	314,725
Investments in securities	20,214,666	20,188,904	14,500,791	14,487,362
Total financial assets	70,058,630	70,032,868	53,714,425	59,229,873
Deposits and balances from banks and other financial institutions	361,275	361,275	267,668	267,668
Current accounts and deposits from customers	119,185,138	119,185,138	77,430,060	77,430,060
Amounts due to customers, under Islamic financing principles	22,580	22,580	3,542	3,542
Islamic Finance liabilities	909,289	909,289	94,071	94,071
Amounts due to Ministry of the Kyrgyz Republic	5,447,111	5,447,111	5,133,837	5,133,837
Other borrowed funds	4,048,600	4,048,600	5,585,770	5,585,770
Derivative financial liabilities	578,452	578,452	384,113	384,113
Total financial liabilities	130,552,445	130,552,445	88,899,061	88,899,061
				2024
In thousands of Kyrgyz soms	Level 1	Level 2	Level 3	Total
Loans to customers	-	46,557,691	831,901	47,389,592
Islamic Finance receivables	-	2,454,372	-	2,454,372
Investments in securities	-	20,188,904	25,762	20,214,666

In thousands of Kyrgyz soms	December 31, 2024		December 31, 2023	
	Book value	Fair value	Book value	Fair value
Deposits and balances from banks and other financial institutions	-	361,275	-	361,275
Current accounts and deposits from customers	-	119,185,138	-	119,185,138
Amounts due to customers, under Islamic financing principles	-	22,580	-	22,580
Islamic Finance liabilities	-	909,289	-	909,289
Amounts due to Ministry of the Kyrgyz Republic	-	-	5,447,111	5,447,111
Other borrowed funds	-	3,935,708	112,892	4,048,600
Derivative financial liabilities	-	578,452	-	578,452

2023

In thousands of Kyrgyz soms	Level 1	Level 2	Level 3	Total
Loans to customers	-	38,268,430	630,479	38,898,909
Islamic Finance receivables	-	314,725	-	314,725
Investments in securities	-	14,487,362	13,429	14,500,791
Deposits and balances from banks and other financial institutions	-	267,668	-	267,668
Current accounts and deposits from customers	-	77,430,060	-	77,430,060
Amounts due to customers, under Islamic financing principles	-	3,542	-	3,542
Islamic Finance liabilities	-	94,071	-	94,071
Amounts due to Ministry of the Kyrgyz Republic	-	-	5,133,837	5,133,837
Other borrowed funds	-	4,230,193	1,355,577	5,585,770
Derivative financial liabilities	-	384,113	-	384,113

The fair values of the financial assets and financial liabilities included in the above Level 2 and Level 3 categories were determined in accordance with generally accepted valuation methods, using market rates not adjusted for credit risk.

There were no transfers between Level 1 and Level 2 during the period.

The financial and non-financial assets and liabilities that are measured at fair value in the statement of financial position are presented below. This hierarchy categorizes financial and non-financial assets and liabilities into three levels based on the significance of the instruments used to measure the fair values of financial assets and liabilities. The fair value hierarchy has the following levels:

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

Fair value measurement methods and valuation mechanisms have not changed compared to the previous reporting period.

Unlisted Equity Investments

To determine the fair value of unquoted equity instruments, the Bank uses a combination of market and income approaches. The market approach and the income approach are common valuation methods for financial assets that are not traded on the stock exchange. In accordance with the market approach, the Bank uses prices and other relevant information generated by market transactions with identical or comparable securities. Under the income approach, future amounts are converted into a single present amount (e.g., a discounted cash flow model). The market-based approach is preferable because the main resources used are usually observable quantities.

Derivatives

When derivatives are traded either on an exchange or an over-the-counter market, the Bank uses closing prices at the reporting date.

Normally, derivatives carried out by the Bank are not traded in an active market. The fair value of these contracts is measured using the valuation method, which makes the most of observable market data, such as the market exchange rate (Level 2). Derivatives entered into by the Bank are included in Level 2 and consist of currency swap contracts.

36. Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Bank performs different operations with financial instruments, which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In thousands of Kyrgyz soms	December 31, 2024		
	Gross amount of assets	Gross amount of liabilities	Amounts offset Net amount recognized
FINANCIAL LIABILITIES			
Derivative financial liabilities	9,617,754	10,196,206	578,452

In thousands of Kyrgyz soms	December 31, 2023		
	Gross amount of assets	Gross amount of liabilities	Amounts offset Net amount recognized
FINANCIAL LIABILITIES			
Derivative financial liabilities	8,098,214	8,482,327	384,113

37. Capital management

The National Bank of the Kyrgyz Republic establishes and monitors the fulfillment of requirements for the level of the Bank's equity capital.

The Bank defines as equity those items that are defined in accordance with the legislation of the Kyrgyz Republic as items constituting equity of credit institutions.

In accordance with the current requirements for equity capital established by the NBKR, banks must maintain the following normatives:

- ratio of total capital to the value of risk-weighted assets (capital adequacy ratio) above the prescribed minimum level of 12.5%,
- the ratio of Tier 1 capital to assets risk-weighted above the prescribed minimum level of 7.5%;

- adequacy ratio of Tier 1 base capital above the prescribed minimum level of 6%;
- and the ratio of total capital to total assets above the prescribed minimum level of 6%.

The Bank began calculating the Tier 1 capital adequacy ratio in 2021. As at December 31, 2024 and December 31, 2023, the Bank's capital adequacy ratio was in line with the statutory level.

In order to improve the efficiency of the banking system, strengthen the ability to withstand shocks in various economic situations, as well as provide more efficient and affordable banking services, the following requirements are established by the Resolution of the National Bank of the Kyrgyz Republic dated March 15, 2023 No. 2023-P-17-16-4-(NPA) "On the minimum amount of share (regulatory) capital of commercial banks":

- Minimum amount of authorized capital for newly established commercial banks (including capital requirements for branches of foreign banks) in the amount of at least KGS 1,000 million;
- For operating commercial banks (including branches of foreign banks), the minimum amount of the share capital is as follows:
 - until April 1, 2023 – KGS 600,000 thousand;
 - until July 1, 2024 – KGS 800,000 thousand;
 - until July 1, 2026 – KGS 1,000,000 thousand.

The table below shows an analysis of the composition of the Bank's equity capital calculated in accordance with the requirements of the Regulator as of December 31, 2024 and December 31, 2023:

In thousands of Kyrgyz soms	Unaudited data	
	2024	2023
Net total capital	25,354,604	19,406,544
Risk – weighted assets	83,735,863	45,155,550
Total capital adequacy ratio	30,3%	43.0%
Total tier 1 capital	17,363,849	13,366,420
Risk – weighted assets	83,735,863	45,155,550
Tier 1 Capital adequacy ratio	20,7%	29.6%
Base tier 1 capital	16,448,883	12,361,933
Risk – weighted assets	83,735,863	45,155,550
Tier 1 Capital adequacy ratio	19,6%	27.4%
Total capital	25,354,604	19,406,544
Total assets	158,190,706	109,789,192
	16,0%	17.7%

Risk-weighted assets are valued using a risk weighting system, graded according to the nature of the risk and reflecting an assessment of the credit, market and other risks associated with each asset and counterparty, taking into account any acceptable collateral or guarantees. A similar valuation methodology is used for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of potential losses.

