КЫРГЫЗ БАНКЫ

NATIONAL BANK OF THE KYRGYZ REPUBLIC

ANNUAL REPORT

financial statements

2023

Bishkek-2024

Annual Report of the National Bank of the Kyrgyz Republic for 2023.
Financial Statements for the year ended on December 31, 2023.

The report of the National Bank of the Kyrgyz Republic for the year of 2023 is prepared in accordance with Articles 50 and 64 of the constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" as of August 11, 2022 No.92.

The consolidated financial statements of the National Bank for the year ended on December 31, 2023 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No.*2024-П-15/18-7-(ВД)* of April 17, 2024.

The separate financial statements of the National Bank for the year ended on December 31, 2023 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No.*2024-П-15/18-6-(ВД)* of April 17, 2024.

Deviations in last digits may occur because of rounding numbers when summing up.

On issues related to the contents and distribution of this publication, please contact:
Chui Avenue, 168, Bishkek, 720001, National Bank of the Kyrgyz Republic, Financial Statistics and Review Department, Publications Division.

Phone: (+996 312) 61 08 59
E-mail: nsyrdybaeva@nbkr.kg
www.nbkr.kg

Prepared for publication by M-MAXIMA LLC
Tynystanov Street, 197/1, Bishkek

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bakertilly

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

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

INDEPENDENT AUDITOR'S REPORT

To the Management and Audit Committee of the National Bank of the Kyrgyz Republic:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the financial reporting principles disclosed in Note 2 to the consolidated financial statements.

Basis for opinion

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

Other information included in the Annual Report of the National Bank for 2023

Other information consists of the information included in the Annual Report of the National Bank for 2023, other than the consolidated financial statements and our auditor's report thereon. The Management is responsible for the other information.

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

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

If based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Empasis of matter – Basis of accounting

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the National Bank in complying with the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements issued on April 14, 2023.

Responsibilities of the management and the Audit Committee for the consolidated financial statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the basis of accounting, described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs and regulations of IFRS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the National Bank and business activities within the Group to express as opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. The auditor is solely responsible for the audit opinion.

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

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

Kubat Alymkulov
Engagement Partner

Nurlan Bekenov
Engagement Partner

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

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

April 17, 2024
Bishkek, the Kyrgyz Republic

Consolidated statement of financial position as at 31 december 2023

(In thousands of soms)

	Notes	31 December 2023	31 December 2022
Assets			
Gold	7	127 413 613	81 833 825
Cash on hand, amounts due from banks and other financial institutions	8	127 465 578	123 004 432
Loans to banks and international organisations	9	-	2 526 768
Loans to customers		-	6 493 771
Investment securities at fair value through other comprehensive income	10	36 325 677	39 059 344
Investment securities at amortised cost	11	14 330 901	11 348 563
Investment in an associate	12	676 676	458 266
Property and equipment	13	2 127 855	2 398 136
Right-of-use assets		-	125 903
Intangible assets		39 272	169 111
Assets available for sale		-	532 567
Non-monetary gold and gold reserves	14	127 985 566	133 964 725
Deferred income tax assets	30	3 725	2 889
Current income tax assets		-	93
Other assets	15	2 891 360	1 630 777
Non-current assets held for sale	16	14 437 340	-
Total assets		**453 697 563**	**403 549 170**
Liabilities			
Banknotes and coins in circulation	17	207 251 028	197 935 938
Derivative financial liabilities		-	18 667
Amounts due to banks and other financial institutions	18	58 999 018	56 848 605
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	19	42 636 978	31 808 702
Amounts due to customers		-	5 268 235
Debt securities issued	20	53 283 397	34 159 748
Loans received		-	181 371
Liabilities to the IMF in respect of SDR allocations	21	10 204 524	16 171 080
Lease liabilities		-	127 827
Deferred income tax liabilities		-	13 483
Other liabilities	22	508 487	641 752
Liabilities associated with non-current assets held for sale	16	6 542 684	-
Total liabilities		**379 426 116**	**343 175 408**
Equity			
Charter capital	23	4 000 000	4 000 000
Obligatory reserve		8 262 982	7 244 293
Revaluation reserve for foreign currencies and gold		47 886 430	35 858 965
Revaluation reserve for investment securities at fair value through other comprehensive income		(178 976)	(279 165)
Retained earnings		13 336 437	12 757 103
Reserves associated with non-current assets held for sale	16	144 529	-
Total equity attributable to equity holders of the National Bank		**73 451 402**	**59 581 196**
Non-controlling interests		820 045	792 566
Total equity		**74 271 447**	**60 373 762**
Total liabilities and equity		**453 697 563**	**403 549 170**

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 16 to 97 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss for the year ended 31 december 2023

(In thousands of soms)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated using effective interest rate	24	5 989 550	3 339 980
Interest expense	24	(8 441 837)	(4 071 330)
Net interest expense	**24**	**(2 452 287)**	**(731 350)**
Fee and commission income		167 794	114 759
Fee and commission expense		(56 606)	(43 119)
Net fee and commission income		**111 188**	**71 640**
(Charge)/recovery of allowance for expected credit losses	25	(79 326)	136 499
Net realised gain on foreign currencies and gold transactions	26	14 839 333	12 247 324
Charge of allowance for expected credit losses on other assets and contingent liabilities	25	(18 670)	(47 459)
Share of profit of associates		273 115	130 972
Other income	27	520 472	918 803
Net non-interest income		**15 534 924**	**13 386 139**
Operating income		**13 193 825**	**12 726 429**
Banknotes and coins production expenses		(579 354)	(609 319)
Administrative expenses	28	(2 263 082)	(1 847 471)
Other expenses	27	(351 756)	(581 602)
Operating expenses		**(3 194 192)**	**(3 038 392)**
Profit before tax		**9 999 633**	**9 688 037**
Income tax expense	30	(55 926)	(53 020)
Profit for the year attributable to the National Bank and consolidated subsidiaries		**9 943 707**	**9 635 017**
Profit for the year associated with non-current assets held for sale	16	965 617	359 283
Profit for the year		**10 909 324**	**9 994 300**
Profit attributable to non-controlling interests		63 378	45 179
Profit attributable to equity holders of the National Bank		**10 845 946**	**9 949 121**

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 16 to 97 are an integral part of these consolidated financial statements.