In accordance with the quantitative indicators established to ensure capital adequacy, the Bank is obliged to comply with the requirements regarding the minimum amounts and the ratio of the total capital (12,5%) and Tier 1 capital (7,5%) to the total amount of risk-weighted assets.

38. Risk management policies

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit exposures;
- 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 performance objectives.

The Bank's risk management policy is aimed at identifying, analyzing and managing the risks to which the Bank is exposed, at setting risk limits and corresponding controls, as well as at continually assessing the level of risk and its compliance with the established limits. Risk management policies and procedures are reviewed on a regular basis to reflect changes in the market situation, offered banking products and services, and best international practice.

The Board of Directors of the Bank is responsible for the proper functioning of the risk management control system and, within the framework of this responsibility, its main responsibilities are:

- determining the main parameters for managing the risks to which the Bank is exposed and establishing acceptable levels for these risks;
- exercising supervision over the actions taken by the Bank's Management Board to identify, assess, monitor and control risks;
- approving major transactions in amounts from 5% to 20% of the Bank's total assets, depending on the nature of the transaction, as well as all active related party transactions of the Bank;
- Meetings of the Board of Directors are held as necessary, but at least once a month.

The Management Board of the Bank is responsible for monitoring and implementing risk mitigation measures, as well as ensuring that the Bank operates within the established risk limits by empowering and identifying responsible persons in relation to the implementation of policies and measures to mitigate the Bank's risks. Meetings of the Management Board are held as needed, but at least once a week.

Assessment of banking risks provides for the identification and analysis of internal and external factors affecting the Bank's activities, which is carried out by the Bank's risk manager. The responsibilities of the risk manager of the Bank include general risk management, implementation of risk policies and procedures and control over their observance, as well as control over the use of general principles and methods for detection, assessment, management and reporting, both on financial and on non-financial risks. The risk manager of the Bank reports directly to the Board of Directors and on a monthly basis submits a report to the Board of Directors on the factors affecting the increase in banking risks.

38.1 Credit risk management

Credit, market and liquidity risk are managed and monitored by the system of Credit Committees, the Asset and Liability Management Committee (ALCO) and the Liquidity Management Committee, both at the level of the portfolio as a whole and at the level of individual transactions.

In order to facilitate efficient decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

The first level is the Bank's Credit Committee, which is authorized to carry out credit operations in respect of the aggregate credit debt of one borrower in the amount not exceeding 1.3% of the Bank's net total capital, as well as credit operations regardless of the size, if funds are provided to secure them on a separate deposit account with the Bank. The Bank's Credit Committee is not entitled to perform credit transactions on affiliates and related persons and interbank placements.

The following table details the approved limits for the relevant levels of the Bank's Credit Committees in terms of decision-making and, consequently, credit risk management. The limits were valid throughout 2023.

Level	Name	Limit	Credit Committee	Substitute	Product name
			Credit Committee (the "CC") Chairman: Deputy Chairman of the Management Board in charge of the Lending Department		
			Members of the CC: - Head of Credit Department / Head of Leasing Department - Head of the Collateral Valuation Service - Head of the Security Service - Head of the Legal Department (quorum 3 members)	It is submitted to the Bank's Credit Committee	All Products
2 level	Small Credit Committee of the Bank	up to 25 million KGS incl.	Credit Committee Chairman: Managing Director	Credit Committee Chairman: Deputy Chairman of the Management Board in charge of the Lending Department	
			Members of the CC: - Head of Credit Department / Head of Leasing Department - Head of the Collateral Valuation Service - Head of Security Service - Head of Legal Department (quorum 3 members)	Members of the CC: -Regional Manager / by order Other members: substitutes by order	All Products
			CC Chairman: Head of Lending Department / Head of Leasing Department	Credit Committee Chairman: Managing Director / by order	
3 level	Credit /Leasing Department	up to 9 million KGS incl.	Members of the CC: - Regional Manager / Head of Technical Support and Leasing Service Department - Branch Director - Head of Credit Office -Lawyer (quorum 3 members)	Members of the CC: - Risk manager can replace both Branch Director and Head of Credit Office - Risk manager can replace other Risk manager Other members: substitutes by order	All Products
			CC Chairman: Regional Manager / Head of Leasing Technical Support and Maintenance Department*	Credit Committee Chairman: Head of Credit Department / Head of Leasing Department / other Risk managers	
4 level	Regional Credit Committee	up to 7 million KGS incl.	Members of the CC: - Branch Director / Deputy Branch Director in charge of credit activity - Head of Credit Office -Lawyer (quorum 3 members)	Members of the CC: substitutes by order	All Products

Level	Name	Limit	Credit Committee	Substitute	Product name
5 level	Credit Committee of the branch	According to the Decision of CC, on leasing up to KGS 10 million incl. in the presence of 30% of the property contribution	<p>CC Chairman: Branch Director/Deputy Branch Director in charge of credit activities</p> <p>Members of the CC:</p> <ul style="list-style-type: none"> - Deputy Director of the Branch in charge of credit activities - Head of Credit Office - Lawyer (quorum 3 members) 	<p>Credit Committee Chairman: Deputy Branch Director / by order</p> <p>Members of the CC: substitutes by order.</p> <p>In the absence of a quorum in the absence of the Chairman of the CC or one of the CC members for more than 5 business days, the composition and limit of the Credit Committee of the branch is determined by the Credit Committee of the Bank. In other cases, in the absence of a quorum, it is submitted to a higher-level CC</p>	All Products
6 level	Credit committee of the regional credit division	According to the decision of Credit Committee of the Bank	<p>CC Chairman: Head of Credit Administration Sector</p> <p>Members of the CC:</p> <ul style="list-style-type: none"> - Manager of the Savings Bank - Independent Loan Officer (quorum 3 members) 	In the absence of a quorum, it is submitted to a higher-level CC	All Products
	Underwriting Department	up to 700 thousand KGS incl.	Single-handedly makes the decision	In the absence of Head of Credit Office / Head of Credit Administration Sector (due to visits, meetings, etc.), for the efficiency of decision-making, credit projects can be approved by the Director of the Branch / Deputy Director of the Branch in charge of credit activities/ Underwriter as well as a substitute employee by order.	All Products
	Head of Credit Office / Head of Credit Administration Sector	up to 300 thousand KGS incl.			Participants of Salary Projects / Overdrafts

Liquidity Management Committee (CFM) - the main functions of CFM are to effectively manage the Bank's liquidity and make decisions on treasury operations within the limits set by the ALCO, and within this responsibility, its main responsibilities are:

- making decisions on direct placement and attraction of funds, as well as exchange of assets in the interbank market;
- determination of the directions and conditions for the placement of short-term funds of the Bank, the volume of transactions with foreign currency;
- setting limits on exchange rates, volumes of assets and liabilities in foreign currency for daily operations in foreign currency, etc.

Both external and internal risk factors are identified and managed within the Bank's organizational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise. The Bank has established the Risk Management Committee in accordance with the requirements of the Kyrgyz legislation. It is created and formed by the decision of the Board of Directors, is accountable to the Board of Directors and acts within the authority granted by the Board of Directors.

Use of forecast information

When assessing for a significant increase in credit risk, as well as when measuring expected credit losses, the Bank uses forward-looking information that can be obtained without undue financial or labor costs. The Bank engages experts who use external and internal information to create a "baseline scenario" of the future dynamics of relevant economic indicators, as well as a representative set of other possible forecast scenarios. External information used includes economic data and forecasts published by government and monetary authorities.

The Bank analyzes the likelihood of these forecast scenarios. The baseline scenario represents the single most likely scenario and includes information used by the Bank for strategic planning and budgeting purposes. The Bank has identified and documented the main factors of credit risk and credit losses for each portfolio of financial instruments and, through statistical analysis of historical data, assessed the relationship between macroeconomic variables, credit risk and credit losses. The Bank did not change the valuation methods or significant assumptions made during the reporting period.

The approach to macroeconomic effect PD forecasting used by the Bank to estimate expected credit losses is as follows.

1. The Bank determines the annual cyclical (TTC average) matrix by excluding the macroeconomic effect from the analyzed time (PIT) transition matrices.
2. The Bank adjusts the averaged annual cyclical transition matrix for the predicted macroeconomic factors (the beta regression equation is used, determined at the modeling stage and the predictive macro factors are incorporated into the regression equation).
3. The Bank calculates PD levels for Stages 1, 2, 3 for several years (+12 months, +24 months and +36 months): based on Markov chains 12-month PD and Lifetime PD are calculated.

Implementing a robust credit risk assessment and measurement procedure for accounting purposes that provides a solid foundation for the common systems, tools and data used to assess credit risk and account for expected credit losses. Providing consultations, recommendations and specialists to various business units in order to introduce advanced methods of credit risk management within the Bank.

The Internal Audit Service conducts regular audits to ensure that existing internal controls and procedures are properly developed and implemented.

Significant increase in credit risk

As explained in Note 5, the Bank has monitored all financial assets that qualify for impairment for significant increases in credit risk since initial recognition. If a significant increase in credit risk is identified, the Bank calculates an estimate based on the amount of credit losses expected over the entire loan period, and not just the next 12 months.

Internal credit risk ratings

In order to minimize credit risk, the Bank instructed the credit management committee to develop and ensure the functioning of the Bank's credit rating system to categorize risks depending on the degree of default risk. The Bank's credit rating system includes ten categories. Credit rating information is based on a set of data that is defined as forward-looking data in relation to default risk and uses expert judgment in relation to credit risk. The analysis takes into account the nature of the risk and the type of borrower. Credit ratings are determined using qualitative and quantitative factors that indicate the risk of default.

Credit ratings are designed and calibrated to reflect the risk of default as credit risk increases. As credit risk increases, so do the differences in default risk between different credit ratings. At initial recognition, each risk is assigned to a specific credit rating based on available counterparty information. Then all risks are monitored and the credit rating is updated with the latest information. Both standard monitoring procedures and procedures adapted to specific types of risk are applied. To monitor the Bank's risks, as a rule, the following data are used:

- Payment history, including payment ratios and maturity analysis;
- The degree of use of the provided limit;
- Cases of refusal of sanctions (both at the request of the client and at the initiative of the Bank);
- Changes in commercial conditions, financial situation and economic situation;
- Information about the credit rating assigned by independent rating agencies;
- For risks related to lending to individuals: internal data on customer behavior, indicators of product availability, etc.;
- For corporate lending risks: information obtained through periodic review of customer files (including review of audited financial statements), market data such as quoted bond prices (if any), and changes in the financial sector, in which the client works.

Credit ratings are used as the main input for assessing the term structure of the probability of default for various risks. The Bank collects data on performance and probability of default and analyzes them by jurisdiction / region, as well as by product and borrower type and by credit rating. In this case, both internal and external information can be used, depending on the analyzed portfolio.

The predicted relationships between key metrics and default and loss rates for various portfolios of financial assets have been developed based on an analysis of historical data over the past 10 years.

The procedure for calculating expected credit losses for accounting purposes differs from the procedure for calculating expected credit losses for regulatory purposes, although many of the inputs used are similar. The Bank has ensured that proper methodology is used in calculating expected credit losses for both accounting and regulatory purposes. The main differences between the methodology used to measure expected credit losses in accordance with IFRS 9 and the methodology used to comply with regulatory requirements are as follows:

Estimating expected credit losses in accordance with IFRS 9 takes into account forward-looking information about future economic conditions.

- When estimating expected credit losses in accordance with IFRS 9, the calculated value of expected losses is weighted by the likelihood of the corresponding scenarios of forecasts of macroeconomic variables.
- When estimating expected credit losses in accordance with IFRS 9 based on probability transition matrices, historical data for 10 years is used.

The table below presents the maximum exposure to credit risk by line item in the statement of financial position, including derivatives. The maximum exposure is presented without considering the impact of mitigation measures such as the use of master netting and collateral agreements.

In thousands Kyrgyz soms	Maximum exposure to credit risk as at December 31, 2024	Collateral pledged	Amount of credit risk as of December 31, 2024 less collateral
Cash equivalents*	58,067,121	-	58,067,121
Loans and advances to banks and other financial institutions	10,131,328	(946,968)	9,184,360

In thousands Kyrgyz soms	Maximum exposure to credit risk as at December 31, 2024	Collateral pledged	Amount of credit risk as of December 31, 2024 less collateral
Loans to customers	47,389,592	(43,930,675)	3,458,917
Islamic Finance receivable	2,454,372	(2,439,873)	14,499
Investments in securities	20,214,666	-	20,214,666
Other financial assets	2,105,930	-	2,105,930
	<u>140,363,009</u>	<u>(47,317,516)</u>	<u>93,045,493</u>
Guarantees and credit related commitments	4,866,367	(189,432)	4,676,935
Total exposure to credit risk	<u>145,229,376</u>	<u>(47,506,948)</u>	<u>97,722,428</u>

* Cash equivalents do not include cash on hand

In thousands Kyrgyz soms	Maximum exposure to credit risk as at December 31, 2023	Collateral pledged	Amount of credit risk as of December 31, 2023 less collateral
Cash equivalents*	31,534,687	-	31,534,687
Loans and advances to banks and other financial institutions	9,670,915	(293,400)	9,377,515
Loans to customers	38,898,909	(35,307,973)	3,590,936
Islamic Finance receivable	314,725	(310,314)	4,411
Investments in securities	14,500,791	-	14,500,791
Other financial assets	515,120	-	515,120
	<u>95,435,147</u>	<u>(35,911,687)</u>	<u>59,523,460</u>
Credit related guarantees and contingent liabilities	4,866,367	(105,149)	4,761,218
Total amount of credit risk	<u>100,301,514</u>	<u>(36,016,836)</u>	<u>64,284,678</u>

* Cash equivalents do not include cash on hand

The tables below analyze information about the significant changes in the gross carrying amount of loans to customers during the period that contributed to changes in the loss allowance as well as the movement of the allowance for expected credit losses during 2024 and 2023:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of January 1	<u>36,133,170</u>	<u>2,303,262</u>	<u>3,420,138</u>	<u>41,856,570</u>
Changes in the gross carrying amount				
- Transfer to stage 1	182,831	(179,090)	(3,741)	-
- Transfer to stage 2	(1,745,438)	1,758,501	(13,063)	-
- Transfer to stage 3	(430,432)	(456,093)	886,525	-
New financial assets originated or purchased	25,083,251	-	-	25,083,251
Financial assets that have been derecognized	(6,264,630)	(340,462)	(537,487)	(7,142,579)
Principal payments	(8,416,048)	(608,259)	(875,163)	(9,899,470)
Change in interest accrued	(94,177)	(3,708)	(26,499)	(124,384)
Write-offs	(77)	-	(58)	(135)
Gross carrying amount as of December 31	<u>44,448,450</u>	<u>2,474,151</u>	<u>2,850,652</u>	<u>49,773,253</u>