CONTENT

Consolidated statement of comprehensive income for the year ended 31 december 2023

(in thousands of soms)

	For the year ended 31 December 2023	For the year ended 31 December 2022
Profit for the year	**10 909 324**	**9 994 300**
Other comprehensive income/ (loss) to be reclassified to profit or loss in the subsequent periods subject to meeting certain conditions		
Revaluation reserve for foreign currencies and gold:		
- net gain on revaluation of assets and liabilities in foreign currencies and gold	25 475 425	3 608 173
- net realised loss on foreign currencies and gold transactions transferred to profit or loss	(13 447 960)	(11 898 214)
Net gain/(loss) from changes in fair value of investment securities at fair value through other comprehensive income	85 143	(177 689)
Recognition of other reserves associated with non-current assets held for sale	81 632	-
Other comprehensive income/(loss) for the year, net of income tax	**12 194 240**	**(8 467 730)**
Total comprehensive income for the year	**23 103 564**	**1 526 570**
Attributable to:		
- equity holders of the National Bank	23 040 072	1 482 232
- non-controlling interests	63 492	44 338
	23 103 564	**1 526 570**

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 16 to 97 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 december 2023

(in thousands of soms)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		4 062 260	2 959 725
Interest paid		(8 220 057)	(4 020 138)
Fees and commissions received		167 777	308 677
Fees and commissions paid		(31 852)	(151 629)
Realised gain from dealing in foreign currencies	26	1 391 373	703 721
Net realised gain on transactions with financial instruments at fair value through profit or loss		-	12 448
Other income		551 452	765 760
Payroll expenses		(1 467 659)	(1 566 903)
Banknotes and coins production expenses		(697 818)	(142 152)
Administrative and other expenses excluding payroll expenses		(927 839)	(1 243 988)
Cash outflow from operating activities before changes in operating assets and liabilities		**(5 172 363)**	**(2 374 479)**
(Increase)/decrease in operating assets			
Cash flows associated with reclassification of an investment in subsidiaries to non-current assets held for sale		2 695 848	-
Gold		22 490 639	-
Amounts due from banks and other financial institutions		8 036 335	21 141 184
Investment securities at fair value through other comprehensive income		3 166 609	35 692 150
Loans to banks and international organisations		2 526 768	4 113 775
Loans to customers		-	(130 029)
Assets available for sale		-	174 363
Non-monetary gold and gold reserves		(40 062 496)	(128 781 523)
Other assets		(1 385 733)	6 033
Increase/(decrease) in operating liabilities			
Banknotes and coins in circulation		9 315 089	58 381 427
Derivative financial liabilities		-	(40 650)
Amounts due to banks and other financial institutions		1 985 172	17 703 094
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic		(4 992 032)	(10 253 070)
Amounts due to customers		154 618	825 949
Debt securities issued		20 723 446	15 876 062
Other liabilities		(28 358)	49 064
Cash inflow from operating activities		**19 453 543**	**12 383 350**
Income tax paid		(52 856)	(46 428)
Net cash inflow from operating activities		**19 400 686**	**12 336 922**

Consolidated statement of cash flows for the year ended 31 december 2023 (continued)

(in thousands of soms)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows associated with reclassification of an investment in subsidiaries to non-current assets held for sale		458 155	-
Purchase of property and equipment and intangible assets		(178 873)	(274 086)
Proceeds from disposal of property and equipment		-	64
Purchase of investment securities at amortised cost		(8 374 025)	(5 696 301)
Proceeds from redemption of investment securities at amortised cost		2 687 964	3 130 764
Interest received on investment securities at amortised cost		1 193 083	999 690
Dividends received		39 699	22 176
Net cash used in investing activities		**(4 173 997)**	**(1 817 693)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows associated with reclassification of an investment in subsidiaries to non-current assets held for sale		(6 607 884)	–
Proceeds from loans received		-	181 371
Lease payments		-	(87 249)
Dividends paid		(36 070)	(22 822)
Net cash (outflow)/inflow from financing activities		**(6 643 954)**	**71 300**
Net increase in cash and cash equivalents		**8 582 738**	**10 590 529**
Effect of expected credit losses on cash and cash equivalents		33 437	(203 408)
Effect of changes in foreign exchange rates on cash and cash equivalents		3 436 836	(3 297 167)
Cash and cash equivalents, at the beginning of the year	8	93 632 364	86 542 410
Cash and cash equivalents, at the end of the year	**8**	**105 685 372**	**93 632 364**
Non-cash transactions			
Transfer of liabilities to the IMF in respect of SDR allocations to the Ministry of Finance of the Kyrgyz Republic	21	(6 584 371)	(12 219 462)

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 16 to 97 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 december 2023

(in thousands of soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currencies and gold	Revaluation reserve for investment securities at fair value through other comprehensive income	Reserves related to non-current assets held for sale	Retained earnings	Total equity attributable to equity holders of the National Bank	Non-controlling interests	Total
At 1 January 2023	**4 000 000**	**7 244 293**	**35 858 965**	**(279 165)**	**-**	**12 757 103**	**59 581 196**	**792 566**	**60 373 762**
Profit for the year	-	-	-	-	-	10 845 946	10 845 946	63 378	10 909 324
Other comprehensive income									
Net loss from investment securities at fair value through other comprehensive income	-	-	-	85 029	-	-	85 029	114	85 143
Recognition of other reserves associated with to non-current assets held for sale (Note 16)	-	-	-	-	81 632	-	81 632	-	81 632
Transfer of other reserves associated with non-current assets held for sale (Note 16)	-	-	-	-	78 057	(78 057)	-	-	-
Transfer of revaluation reserve for investments in securities at fair value through other comprehensive income (Note 16)	-	-	-	15 160	(15 160)	-	-	-	-
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	25 475 425	-	-	-	25 475 425	-	25 475 425
Net gain on foreign currencies and gold transactions transferred to profit or loss	-	-	(13 447 960)	-	-	-	(13 447 960)	-	(13 447 960)
Total comprehensive income for the year	**-**	**-**	**12 027 465**	**100 189**	**144 529**	**10 767 889**	**23 040 072**	**63 492**	**23 103 564**
Transactions recorded directly in equity									
Distribution of prior year profit to the State budget (Note 23)	-	-	-	-	-	(9 168 200)	(9 168 200)	-	(9 168 200)
Increase in charter capital (Note 23)	-	-	-	-	-	-	-	-	-
Transfer to obligatory reserve (Note 23)	-	1 018 689	-	-	-	(1 018 689)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	(36 070)	(36 070)
Other	-	-	-	-	-	(1 666)	(1 666)	57	(1 609)
Total amounts of transactions recorded directly in equity	**-**	**1 018 689**	**-**	**-**	**-**	**(10 188 555)**	**(9 169 866)**	**(36 013)**	**(9 205 879)**
At 31 December 2023	**4 000 000**	**8 262 982**	**47 886 430**	**(178 976)**	**144 529**	**13 336 437**	**73 451 402**	**820 045**	**74 271 447**