In thousands Kyrgyz soms

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of January 1	27,898,827	2,375,837	3,701,811	33,976,475
Changes in the gross carrying amount				
- Transfer to stage 1	408,000	(399,824)	(8,176)	-
- Transfer to stage 2	(2,156,613)	2,239,478	(82,865)	-
- Transfer to stage 3	(96,488)	(545,659)	642,147	-
New financial assets originated or purchased	21,578,838	-	-	21,578,838
Financial assets that have been derecognized	(4,628,353)	(550,631)	(508,062)	(5,687,046)
Principal payments	(6,787,666)	(805,467)	(315,003)	(7,908,136)
Change in interest accrued	(79,443)	(10,123)	(2,673)	(92,239)
Write-offs	(3,932)	(349)	(7,042)	(11,323)
Gross carrying amount as of December 31	36,133,170	2,303,262	3,420,137	41,856,569

The following tables analyze changes in the allowance for expected credit losses on loans to customers for the years ended December 31, 2024 and December 31, 2023:

2024

In thousands Kyrgyz soms

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses of January 1	443,698	322,608	2,191,354	2,957,660
- Transfer to stage 1	21,709	(20,236)	(1,473)	-
- Transfer to stage 2	(127,810)	130,881	(3,071)	-
- Transfer to stage 3	(177,385)	(74,725)	252,110	-
Net restatement of the reserve	(312,572)	(115,404)	(589,353)	(1,017,329)
New financial assets originated or purchased	547,068	-	-	547,068
Recovery within a year	-	-	-	-
Write-offs	(77)	-	(58)	(135)
Foreign exchange and other movements	5	(161)	(103,447)	(103,603)
Allowance for expected credit losses of December 31	394,636	242,963	1,746,062	2,383,661

2023

In thousands Kyrgyz soms

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of January 1	346,542	418,065	2,267,368	3,031,975
- Transfer to stage 1	65,064	(60,741)	(4,323)	-
- Transfer to stage 2	(360,438)	402,270	(41,832)	-
- Transfer to stage 3	(2,155)	(252,580)	254,735	-
Net restatement of the reserve	(218,133)	(190,517)	(400,398)	(809,048)
New financial assets originated or purchased	612,878	-	-	612,878
Recovery within a year	-	-	-	-
Write-offs	(3,932)	(349)	(7,042)	(11,323)
Foreign exchange and other movements	3,872	6,460	122,846	133,178
Allowance for expected credit losses as of December 31	443,698	322,608	2,191,354	2,957,660

The following tables show comparisons from beginning to ending cash and cash equivalents balances:

2024

In thousands Kyrgyz soms	Stage1	Stage 2	Stage 3	Total
<i>Cash and cash equivalents</i>				
Balance as of January 1	43,630,616	-	-	43,630,616
Change in balance	31,191,881	-	-	31,191,881
Foreign exchange effect	(1,330,697)	-	-	(1,330,697)
Balance as of December 31	<u>73,491,800</u>	<u>-</u>	<u>-</u>	<u>73,491,800</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Cash and cash equivalents</i>				
Balance as of January 1	37,721,217	-	-	37,721,217
Change in balance	5,754,479	-	-	5,754,479
Foreign exchange effect	154,920	-	-	154,920
Balance as of December 31	<u>43,630,616</u>	<u>-</u>	<u>-</u>	<u>43,630,616</u>

Movements in the allowance for expected credit losses for the years ended December 31, 2024 and December 31, 2023, are as follows:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Cash and cash equivalents</i>				
Provision for ECL as of January 1	13,795	-	-	13,795
Net remeasurement of net allowance	198,273	-	-	198,273
Foreign exchange effect	(23,932)	-	-	(23,932)
Provision for ECL as of December 31	<u>188,136</u>	<u>-</u>	<u>-</u>	<u>188,136</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Cash and cash equivalents</i>				
Provision for ECL as of January 1	13,168	-	-	13,168
Net remeasurement of net allowance	7,153	-	-	7,153
Foreign exchange effect	(6,526)	-	-	(6,526)
Provision for ECL as of December 31	<u>13,795</u>	<u>-</u>	<u>-</u>	<u>13,795</u>

The following tables show reconciliations from the opening to the closing balances of the loans and advances to banks and other financial institutions:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Loans and advances to banks and other financial institutions</i>				
Balance of January 1	9,691,822	-	-	9,691,822
Change in balance	482,214	-	-	482,214
Foreign exchange effect	1,887	-	-	1,887
Balance of December 31	<u>10,175,923</u>	<u>-</u>	<u>-</u>	<u>10,175,923</u>

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Loans and advances to banks and other financial institutions</i>				
Balance of January 1	871,595	-	-	871,595
Change in balance	8,754,592	-	-	8,754,592
Foreign exchange effect	65,635	-	-	65,635
Balance of December 31	<u>9,691,822</u>	<u>-</u>	<u>-</u>	<u>9,691,822</u>

Changes in the allowance for expected credit losses on loans and advances to banks and other financial institutions for the years ended December 31, 2024 and December 31, 2023 are as follows:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Loans and advances to banks and other financial institutions</i>				
Balance of January 1	20,907	-	-	20,907
Net Change	23,688	-	-	23,688
Balance of December 31	<u>44,595</u>	<u>-</u>	<u>-</u>	<u>44,595</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Loans and advances to banks and other financial institutions</i>				
Balance of January 1	24,493	-	-	24,493
Net change	(3,586)	-	-	(3,586)
Balance of December 31	<u>20,907</u>	<u>-</u>	<u>-</u>	<u>20,907</u>

The following tables show the reconciliation of the opening and closing balances of investments in securities carried at amortised cost:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Investment in securities at amortised cost</i>				
Balance of January 1	14,561,815	-	-	14,561,815
Other changes	1,485,899	-	-	1,485,899
Redemption of securities	(1,285,657)	-	-	(1,285,657)
New securities purchased	5,581,898	-	-	5,581,898
Foreign exchange effect	(55,836)	-	-	(55,836)
Balance of December 31	<u>20,288,119</u>	<u>-</u>	<u>-</u>	<u>20,288,119</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Investment in securities at amortised cost</i>				
Balance of January 1	10,056,448	-	-	10,056,448
Other changes	1,469,484	-	-	1,469,484
Redemption of securities	(5,528,501)	-	-	(5,528,501)
New securities purchased	8,475,426	-	-	8,475,426
Foreign exchange effect	88,958	-	-	88,958
Balance of December 31	<u>14,561,815</u>	<u>-</u>	<u>-</u>	<u>14,561,815</u>

Changes in the allowance for expected credit losses of investments in securities at amortised cost for the years ended December 31, 2024 and December 31, 2023 are as follows:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Investment in securities at amortised cost</i>				
Balance of January 1	74,453	-	-	74,453
Newly acquired securities	24,762	-	-	24,762
Redemption of securities	-	-	-	-
Balance of December 31	<u>99,215</u>	<u>-</u>	<u>-</u>	<u>99,215</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Investment in securities at amortised cost</i>				
Balance of January 1	51,159	-	-	51,159
Newly acquired securities	23,563	-	-	23,563
Redemption of securities	(269)	-	-	(269)
Balance of December 31	<u>74,453</u>	<u>-</u>	<u>-</u>	<u>74,453</u>