Consolidated statement of changes in equity for the year ended 31 december 2023 (continued)

(in thousands of soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currencies and gold	Revaluation reserve for investment securities at fair value through other comprehensive income	Retained earnings	Total equity attributable to equity holders of the National Bank	Non-controlling interests	Total
As at 1 January 2022	**2 000 000**	**8 325 042**	**44 149 006**	**(102 317)**	**11 998 053**	**66 369 784**	**770 996**	**67 140 780**
Profit for the year	-	-	-	-	9 949 121	9 949 121	45 179	9 994 300
Other comprehensive income								
Net loss from investment securities at fair value through other comprehensive income	-	-	-	(176 848)	-	(176 848)	(841)	(177 689)
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	3 608 173	-	-	3 608 173	-	3 608 173
Net gain on foreign currencies and gold transactions transferred to profit or loss	-	-	(11 898 214)	-	-	(11 898 214)	-	(11 898 214)
Total comprehensive income for the year	**-**	**-**	**(8 290 041)**	**(176 848)**	**9 949 121**	**1 482 232**	**44 338**	**1 526 570**
Transactions recorded directly in equity								
Distribution of prior year profit to the State budget (Note 23)	-	-	-	-	(8 273 258)	(8 273 258)	-	(8 273 258)
Increase in charter capital (Note 23)	2 000 000	(2 000 000)	-	-	-	-	-	-
Transfer to obligatory reserve (Note 23)	-	919 251	-	-	(919 251)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	(22 822)	(22 822)
Other	-	-	-	-	2 438	2 438	54	2 492
Total amounts of transactions recorded directly in equity	**2 000 000**	**(1 080 749)**	**-**	**-**	**(9 190 071)**	**(8 270 820)**	**(22 768)**	**(8 293 588)**
As at 31 December 2022	**4 000 000**	**7 244 293**	**35 858 965**	**(279 165)**	**12 757 103**	**59 581 196**	**792 566**	**60 373 762**

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 16 to 97 are an integral part of these consolidated financial statements.

CONTENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(In thousands of soms)

1 GENERAL INFORMATION

(a) Organisation and principal activities

The National Bank of the Kyrgyz Republic (the "National Bank") is a legal successor of the State Bank of the Kyrgyz Republic which was renamed by the Law "On the National Bank of the Kyrgyz Republic" dated 12 December as the National Bank of the Kyrgyz Republic. In 2022, the National Bank worked to bring the legislative acts regulating its activities into conformity with the Constitution of the Kyrgyz Republic. On 30 June 2022, the Jogorku Kenesh (Parliament) of the Kyrgyz Republic adopted the Constitutional Law "On the National Bank of the Kyrgyz Republic" which was enacted on 17 August 2022 and currently regulates the activities of the National Bank.

The principal goal of the National Bank is to achieve and maintain stability of prices in the Kyrgyz Republic. To achieve this goal the National Bank is entrusted to perform the following functions: determine and implement the monetary policy for the country; facilitate reliable and secure functioning of the payment system; issue and supply banknotes and coins for circulation; manage international currency reserves; license, regulate and supervise operations of the commercial banks and financial institutions in accordance with the legislation.

The National Bank acts as a fiscal agent of the Cabinet of Ministers of the Kyrgyz Republic.

The National Bank's registered office is: 168, Chui ave., Bishkek, Kyrgyz Republic, 720001.

As at 31 December 2023 and 2022, the National Bank has 5 regional departments and one representative office operating throughout the Kyrgyz Republic.

As at 31 December 2023 and 2022, the total number of the National Bank's employees is 721 and 702, respectively.

The National Bank is the parent company of the group (the "Group") which includes the following organisations:

Name	Percentage of voting shares (%) 31 December 2023	Percentage of voting shares (%) 31 December 2022	Activity
OJSC Keremet Bank	97,45	97,45	Banking services
OJSC Guarantee Fund	91,22	91,22	Guarantee issue services
CJSC Kyrgyz Cash Collection	100,00	100,00	Valuable's transportation services

As at 31 December 2023 and 2022, the Group also owns an investment in an associate CJSC Interbank Processing Center (46,71% of shares and 49,42% of shares, respectively).

These consolidated financial statements were approved by the Management Board of the National Bank on 17 April 2024.

1 GENERAL INFORMATION (CONTINUED)

(b) Business environment (continued)

The Kyrgyz Republic is undergoing significant political, economic and social changes. As an emerging market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in more developed market economies. As a result, operations in the Kyrgyz Republic involve risks that are typically associated with those in developed markets. Kyrgyzstan's high degree of integration with the economies of the countries in the region results in the exposure of the Kyrgyz Republic economy to the influence of unstable situation in international capital markets.

The consolidated financial statements reflect management's assessment of the impact of the Kyrgyz Republic business environment on the performance and the financial position of the Group. The actual impact of future economic conditions may differ from management's estimates.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(a) General

These consolidated financial statements have been prepared to present fairly the consolidated financial position of the Group and the results of its operations in accordance with the accounting policies of the National Bank and with the provisions of the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic".

The term "fair presentation framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- Acknowledges explicitly that it may be necessary for the management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) General (continued)

The accounting policies of the Group are based on International Financial Reporting Standards (the "IFRS") issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (the "IFRIC") except as follows:

- Gold is revalued based on the market value and if the total net unrealised result from the mark to market of gold and foreign currency assets and liabilities revaluation is a gain, this is recognised through other comprehensive income. Where the total net unrealised result from the mark to market of gold and foreign currency assets and liabilities revaluation is a loss, it is recognised in the consolidated statement of profit or loss except to the extent that it reverses a previous net unrealised gain, otherwise it is recognised as other comprehensive income. At the time of derecognition of gold and foreign currency assets and liabilities, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of profit or loss on the basis of the weighted-average cost method.
- The classification of investments in securities measured at fair value through other comprehensive income is determined based on the characteristics of the business model "holding assets in order to collect the contractual cash flows", such as no sales or insignificant sales value in prior periods, as this best reflects the way the assets are managed and the way information is presented to stakeholders. Due to the chosen classification and the intention to sell the securities in the short term, these financial assets are presented under in operating activities of the consolidated statement of cash flows.

These consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for gold as disclosed in Note 3(a) and certain financial instruments measured at fair value.

(c) Functional and presentation currency of the consolidated financial statements

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The functional currency of the National Bank and its subsidiaries is Kyrgyz som as, being the national currency of the Kyrgyz Republic, reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them that affect its activities. The Kyrgyz som is also the presentation currency of these consolidated financial statements.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Presentation of comparative information

On 27 December 2023 the draft Law of the Kyrgyz Republic "On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic" was submitted to the Jogorku Kenesh of the Kyrgyz Republic for consideration.

As at 31 December 2023, the National Bank of the Kyrgyz Republic assessed the probability of sale of the subsidiary as high, and therefore IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" was applied to the investment in the subsidiary OJSC Keremet Bank. In accordance with the requirements of paragraph 34 of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" on presentation of comparative information – data of the consolidated statement of profit or loss and the consolidated statement of comprehensive income were brought in line with the presentation in the reporting period for comparability purposes.

Consolidated financial information is presented in soms and rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting for gold

(i) Gold

Gold comprises gold on deposits with foreign banks and gold bullion with Good Delivery status. Gold is an investment asset formed to implement the monetary policy and generate investment income.

Gold is accounted for at the market value in the consolidated financial statements. Market value is determined by reference to the London Bullion Market Association Gold Price PM at the day preceding the reporting date. Gain on revaluation at market value of gold is recognised directly in other comprehensive income. Revaluation losses are recognised in the consolidated statement of profit or loss to the extent that they exceed the previous accumulated revaluation gains recognised in other comprehensive income in equity. Realised gains and losses related to gold are subsequently recognised in the consolidated statement of profit or loss.

(ii) Non-monetary gold and gold reserves

Non-monetary gold is represented by bullion that is not in compliance with the standards of the London Bullion Market Association.

Gold reserves comprise gold bullion, which meets the requirements of the Good Delivery international quality standard of London Bullion Market Association and other generally recognised international standards; bullion that have qualitative characteristics of Good Delivery international quality standard but are not certified by London Bullion Market Association, and gold in non-standard bullions, plates, granules or other types, purchased to form the gold reserves, for production and other purposes, and to expand operations with precious metals and develop the precious metals market.

Gold reserves represented by gold bullion that meet the requirements of the International Good Delivery London Bullion Market Association quality standard may be reclassified as gold. At the time of reclassification, gold reserves are revalued at market value with the result of revaluation reflected in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Accounting for gold (continued)

(ii) Non-monetary gold and gold reserves (continued)

Non-monetary gold and gold reserves are intended to form the Group's reserves within the framework of the development prospects of the domestic precious metals market. They do not participate in active investment operations of the Group and do not form the Group's investment assets in gold.

Non-monetary gold and gold reserves are classified as inventory and are measured at the lower of cost and net realisable value.

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the National Bank and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rate of exchange ruling at the reporting date.

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

Non-monetary assets and liabilities denominated in foreign currencies and recorded by fair value are retranslated to the functional currency at the functional currency rate of exchange ruling at the date when fair value was determined. Foreign currency differences arising from the translation to foreign currency are recognised as other comprehensive income in equity. Revaluation losses are recognised in the statement of profit or loss to the extent that they exceed the previous accumulated revaluation gains recognised in other comprehensive income in equity.

Non-monetary assets and liabilities denominated in foreign currencies and recorded by actual costs are retranslated to the functional currency at the functional currency rate of exchange ruling at the transaction date. Realised gains and losses related to foreign currency transactions are subsequently recognised in the consolidated statement of profit or loss.

Foreign exchange rates

Foreign exchange rates used by the Group in preparing the consolidated financial statements as at 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
US dollar/som	89,0853	85,6800
Euro/som	98,5328	91,4377
Special drawing rights/som	119,5599	114,0271
Canadian dollar/som	67,2951	63,3025
Australian dollar/som	60,7695	58,2453
Great British pound sterling/som	113,4902	103,2958
Chinese renminbi/som	12,5343	12,3378
Russian rouble/som	0,9935	1,1763
Troy ounce of gold/som	183 729,5227	155 282,1480

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand in foreign currencies and nostro accounts which are not subject to significant fair value risk and are used by the Group to settle current liabilities.

Cash on hand in the national currency is deducted from the amount of banknotes and coins in circulation.

(d) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the National Bank and companies controlled by the National Bank. Control is achieved when the National Bank:

- has powers over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income is distributed between the Group and non-controlling interests. Total comprehensive income of subsidiaries is distributed between the Group and the non-controlling interests, even if this leads to a negative balance of non-controlling interests.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders equity.

(e) Financial assets

The Group recognises financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(i) Classification and measurement of financial assets

After initial recognition, all recognised financial assets within the scope of IFRS 9 should be measured at amortised cost or at fair value in accordance with the business model of the Group for management of financial assets and characteristics of the contractual cash flows, except for nostro accounts with foreign banks and international financial institutions and investments at fair value through other comprehensive income, which are classified in accordance with the Regulation "On Classification of Financial Assets and Liabilities and Calculation of ECL Allowance for Financial Assets of the National Bank of the Kyrgyz Republic."

In particular:

- debt instruments that are held within a business model whose objective is to collect contractual cash flows that include solely payments of principal and interest are measured at amortised cost after initial recognition.
- debt instruments that are held within a business model whose objective is both to collect contractual cash flows that are solely payments of principal and interest, and to sell the related debt instruments, are measured after initial recognition at fair value through other comprehensive income.
- all other debt instruments (e.g., debt instruments measured at fair value or held for sale) and equity investments are subsequently measured at fair value through profit or loss.

However, the Group makes the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis. In particular:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity instrument investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; as well as
- the Group may irrevocably elect to designate a debt instrument as at fair value through profit or loss ("FVTPL") if such debt instrument meets the criteria for recognition at fair value through other comprehensive income ("FVTPL"), provided that it eliminates or significantly reduces an accounting mismatch ("fair value option").