The tables below analyze the changes in the allowance for expected credit losses on Islamic Finance receivables for the years ended December 31, 2024:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Islamic Finance receivables</i>				
Balance of January 1	323,734	-	26,988	350,722
Change in balance	1,927,130	-	28,990	1,956,120
Foreign exchange effect	(160,234)	-	(1,492)	(161,726)
Balance of December 31	<u>2,090,630</u>	<u>-</u>	<u>54,486</u>	<u>2,145,116</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Islamic Finance receivables</i>				
Balance of January 1	323,734	-	26,988	350,722
Change in balance	185,116	-	(1,564)	183,552
Foreign exchange effect	2,487	-	(1,016)	1,471
Balance of December 31	<u>511,337</u>	<u>-</u>	<u>24,408</u>	<u>535,745</u>

The movements in the allowance for expected credit losses on other financial assets for the years ended December 31, 2024 and December 31, 2023 were as follows:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Other financial assets</i>				
Balance of January 1	23	-	20,602	20,625
Change in balance	173	-	19,379	19,552
Foreign exchange effect	-	-	(991)	(991)
Balance of December 31	<u>196</u>	<u>-</u>	<u>38,990</u>	<u>39,186</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Other financial assets</i>				
Balance of January 1	35	-	17,687	17,722
Change in balance	(12)	-	4,182	4,170
Foreign exchange effect	-	-	(1,267)	(1,267)
Balance of December 31	<u>23</u>	<u>-</u>	<u>20,602</u>	<u>20,625</u>

The following table provides information on the credit quality of contingent and credit liabilities as of December 31, 2024 and 2023:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Credit related commitments</i>				
Balance of January 1	1,098,684	513,470	35,868	1,648,022
Change in balance	3,552,250	(88,344)	(34,334)	3,429,572
Balance of December 31	<u>4,650,934</u>	<u>425,126</u>	<u>1,534</u>	<u>5,077,594</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Credit related commitments</i>				
Balance of January 1	865,775	76,247	202,726	1,144,748
Change in balance	232,909	437,223	(166,858)	503,274
Balance of December 31	<u>1,098,684</u>	<u>513,470</u>	<u>35,868</u>	<u>1,648,022</u>

Changes in the allowance for expected credit losses on credit-related liabilities for the years ended December 31, 2024 and December 31, 2023 are as follows:

2024

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Credit related commitments</i>				
Balance of January 1	35,786	201,203	26,200	263,189
Change in balance	(610,817)	(173,308)	(25,203)	(809,328)
Foreign exchange effect	757,318	48	-	757,366
Balance of December 31	<u>182,287</u>	<u>27,943</u>	<u>997</u>	<u>211,227</u>

2023

In thousands Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<i>Credit related commitments</i>				
Balance of January 1	19,990	379	134,863	155,232
Change in balance	15,545	199,601	(108,663)	106,483
Foreign exchange effect	251	1,223	-	1,474
Balance of December 31	<u>35,786</u>	<u>201,203</u>	<u>26,200</u>	<u>263,189</u>

38.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever

to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

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

The liquidity management policy requires:

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

The following elements are involved in the Bank's liquidity management:

Committee on Management and Liabilities ("ALCO")

The main functions of the ALCO are: regulation of financial assets and liabilities in order to maintain liquidity, ensuring a stable interest margin and spread, regulation of assets and liabilities in compliance with the requirements of economic instruments, management of operational risks associated with working with financial instruments.

Committee for liquidity management ("CFM")

The main functions of CFM are to effectively manage the Bank's liquidity and make decisions on treasury operations within the limits established by the ALCO, and within this responsibility, its main responsibilities are:

- making decisions on direct placement and attraction of funds, as well as exchange of assets in the interbank market;
- determination of directions and conditions for placement of short-term funds of the Bank, volumes of transactions with foreign currency;
- setting limits on exchange rates, volumes of assets and liabilities in foreign currency for daily operations in foreign currency, etc.

Risk management department

The Risk Management Department identifies, measures, analyzes and monitors liquidity risk, conducts stress testing of liquidity. Independently of the Treasury, the Risk Management Department conducts a gap analysis of the Bank's liquidity on a quarterly basis, which it submits for consideration by the Risk Management Committee as part of a monthly report, brings it to the attention of the Board of Directors and the Management Board of the Bank.

Treasury

The Treasury Department manages the current and medium-term liquidity of the Bank, as well as conducts gap analysis on a monthly basis, followed by the submission of the analysis results to the ALCO. The Treasury is also responsible for keeping the ALCO and CFM informed on a potential liquidity risk in a timely manner.

The Bank manages liquidity risk based on cash flows through the construction of a gap. The quantitative measurement and analysis of liquidity risk includes cash flows generated by assets, liabilities, and balance sheet and off-balance sheet positions within daily, weekly, monthly, annual and other time horizons, which should be used to:

- monitoring net funding requirements under normal business conditions on a daily basis and;
- Conducting regular cash flow analysis based on a range of shock scenarios.

The table below provides a maturity analysis of the amounts recognized in the statement of financial position as of December 31, 2024 and December 31, 2023. It should be noted that the negative gap in liquidity in the amount of KGS 29,117,413 thousand is due to the fact that the balances on the current accounts of clients are included in the amounts payable in less than one month in the disclosure of liquidity, while in accordance with the expectations of the Management, the maturity of these customer accounts provides long-term and stable stability since the significant part of the Bank's client accounts belongs to government organizations (for example, such as the Social Fund of the Kyrgyz Republic). Thus, the negative liquidity gap per contractual maturities up to 1 year can be significantly reduced and becomes positive if behavioral maturities are applied.

Moreover, the Management believes that the shareholder will continue to provide sufficient financial support to the Bank to enable it to meet its obligations for the foreseeable future, which management believes is a period of at least 12 months from the date of these financial statements.

The following table analyzes financial assets and liabilities according to their expected maturities.

	Up to 1 month	1 to 3 months	From 3 to 12 months	1 to 5 year	More than 5 year	Total
FINANCIAL ASSETS						
Cash and cash equivalents	73,303,664	-	-	-	-	73,303,664
Loans and advances to banks and other financial institutions	6,093,754	-	2,255,503	1,782,071	-	10,131,328
Loans to customers	533,983	261,517	3,227,446	33,554,465	9,812,181	47,389,592
Islamic Finance receivables	15	2,170	5,251	925,920	1,521,016	2,454,372
Investment in securities	43,513	12,263	3,928,841	9,584,840	6,645,209	20,214,666
Other financial assets	2,105,930	-	-	-	-	2,105,930
	82,080,859	275,950	9,417,041	45,847,296	17,978,406	155,599,552
FINANCIAL LIABILITIES						
Deposits and balances from banks and other financial institutions	361,275	-	-	-	-	361,275
Current accounts and deposits from customers	113,554,710	58,115	3,587,770	1,984,217	326	119,185,138
Amounts due to customers, under Islamic financing principles	22,580	-	-	-	-	22,580
Amounts due to the Ministry of Finance of the Kyrgyz Republic	3,195	101,729	243,708	3,946,394	1,152,085	5,447,111
Other borrowed funds	-	2,431	25,486	293,507	3,727,176	4,048,600
Derivative financial liabilities	578,452	-	-	-	-	578,452
Deferred income under Islamic financing principles	909,289	-	-	-	-	909,289
Lease liabilities	67,285	8,921	37,467	65,840	6,104	185,617
Other financial liabilities	1,328,850	-	-	-	-	1,328,850
	116,825,636	171,196	3,894,431	6,289,958	4,885,691	132,066,912
Difference between financial assets and liabilities	(34,744,777)	104,754	5,522,610	39,557,338	13,092,715	23,532,640