Financial assets at fair value through other comprehensive income

A business model whose objective is to hold assets both to collect contractual cash flows and sell financial assets implies that financial assets are managed both to collect contractual cash flows and sell financial asset. Under this business model, the receipt of cash from the sale of a financial asset is a priority, which is distinguished by a higher frequency and volume of sales compared to the business model "holding assets in order to collect the contractual cash flows". The Group considers the absence or insignificant sales value in prior periods, as well as expectations for future periods, not in isolation, but as part of a whole holistic analysis of how its stated purpose of managing financial assets is achieved and how cash flows are realised, and does not accept the above fact as a criterion for reclassification of such assets as an unconditional term of transfer.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(i) Classification and measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income include the following assets:

- Nostro accounts with foreign banks and international financial institutions (Note 8);
- Investment securities at fair value through other comprehensive income (Note 10).

The balance of nostro accounts with foreign banks and international financial institutions is maintained to manage liquidity. Payments from nostro accounts with foreign banks and international financial institutions are made to support the current operations of the Group for the performance of its functions.

The main goal when managing investments in state (sovereign) and agency debt instruments, as well as debt instruments of international financial institutions is to ensure liquidity and security of international reserves. Investments in state and agency debt obligations, as well as debt securities of international financial institutions may be sold early in the financial markets to perform the functions of the National Bank. As a result, management have determined that these items are held under a business model to collect and sell and are therefore measured at FVOCI.

The fair value of financial assets measured at FVTOCI is determined under IFRS 13 “Fair value measurement”.

The fair value gains or losses of financial assets measured at FVOCI are recognised in other comprehensive income, until these assets are derecognised, when accumulated profits or losses previously reflected in equity are transferred to profit or loss.

Financial assets at amortised cost

A business model whose objective is to hold assets in order to collect contractual cash flows implies that financial assets are managed to realise cash flows by collecting payments of principal amount and interest over the life of the financial instrument. Within this business model, holding the financial asset till maturity is the priority, but early sale is not prohibited.

Financial assets at amortised cost include the following assets:

- term deposits in foreign banks, term deposits in international financial institutions and cash on hand in foreign currencies (Note 8);
- loans to banks and international organisations (Note 9);
- loans to customers;
- investment securities at amortised cost (Note 11); and
- accounts receivable (Note 15).

After initial recognition, financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method less any impairment losses.

Financial assets at fair value through profit or loss.

All other financial assets which are not classified at FVTOCI or amortised cost are measured at FVTPL.

The fair value of financial assets measured at FVTPL is determined under IFRS 13 Fair value measurement.

Gains or losses at fair value for financial assets at FVTPL are recognised in the consolidated statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(i) Classification and measurement of financial assets (continued)

Reclassification

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

(ii) Accounts receivable under reverse sale and repurchase agreements for securities and accounts payable under sale and repurchase agreements

In the normal course of business, the Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repo and reverse repo agreements are used by the Group as an element of liquidity management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus accumulated interest. These agreements are accounted for as financing transactions. Financial assets sold under repo agreements are accounted for as secured financing transactions, with the securities retained in the consolidated financial statements and the counterparty liability is recorded as received deposit secured by assets as part of depository instruments in banks.

Assets acquired under reverse repos are recorded in the consolidated financial statements as funds placed on a deposit, which is pledged by securities or other assets and are classified as amounts due from banks and/or loans extended.

The Group enters into repo agreements for securities and secured lending transactions for which it receives or transfers collateral in accordance with normal market practice. In accordance with the standard terms and conditions of repurchase transactions in the Kyrgyz Republic, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities upon settlement of the transaction.

The transfer of securities to counterparties is only reflected in the consolidated statement of financial position when the risks and rewards of ownership are also transferred.

(iii) Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss include derivative financial instruments and include currency interest rate swaps. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Resulting gains/losses are immediately recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Measurement of expected credit losses for assets

General approach to recognition of expected credit losses

The Group recognises allowances for expected credit losses (ECL) in respect of following financial instruments that are not measured at fair value through profit or loss:

- amounts due from banks and other financial institutions (Note 8);
- loans to banks and international organisations (Note 9);
- investment securities at fair value through other comprehensive income (Note 10);
- investment securities amortised cost (Note 11);
- other financial assets (Note 15) and
- financial guarantees issued (Note 29).

Expected credit losses are not recognised on investments in equity instruments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through an impairment allowance at an amount equal to:

- the amount of credit losses expected in the next 12 months, i.e. that part of the credit losses over the entire term of the financial instrument, which is the ECL due to instances of default on the instrument, which may occur within 12 months after the reporting date (“Stage 1”);
- The amount of credit losses expected over the entire term of the financial instrument, which arise as a result of all possible cases of non-performance of obligations under the instrument during its validity period (“Stage 2” and “Stage 3”).

An allowance equal to the full amount of credit losses expected over the life of the financial instrument is required when the credit risk on the instrument has increased significantly since initial recognition or in case of default. In all other cases, allowances for expected credit losses are created in the amount equal to the amount of credit losses expected within 12 months.

For purchased or originated credit-impaired financial assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Following formula is used to calculate ECL:

$$ECL = EAD * LGD * PD, \text{ where}$$

ECL – expected credit losses

EAD – exposure at default;

LGD – loss given default

PD – probability of default

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Measurement of expected credit losses for assets (continued)

Approach to determining significant increase in credit risk.

If there are facts of a significant increase in credit risk since the initial recognition, the Group monitors all financial assets, loan commitments and financial guarantee contracts that are subject to impairment requirements. In the event of a significant increase in credit risk, the Group will measure the loss allowance based on loan lifetime rather than 12-month ECL. In relation to financial assets with a significant increase in credit risk, the term “Stage 2 assets” is used.

When assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the 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 as at the current reporting date when the financial instrument was initially recognised. In making this assessment, the Group 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 Group’s historical experience and expert credit assessment including forward-looking information.

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”.

More detailed information on estimation of expected credit losses, criteria for significant increase of credit risk and credit impairment for each group of financial assets is given below.

Estimation of expected credit losses for amounts due from banks and other financial institutions

Impairment indicators are determined based on the ratings of international rating agencies (Moody’s Investors Service, Fitch Ratings, Standard & Poor’s – hereinafter Moody’s, Fitch, S&P, respectively), analysis of financial statements of the Group’s counterparties and other information, which indicates change in their credit risk.

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Measurement of expected credit losses for assets (continued)

Approach to determining significant increase in credit risk.

Indicators of significant increase of credit risk for these assets are as follows:

- deterioration of the long-term counterparty rating below Baa2 (BBB) according to the classification of one or more rating agencies indicated above compared to the rating upon initial recognition;
- assignment of points to a commercial bank, below a certain level, when calculating limits for counterparties in accordance with the policy of determining limits for counterparties of the Group;
- incurring annual net losses by the counterparty for 2 (two) consecutive years or more;
- delay in fulfilment of obligations to transfer currency in accordance with the payment order of the Group or overdue of the principal and/or interest over 3 (three) days;
- information on large amounts of fines, legal proceedings and other negative information obtained from reliable sources that may affect the counterparty's credit risk during the future reporting period.

Indicators of credit impairment

Indicators of credit impairment of due from banks and other financial institutions are:

- default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- delay in fulfilment of obligations over 30 days;
- a contractor's request for debt restructuring;
- assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;
- other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the Group.

Calculation of expected credit losses for amounts due from banks and other financial institutions.

EAD for nostro accounts is equal to the average balance of the current account (calculated as the average value of account balances at the end of each month over the past 12 months), converted to soms at the official exchange rate of the National Bank as at the reporting date.

EAD for term deposits in foreign banks, term deposits in international financial institutions is equal to the future discounted value of contractual cash flows on assets (principal and interest), converted to soms at the official exchange rate of the National Bank as at the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Measurement of expected credit losses for assets (continued)

Loss given default is the share of difference between cash flows, which are due to the Group in accordance with the contract, and cash flows, which the Group expects to receive in case of default of the counterparty. LGD vary from nil to 100% and are calculated using the following formula:

LGD =100% - RR, where

RR (recovery rate) is an indicator of the share of the refund in case of default of the counterparty or instrument according to rating agencies.

The average cumulative default rates, published and updated by the international rating agency Moody's, are used as the probability of default (PD). Similar rates from the rating agency S&P are used as an alternative. If the counterparty does not have a rating agency both from Moody's and S&P, a similar rating from Fitch is used.

Assessment of expected credit losses on investment securities at fair value through other comprehensive income

Approach to determining significant increase in credit risk.

An indication of a significant increase in credit risk for investment securities at fair value through other comprehensive income is a decrease in the issuer rating by two (2) or more levels on the scale of an international rating agency as compared to the rating at initial recognition.

Indicators of credit impairment

Evidence of credit impairment of investment securities at fair value through other comprehensive income comprises:

- default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- delay in fulfilment of obligations over 30 days;
- a contractor's request for debt restructuring;
- assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;
- other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the Group.

Measurement of expected credit losses on investment securities at fair value through other comprehensive income

EAD for investment securities at fair value through other comprehensive income is equal to the discounted value of contractual cash flows on assets (principal and interest), converted to soms at the official exchange rate of the National Bank as at the reporting date. The discount factor for discounting contractual cash flows on placements with banks is the effective interest rate on the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Measurement of expected credit losses for assets (continued)

Loss given default is the share of difference between cash flows, which are due to the Group in accordance with the contract, and cash flows, which the Group expects to receive in case of default of the counterparty. LGD vary from nil to 100% and are calculated using the following formula:

LGD =100% - RR, where

RR (recovery rate) is an indicator of the share of the refund in case of default of the counterparty or instrument according to rating agencies.

The average cumulative default rates, published and updated by the international rating agency Moody’s, are used as the probability of default (PD). Similar rates from the rating agency S&P are used as an alternative. If the counterparty does not have a rating agency both from Moody’s and S&P, a similar rating from Fitch is used.

Assessment of expected credit losses on investment securities at amortised cost

Approach to determining significant increase in credit risk.

Indicator of significant deterioration in credit risk for investment securities at amortised cost is a decrease in the sovereign rating of the Kyrgyz Republic by 2 (two) or more levels in accordance with scale of an international rating agency within one year (in the last 12 months).

Indicator of credit impairment

Indicator of credit impairment of investment securities at amortised cost is breach of contractual obligations for a period of more than 30 days without taking into account the officially granted period of deferment of payments.

Measurement of expected credit losses on investment securities at amortised cost

EAD for investment securities at amortised cost is equal to the present value of the principal amount balance of securities and interest receivable in future.

LGD for investment securities at amortised cost is calculated based on the sovereign rating of the Kyrgyz Republic.

Weighted cumulative default rates corresponding to the sovereign rating of the Kyrgyz Republic are used as the probability of default on investment securities at amortised cost.

Estimation of expected credit losses for loans to banks and international organisations

At initial recognition a loan is assigned low risk of default, i.e. the loan is included in Stage 1 loans, except for loans of last resort and loans to maintain liquidity issued to a bank, which was defined as unreliable under the risk-based supervision system of the National Bank, PD for which is determined as being equal to 100%.

Approach to determining significant increase in credit risk.

If the value of PD of a bank or international organisation in the reporting period is among 40 or 10 percent of the highest PD throughout the entire banking system of the Kyrgyz Republic over the past 60 months, this fact is regarded as a significant increase in credit risk of the bank and international organisation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(iv) Measurement of expected credit losses for assets (continued)

Indicators of credit impairment

Indicator of credit impairment of a loan issued is the failure to fulfil contractual obligations for following periods:

- for overnight loan and 7-day loan – for a period of more than 1 (one) day without taking into account the officially granted grace period;
- for other loans, with the exception of liquidity loan issued to unreliable bank – for a period of more than 30 (thirty) days without taking into account the officially granted period of deferment of payments.

Measurement of expected credit losses for loans to banks and international organisations (continued)

Calculation of expected credit losses for loans to banks and international organisations

EAD for loans issued is equal to the present value of the principal amount of the loan and interest on loans receivable in the future.

LGD for loans issued depends on the structure of the collaterals, and the following formula is used:

$$LGD = \frac{EAD - [\sum_{i=1}^{n} Collateral_i * (1 - Disc\_factor_i)]}{EAD}, \text{ where}$$

EAD – exposure at default;

$\mathrm{Collateral}_i$ - value of a specific type of collateral;

$\mathrm{Disc\_factor}_i$ - discount factor corresponding to a specific type of collateral.

PD for loans issued is calculated on the basis of a specialised model, which is based on trend of borrowers' financial ratios and trend of the main macroeconomic indicators of banks and financial institutions that received loans.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payments to recover losses incurred by the guarantee holder due to the fact that the borrower fails to make timely payments in accordance with the terms of the debt instrument.