	Up to 1 month	1 to 3 months	From 3 to 12 months	1 to 5 year	More than 5 year	Total
FINANCIAL ASSETS						
Cash and cash equivalents	43,569,385	47,436	-	-	-	43,616,821
Loans and advances to banks and other financial institutions	8,503,741	-	974,640	192,534	-	9,670,915
Loans to customers	349,921	292,311	2,864,483	27,738,701	7,653,483	38,898,909
Islamic Finance receivables	-	-	9,261	227,294	78,170	314,725
Investment in securities	-	32,518	630,360	5,749,928	8,087,985	14,500,791
Other financial assets	515,120	-	-	-	-	515,120
	<u>52,938,167</u>	<u>372,265</u>	<u>4,478,744</u>	<u>33,908,457</u>	<u>15,819,648</u>	<u>107,517,281</u>
FINANCIAL LIABILITIES						
Deposits and balances from banks and other financial institutions	267,668	-	-	-	-	267,668
Current accounts and deposits from customers	65,001,628	1,752,790	6,937,464	3,738,148	30	77,430,060
Amounts due to customers, under Islamic financing principles	3,542	-	-	-	-	3,542
Amounts due to the Ministry of Finance of the Kyrgyz Republic	1,055,665	57,472	362,997	2,324,359	1,333,344	5,133,837
Other borrowed funds	107,292	81,192	1,472,403	156,807	3,768,076	5,585,770
Derivative financial liabilities	301,752	46,547	35,814	-	-	384,113
Deferred income under Islamic financing principles	94,071	-	-	-	-	94,071
Lease liabilities	4,735	8,921	37,467	65,840	6,104	123,067
Other financial liabilities	548,618	-	-	-	-	548,618
	<u>67,384,971</u>	<u>1,946,922</u>	<u>8,846,145</u>	<u>6,285,154</u>	<u>5,107,554</u>	<u>89,570,746</u>
Difference between financial assets and liabilities	<u>(14,446,804)</u>	<u>(1,574,657)</u>	<u>(4,367,401)</u>	<u>27,623,303</u>	<u>10,712,094</u>	<u>17,946,535</u>

The table below provides an analysis of the undiscounted financial liabilities by maturity as of December 31, 2024 and December 31, 2023:

In thousands Kyrgyz soms

2024

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
NON-DERIVATIVE FINANCIAL LIABILITIES						
Deposits and balances from banks and other financial institutions	361,275	-	-	-	361,275	361,275
Current accounts and deposits from customers	104,397,671	1,549,766	9,531,981	5,235,327	120,714,745	119,185,138
Amounts due to customers, under Islamic financing principles	22,580	-	-	-	22,580	22,580
Amounts due to the Ministry of Finance of the Kyrgyz Republic	3,195	103,603	271,626	5,279,900	5,658,324	5,447,111
Other borrowed funds	7,971	724	27,261	6,093,319	6,129,275	4,048,600
Deferred income under Islamic financing principles	909,289	-	-	-	909,289	909,289
Lease liabilities	7,931	17,260	62,537	106,324	194,052	185,617
Other financial liabilities	1,328,850				1,328,850	1,328,850
Total non-derivative financial liabilities	<u>107,038,762</u>	<u>1,671,353</u>	<u>9,893,405</u>	<u>16,714,870</u>	<u>135,318,390</u>	<u>131,488,460</u>
DERIVATIVE FINANCIAL LIABILITIES						
Derivative financial liabilities	578,452	-	-	-	578,452	578,452
Total undiscounted financial liabilities	<u>107,617,214</u>	<u>1,671,353</u>	<u>9,893,405</u>	<u>16,714,870</u>	<u>135,896,842</u>	<u>132,066,912</u>

In thousands Kyrgyz soms

2023

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
NON-DERIVATIVE FINANCIAL LIABILITIES						
Deposits and balances from banks and other financial institutions	267,668	-	-	-	267,668	267,668
Current accounts and deposits from customers	65,085,740	1,923,064	7,459,328	4,030,611	78,498,743	77,430,060
Amounts due to customers, under Islamic financing principles	3,542				3,542	3,542
Deferred income under Islamic financing principles	94,071	-	-	-	94,071	94,071
Amounts due to the Ministry of Finance of the Kyrgyz Republic	1,056,666	59,599	402,084	2,393,505	3,911,814	5,133,837
Other borrowed funds	116,708	94,385	1,636,294	5,092,331	6,939,718	5,585,770
Lease liabilities	5,423	10,243	42,261	81,902	139,829	123,067
Other financial liabilities	548,618	-	-	-	548,618	548,618
Total non-derivative financial liabilities	67,178,436	2,087,251	9,539,967	11,598,349	90,404,003	89,186,633
DERIVATIVE FINANCIAL LIABILITIES						
Derivative financial liabilities	301,752	46,547	35,814	-	384,113	384,113
Total undiscounted financial liabilities	67,480,188	2,133,798	9,575,781	11,598,349	90,788,116	89,570,746

38.3 Market risk

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of stability in market rates or prices. Market risk consists of foreign exchange risk, interest rate risk, and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility in market prices.

The objective of market risk management is to manage and control that the exposure to market risk does not go beyond the acceptable parameters, while ensuring the optimization of the profitability received for the accepted risk.

General market risk management is carried out by the ALCO, under the leadership of the ALCO Chairman. Market risk limits are approved by the ALCO, based on recommendations received from the Risk Management Department. An independent assessment of market risks and monitoring of compliance with market risks is carried out by the Risk Management Department, which reports on a monthly basis to the Risk Management Committee.

The Bank manages market risk by setting open position limits in relation to the size of the portfolio for individual financial instruments, the timing of changes in interest rates, foreign exchange position, loss limits and regular monitoring of their compliance, the results of which are reviewed and approved by the ALCO.

The majority of the Bank's loan agreements and other financial assets and liabilities that bear interest have a fixed interest rate.

38.4 Sensitivity analysis to changes in interest rates

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Such fluctuations can increase the level of the interest margin, but they can also decrease it or, in the event of an unexpected change in interest rates, lead to losses.

The volume of positions on instruments on which the Bank pays interest using a floating interest rate (mainly 6-month USD-based Libor) at the reporting date is KGS 6,431 thousand (2023: KGS 9,293 thousand).

Interest rate risk management based on an analysis of the timing of interest rate revisions is complemented by monitoring the sensitivity of financial assets and liabilities.

38.5 Currency risk

Foreign exchange risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has assets and liabilities denominated in various foreign currencies. Despite the fact that the Bank hedges its exposure to foreign exchange risk, such transactions do not meet the definition of a hedging relationship in accordance with IFRS.