Obligations for financial guarantee contracts entered into by the Group are initially measured at fair value, and subsequently (if management does not classify them as FVTPL) are recorded at the highest of the following values:

- amount of the ECL allowance determined in accordance with IFRS 9; and
- amount initially recognised less, where appropriate, cumulative amortisation recognised in the consolidated statement of profit or loss.

Financial guarantee contracts that are not classified as FVTPL are presented as an estimated liability in the consolidated statement of financial position, and the results of the revaluation are recorded as other income in the consolidated statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(v) Presentation of allowance for expected credit losses in the consolidated statement of financial position

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

- for financial assets at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments at fair value through other comprehensive income: allowance for expected credit losses is included in the carrying amount of the asset, with the amount of the revaluation recognised in the investment revaluation reserve.
- for commitments to extend loans and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined impairment allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the impairment allowance over the gross amount of the drawn component is presented as a provision.

(vi) 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.

When a financial asset is modified the Group assesses whether this modification results in derecognition. 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 Group considers qualitative and quantitative factors.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group 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.

The Group 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(vi) Modification and derecognition of financial assets (continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group repurchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets that are deemed to be uncollectible after all measures on collection of debt have been undertaken.

(f) Lease

(i) Group as lessee

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

Right-of-use assets

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

Lease liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Lease (continued)

(i) Group as lessee (continued)

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) Operating - Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(g) 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.

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment in an associate

Investment in an associate of the Group is accounted for using the equity method, according to which the investments are initially measured at cost, and then their value is adjusted to reflect the change in the investor's share in the net assets of the investee after the acquisition. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Dividends received from the investee as a result of the distribution of profits reduce the carrying amount of the investment.

The Group discontinues recognising its share of further losses when the Group's cumulative share of losses of an investee equals or exceeds its interest in that investee.

(i) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses in the consolidated financial statements. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

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

The estimated useful lives are as follows:

Buildings	50-75 years
Constructions	20 years
Furniture and equipment	7 years
Computer equipment	7 years
Motor vehicles	7 years
Land improvements	10 years

(j) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses in the consolidated financial statements.

Acquired computer software licenses and expenses to bring to use the specific software are included in the cost of the relevant intangible asset.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are no more than 5 years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group), with the sale being highly probable and expected to qualify for recognition as held for sale within one year from the date of classification.

If the Group has adopted a plan to sell the controlling shareholding of a subsidiary, all assets and liabilities of that subsidiary shall be reclassified as held for sale in accordance with the above criteria, regardless of whether the Group retains non-controlling interests in the former subsidiary after the sale.

If the Group has adopted a sales plan in respect of disposal of a financial investment or part of a financial investment in an associate or joint venture, that financial investment or part thereof shall be classified as held for sale, provided that the conditions set out above are met. The Group ceases to apply the equity method to the part classified as held for sale.

The remaining portion of investment in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group ceases to apply the equity method at the time of disposal if the disposal results in the loss of significant influence of the Group on the associate or joint venture.

(l) Financial liabilities

The Group recognises financial liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. The Group recognises regular way purchases and sales of financial liabilities on the trade date.

All of the Group's financial liabilities, other than derivative financial liabilities, are carried at amortised cost.

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

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Banknotes and coins in circulation

Banknotes and coins in circulation are recorded in the consolidated statement of financial position at their nominal value. Banknotes and coins in circulation are recorded as a liability. Banknote and coins in national currency held in the vaults and cash offices are not included in the banknotes and coins in circulation.

Production costs of banknotes and coins that are not in circulation are recorded within other assets until released into circulation.

Expenses on production of banknotes and coins issued into circulation include expenses for security, transportation, insurance and other expenses. Expenses on production of banknotes and coins are recognised upon their issuance into circulation and are recorded as a separate item in the consolidated statement of profit or loss.

(n) Charter capital and reserves

The Group has a fixed amount of charter capital. Increases and decreases of the amount of charter capital are implemented through amendments to the Constitutional Law “On the National Bank of the Kyrgyz Republic”. Charter capital of the Group is recognised at cost.

The obligatory reserve has been created through the capitalisation of a portion of net profit upon its distribution to the state budget as established by the Law. The obligatory reserve is recognised at cost.

(o) Taxation

In accordance with legislation of the Kyrgyz Republic, the National Bank is exempt from income tax. All other compulsory payments to the budget, which are assessed on the National Bank’s activities, are accrued and paid in accordance with the Tax Code of the Kyrgyz Republic. Taxes that the National Bank pays as a tax agent are included as a component of administrative expenses in the consolidated statement of profit or loss.

Subsidiaries and associate of the National Bank are payers for all types of taxes.

The amount of income tax includes the amount of current tax and the amount of deferred tax. Income tax is recognised in profit or loss in full, with the exception of amounts related to transactions recorded in other comprehensive income, or to transactions with owners reflected directly in equity accounts, which are accordingly reflected in other comprehensive income or directly in equity. Current income tax is calculated on the basis of the estimated taxable profit for the year, taking into account income tax rates in effect at the reporting date, as well as the amount of liabilities resulting from the specification of income tax amounts for previous reporting years.

Deferred tax assets and deferred tax liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are not recognised in respect of the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Taxation

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Income and expense recognition

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

Fee and commission income earned from services that are provided over a certain period of time

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

Fee and commission income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Bank's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

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

Interest income and expense for all financial instruments except for those designated as at fair value through profit or loss (FVTPL) are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

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

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income and expense recognition

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

(q) Fiduciary assets

The Group provides agency services that result in holding of assets on behalf of third parties. These assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

(r) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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. An offsetting right must not be preconditioned by a future event and must have a legal force at all circumstances:

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

Income and expenses are presented on a net basis in the consolidated statement of profit or loss only when permitted under IFRS.

4 ADOPTION OF NEW AND REVISED STANDARDS

New standards, interpretations and amendments thereof

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

- Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures" which will introduce targeted disclosure requirements that will enhance transparency of supplier finance arrangements and their effects on liabilities and cash flows.
- Amendments to IAS 1 "Presentation of Financial Statements" requires to classify liabilities as current or noncurrent based on rights to defer settlement for at least 12 months which must exist and have a substance as at the reporting date. Only covenants with which a company must comply on or before the reporting date may affect this right.
- Amendments to IFRS 16 "Leases" which introduce a new model for accounting of variable payments and will require seller-lessees to reassess and possibly restate sale-leaseback transactions.
- Introduction of IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" which provide a framework for banks to report on all sustainability-related topics across the areas of governance, strategy and risk management. These standards are also designed to disclose information that is expected to affect the assessments that investors make about future cash flows.