Structure of financial assets and liabilities by currency as at December 31, 2024 and December 31, 2023 can be represented as follows:

In thousands Kyrgyz soms

	KGS	USD	Other currencies	Total
FINANCIAL ASSETS				
Cash and cash equivalents	40,699,488	21,010,595	11,593,581	73,303,664
Loans and advances to banks and other financial institutions	1,017,367	4,819,917	4,294,044	10,131,328
Loans to customers	44,153,267	3,218,766	17,559	47,389,592
Islamic Finance receivables	2,288,910	165,462		2,454,372
Investment in securities at amortized cost	17,953,586	2,252,805	8,275	20,214,666
Other financial assets	1,921,723	8,054	176,153	2,105,930
	<u>108,034,341</u>	<u>31,475,599</u>	<u>16,089,612</u>	<u>155,599,552</u>
FINANCIAL LIABILITIES				
Deposits and balances from banks and other financial institutions	309,637	24,484	27,154	361,275
Current accounts and deposits from customers	84,893,896	26,525,044	7,766,198	119,185,138
Amounts due to customers, under Islamic financing principles	22,409	170	1	22,580
Amounts due to Ministry of Finance of the Kyrgyz Republic	5,440,183	6,928	-	5,447,111
Other borrower funds	3,883,717	164,883	-	4,048,600
Deferred income under Islamic financing principles	871,056	38,233	-	909,289
Lease liabilities	123,332	62,285	-	185,617
Other financial liabilities	1,205,847	102,664	20,339	1,328,850
	<u>96,750,077</u>	<u>26,924,691</u>	<u>7,813,692</u>	<u>131,488,460</u>
Total effect of derivatives	9,617,754	(3,508,929)	(6,687,277)	(578,452)
Net balance sheet position as of December 31, 2024	<u>20,902,018</u>	<u>1,041,979</u>	<u>1,588,643</u>	<u>23,532,640</u>

2023

In thousands Kyrgyz soms	KGS	USD	Other currencies	Total
FINANCIAL ASSETS				
Cash and cash equivalents	28,628,509	9,080,220	5,908,092	43,616,821
Loans and advances to banks and other financial institutions	321,305	7,727,540	1,622,070	9,670,915
Loans to customers	36,772,842	1,937,127	188,940	38,898,909
Islamic Finance receivables	268,524	46,201	-	314,725
Investment in securities at amortized cost	12,184,590	2,306,295	9,906	14,500,791
Other financial assets	368,717	11,467	134,936	515,120
	<u>78,544,487</u>	<u>21,108,850</u>	<u>7,863,944</u>	<u>107,517,281</u>
Deposits and balances from banks and other financial institutions	140,128	36,297	91,243	267,668
Current accounts and deposits from customers	55,029,892	19,473,646	2,926,522	77,430,060
Amounts due to customers, under Islamic financing principles	3,516	25	1	3,542
Amounts due to Ministry of Finance of the Kyrgyz Republic	5,124,465	9,372	-	5,133,837
Other borrower funds	5,460,030	125,740	-	5,585,770
Deferred income under Islamic financing principles	84,411	9,660	-	94,071
Lease liabilities	110,917	12,150	-	123,067
Other financial liabilities	238,589	303,496	6,533	548,618
	<u>66,191,948</u>	<u>19,970,386</u>	<u>3,024,299</u>	<u>89,186,633</u>
Total effect of derivatives	5,576,218	(1,659,330)	(4,301,001)	(384,113)
Net balance sheet position as of December 31, 2023	<u><u>17,928,757</u></u>	<u><u>(520,866)</u></u>	<u><u>538,644</u></u>	<u><u>17,946,535</u></u>

38.6 Country risk

Country risk is the risk of losses to the bank due to changes in economic, social conditions and other events in foreign countries owing to international lending, foreign investments and other trans-boundary operations.

The ALCO exercises control over the risk in the legislative and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from investment activities.

As of December 31, 2024, the Bank has cash balances with financial institutions in the amount of not more than 2%, which are under international restrictive measures. The Bank is taking possible measures to place funds with other alternative financial institutions by establishing new correspondent relationships.

The geographical concentration of assets and liabilities is shown below:

In thousands Kyrgyz soms	Kyrgyz Republic	Other CIS countries	Other non-OECD countries	OECD countries	Total
ASSETS					
Cash and cash equivalents	52,629,368	10,053,944	10,375,584	244,768	73,303,664
Loans and advances to banks and financial institutions	1,895,053	7,743,435	35,584	457,256	10,131,328
Loans to customers	47,389,592	-	-	-	47,389,592
Islamic Finance receivables	2,454,372	-	-	-	2,454,372
Investments in securities	20,214,666	-	-	-	20,214,666
Other financial assets	2,105,930	-	-	-	2,105,930
	<u>126,688,981</u>	<u>17,797,379</u>	<u>10,411,168</u>	<u>702,024</u>	<u>155,599,552</u>
LIABILITIES					
Deposits and balances from banks and other financial institutions	358,021	40	3,214	-	361,275
Current accounts and deposits from customers	118,203,212	791,304	25,804	164,818	119,185,138
Amounts due to customers, under Islamic financing principles	22,580	-	-	-	22,580
Amounts due to the Ministry of Finance of the Kyrgyz Republic	5,447,111	-	-	-	5,447,111
Other borrowed funds	4,048,600	-	-	-	4,048,600
Derivative financial liabilities	578,452	-	-	-	578,452
Deferred income under Islamic financing principles	909,289	-	-	-	909,289
Lease liabilities	185,617	-	-	-	185,617
Other financial liabilities	1,328,850	-	-	-	1,328,850
	<u>131,081,732</u>	<u>791,344</u>	<u>29,018</u>	<u>164,818</u>	<u>132,066,912</u>
Net position as of December 31, 2024	<u>(4,392,751)</u>	<u>17,006,035</u>	<u>10,382,150</u>	<u>537,206</u>	<u>23,532,640</u>

In thousands Kyrgyz soms	Kyrgyz Republic	Other CIS countries	Other non-OECD countries	OECD countries	Total
ASSETS					
Cash and cash equivalents	38,785,950	1,613,801	2,156,822	1,060,248	43,616,821
Loans and advances to banks and financial institutions	2,276,700	1,091,637	5,354,003	948,575	9,670,915
Loans to customers	38,898,909	-	-	-	38,898,909
Islamic Finance receivables	314,725	-	-	-	314,725
Investments in securities	14,500,791	-	-	-	14,500,791
Other financial assets	515,120	-	-	-	515,120
	<u>95,292,195</u>	<u>2,705,438</u>	<u>7,510,825</u>	<u>2,008,823</u>	<u>107,517,281</u>
LIABILITIES					
Deposits and balances from banks and other financial institutions	190,685	62,326	-	14,657	267,668
Current accounts and deposits from customers	76,667,337	469,924	205,629	87,170	77,430,060
Amounts due to customers, under Islamic financing principles	3,542	-	-	-	3,542
Amounts due to the Ministry of Finance of the Kyrgyz Republic	94,071	-	-	-	94,071
Other borrowed funds	5,133,837	-	-	-	5,133,837
Derivative financial liabilities	4,721,141	-	-	864,629	5,585,770
Deferred income under Islamic financing principles	384,113	-	-	-	384,113
Lease liabilities	123,067	-	-	-	123,067
Other financial liabilities	548,618	-	-	-	548,618
	<u>87,866,411</u>	<u>532,250</u>	<u>205,629</u>	<u>966,456</u>	<u>89,570,746</u>
Net position as of December 31, 2023	<u>7,425,784</u>	<u>2,173,188</u>	<u>7,305,196</u>	<u>1,042,367</u>	<u>17,946,535</u>

Analysis of sensitivity to foreign exchange risk

The table below provides an analysis of how a movement of the KGS against the respective currencies as at December 31, 2024 and December 31, 2023 would cause the increase (decrease) in equity and profit or loss described below. This analysis was carried out net of taxes and is based on changes in foreign exchange rates that, in the Bank's view, are reasonably possible at the end of the reporting period.

In thousands Kyrgyz soms	2024	2023
15% (2023: 30%) appreciation of the US dollar against the KGS	156,297	(156,260)

In thousands Kyrgyz soms

	2024	2023
15% (2023: 30%) appreciation in the exchange rate of other currencies against the KGS	238,296	161,593
15% (2023: 30%) depreciation of the US dollar against the KGS	(156,297)	156,260
15% (2023: 30%) depreciation in the exchange rate of other currencies against the KGS	(238,296)	(161,593)

Limitations of Sensitivity Analysis

The above table shows the effect of a change based on a leading assumption. In fact, there is a link between assumptions and other factors. It should also be noted that the sensitivity is non-linear, so no interpolation or extrapolation of the results should be performed.

The sensitivity analysis does not take into account that the Bank is actively managing its assets and liabilities. In addition, the financial position of the Bank may be affected by changes in the market. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to disclose potential risk, which only represent the Bank's forecast of impending market changes that cannot be predicted with any degree of certainty. Another limitation is the assumption that all interest rates change in the same way.

38.7 Operational risk

Operational risk is the risk of losses due to system failures, employee errors, fraud, and as a result of external events. If it is impossible to manage operational risks, the presence of such risks may damage the Bank's reputation, lead to legislative and regulatory consequences, or cause financial loss to the Bank. It is assumed that the Bank is not able to eliminate all operational risks, but it seeks to manage such risks by applying a control system, as well as by monitoring and responding to potential risks. Control activities include effective segregation of duties, procedures for granting access, authorization and reconciliation, staff training and assessment procedures.

38.8 Climate-related issues

The Bank and its clients may face significant climate risks in the future. These risks include the threat of financial loss and adverse non-financial impacts, which include political, economic and environmental responses to climate change. The main sources of climate risks are identified as physical and transition risks.

Physical risks arise from extreme weather events such as hurricanes, floods, and wildfires, as well as long-term changes in climate conditions such as sustained high temperatures, heat waves, and droughts.

Transition risks can arise from the transition to a zero-emission economy, such as changes in laws and regulations, litigation related to the inability to compensate or adapt, and changes in the supply and demand for certain goods, products and services due to changes in consumer behavior and investor demand.

These risks are subject to increasing regulatory, political and public scrutiny, both nationally and internationally. While some physical risks may be predictable, there are significant uncertainties about the magnitude and timing of their occurrence. With respect to transition risks, uncertainty remains regarding upcoming regulatory and policy changes, consumer demand and changes in supply chains.

The Bank proposes to take an active role in incorporating climate risks into its risk management framework, including developing appropriate risk indicators and establishing a Climate Risk Committee responsible for developing policies, processes and controls to integrate climate risks into the management of key risk categories.

In addition, the Bank revised its models to incorporate climate risks and their impact on borrower credit risk. This year, the Bank also improved its data collection systems to meet its climate-related goals. Despite the progress made, the Bank recognizes the need for further efforts to fully integrate climate factors into the Bank's risk management assessments and protocols.

39. Transactions with related parties

Control relationships

The party with ultimate control over the Bank is the Cabinet of Ministers of the Kyrgyz Republic represented by the State Property Management Fund under the Ministry of Economy and Commerce of the Kyrgyz Republic. The party with ultimate control over the Bank does not prepare publicly available financial statements.

Transactions involving key management personnel and parties related with them

Total compensation included in personnel costs for the years ended December 31, 2024 and 2023 is as follows:

In thousands Kyrgyz soms	2024	2023
Members of the Board of directors	12,285	9,966
Management Board members	41,849	37,187
Sharia Council	1,254	1,107
Total	55,388	48,260

As of December 31, 2024 and December 31, 2023, the account balances and average effective interest rates for transactions with key management personnel and parties related with them were:

In thousands Kyrgyz soms	December 31, 2024			December 31, 2023		
	Related party balances	Average Interest rate, %	Total category as per the financial statements caption	Related party balances	Average Interest rate, %	Total category as per the financial statements caption
ASSETS						
Loans to customers	72,729	10.5%	47,389,592	56,043	6.1%	38,898,909
Other assets	120	-	2,722,825	180	-	1,439,128
LIABILITIES						
Current accounts and deposits from customers	4,059	0.0%	119,185,138	5,832	1.7%	77,430,060

Amounts included in profit or loss for 2024 and 2023 in respect of transactions with key management personnel and parties related amounted to:

In thousands Kyrgyz soms	December 31, 2024		December 31, 2023	
	Total category as per the financial statements caption	Total category as per the financial statements caption	Total category as per the financial statements caption	Total category as per the financial statements caption
Interest income	2,729	11,259,711	275	8,710,904
Interest expenses	28	(4,131,217)	(87)	(2,738,559)
Commission income	5	1,435,790	36	1,106,895
Operating expenses	(5,545)	(3,865,121)	(4,577)	(2,810,888)

Transactions with other related parties

Other related parties include the Bank's shareholders, as well as companies over which the Bank's shareholders have control, joint control or significant influence. Information on the Bank's transactions with other related parties is provided below:

In thousands Kyrgyz soms			Total category as per the financial statements caption			Total category as per the financial statements caption
	December 31, 2024	Average interest rate, %		December 31, 2023	Average interest rate, %	
ASSETS						
Loans to customers	490,153	23.0%	47,389,592	25,094	17.1%	38,898,909
LIABILITIES						
Current accounts and deposits from customers	25,233,511	1.2%	119,185,138	13,280,774	5.0%	77,430,060
Other borrowed funds	3,756,653	2.9%	4,048,600	4,027,181	1.9%	5,585,770
Lease liabilities	40,135	12.0%	185,617	372	10.5%	123,067
Loan and credit line commitments, guarantees and other financial contracts	2,315,137	-	-	13,846	-	-

Amounts included in profit or loss for 2024 and 2023 in respect of transactions with other related parties were as follows:

In thousands Kyrgyz soms	Total category as per the financial statements caption		Total category as per the financial statements caption	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Interest income	53,465	809,580	11,259,711	8,710,904
Amortization of government grant	115,110	221,460	140,314	313,956
Interest expenses	(72,736)	(585,250)	(4,131,217)	(2,738,559)
Commission income	665	7,322	1,435,790	1,106,895
Operating expenses	(8,179)	(14,787)	(3,865,123)	(2,810,888)

Transactions with related parties were carried out on market terms.

The Bank applies the exemption from the disclosure requirements of IAS 24 for related party transactions and balances as it is a government-related entity.

40. Segment reporting

The Bank's operations relate exclusively to financial and credit operations and are concentrated in the Kyrgyz Republic.

In accordance with IFRS 8, the Bank's operations are not organized into operating segments and represent a single complete business unit. The Chairman of the Management Board of the Bank makes decisions based on the aggregate results and there is no separation of any operating segment from the overall operations. The Bank's assets are primarily located in the Kyrgyz Republic. The Bank's income is derived from Kyrgyz sources.

41. Events after reporting date

As of the date of issuance of these financial statements, there were no material events or transactions required to be disclosed in accordance with IAS 10 Events after the reporting period.