The Group does not expect that the application of the Standards specified above will have a significant impact on the consolidated financial statements in subsequent periods.

5 SIGNIFICANT ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the 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. Estimates and underlying assumptions are based on past experience and other factors that are deemed to be relevant in specific circumstances. Actual outcomes could differ from these estimates.

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

Significant assumptions

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of expected credit losses allowances. The Group's expected credit losses calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit losses models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so expected credit losses allowances for financial assets should be measured on a life-time expected credit losses basis and the qualitative assessment;
- Development of expected credit losses models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the expected credit losses models.

More details are provided in Note 25.

6 RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements for the year ended 31 December 2022 to conform to the presentation of consolidated financial statements for the year ended 31 December 2023. The presentation of these consolidated financial statements provides better view of the financial position of the Group. These changes did not affect the financial results in the consolidated financial statements for the year ended 31 December 2022.

Impact of changes on the consolidated financial statements for the year ended 31 December 2022 is provided below:

(in thousands of soms)

Items of consolidated statement of profit or loss for the year ended 31 December 2022	Before implementation of IFRS 5 and reclassification	Impact of IFRS 5	Reclassification amount	Result of implementation of IFRS 5 and reclassification
Interest income calculated using effective interest rate	4 198 834	(940 846)	81 992	3 339 980
Other income	1 045 721	(44 926)	(81 992)	918 803

(in thousands of soms)

Items of consolidated statement of cash flows for the year ended 31 December 2022	Before implementation of IFRS 5 and reclassification	Impact of IFRS 5	Reclassification amount	Result of implementation of IFRS 5 and reclassification
Interest received	2 877 733	-	81 992	2 959 725
Other income	847 752	-	(81 992)	765 760

7 GOLD

	31 December 2023	31 December 2022
Gold		
Gold in accounts with foreign banks and in bullion	127 413 613	81 833 825
	127 413 613	**81 833 825**

Gold in accounts with foreign banks and gold bullion meets the standards of London Bullion Market Association.

Concentration of gold on deposits in foreign banks

As at 31 December 2023 the Group has gold on accounts with foreign banks with a credit rating of A+ (as at 31 December 2022 the Group had gold on accounts with foreign banks with a credit rating of AA-) assigned by Fitch Ratings Inc. (the “Fitch”).

As at 31 December 2023 and 2022 the Group has gold balances on accounts with foreign banks exceeding 10% of equity.

8 CASH ON HAND, AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023	31 December 2022
Accounts and deposits with banks		
Nostro accounts with banks		
- rated at AAA	2 189 137	32 271 115
- rated from A- to AA+	34 189 664	7 756 526
- rated from BB- to BBB	36 886	1 125 612
- rated from C to CCC	-	24 335
- rated from B- to BBB+	-	6 852
- not rated	4 149 924	1 378 234
Total nostro accounts with banks	**40 565 611**	**42 562 674**
Allowance for expected credit losses	(170 469)	(209 600)
	40 395 142	**42 353 074**
Term deposits with banks		
- rated from AA- to AA+	8 399 257	10 258 510
- rated from A- to A+	10 794 352	12 593 166
- rated from B- to BBB	-	110 931
- not rated	2 597 201	2 085 107
Total term deposits with banks	**21 790 810**	**25 047 714**
Allowance for expected credit losses	(10 442)	(12 009)
	21 780 368	**25 035 705**
Accounts and deposits with international financial institutions		
Account with the International Monetary Fund (IMF)	15 809 958	19 682 157
Accounts with the Bank for International Settlements (BIS)		
- Nostro accounts with BIS	28 501 250	11 318 843
- Term deposit with BIS	-	4 336 363
Total accounts and deposits with international financial institutions	**44 311 208**	**35 337 363**
Allowance for expected credit losses	(20)	(5)
	44 311 188	**35 337 358**
Cash on hand in foreign currencies	20 978 880	20 278 295
Cash on hand, amounts due from banks and other financial institutions	**127 465 578**	**123 004 432**

Concentration of amounts due from banks and other financial institutions

As at 31 December 2023, the Group has accounts with three banks and other financial institutions rated AA+ (31 December 2022: five banks and other financial institutions rated from A to AAA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is 70 511 246 thousand (at 31 December 2022: 83 908 266 thousand soms).

The credit ratings are presented by reference to the credit ratings of Fitch credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in Note 25.

8 CASH ON HAND, AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows comprise the following:

	31 December 2023	31 December 2022
Nostro accounts with foreign banks included in cash equivalents	40 395 304	42 353 074
Nostro account with BIS	28 501 242	11 318 841
Account with the IMF	15 809 946	19 682 154
Cash on hand in foreign currencies	20 978 880	20 278 295
Cash and cash equivalents in the consolidated statement of cash flows	**105 685 372**	**93 632 364**

Cash equivalents are not overdue.

9 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS

	31 December 2023	31 December 2022
Loans issued to international organisations		
- not rated	-	2 526 768
Loans issued to resident commercial banks		
- not rated	159 335	153 244
Total loans to banks and international organisations before allowance for expected credit losses	**159 335**	**2 680 012**
Allowance for expected credit losses	(159 335)	(153 244)
Loans to banks and international organisations	**-**	**2 526 768**

The credit ratings are presented by reference to the credit ratings of Fitch credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in Note 25.

Analysis of collateral

The following table provides information on collateral securing loans issued to resident commercial banks and international organisations as at 31 December 2023 and 2022, excluding the effect of overcollateralisation.

	31 December 2023	% of loan portfolio	31 December 2022	% of loan portfolio
Deposits in foreign currencies	-	-	2 526 768	100
	-	**-**	**2 526 768**	**100**

CONTENT

9 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS (CONTINUED)

Analysis of collateral (continued)

The amounts shown in the table above are limited by the carrying value of loans, and do not necessarily represent the fair value of collateral. The fair value of collateral was estimated at the inception of the loan and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral.

Concentration of loans to banks and international organisations

As at 31 December 2023 and 2022 the Group did not have loans issued to banks and international organisations whose balances exceed 10% of total equity.

10 INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Debt securities		
Government securities		
Treasury bonds of the government of Canada with AA+ credit rating	-	5 053 240
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic without a credit rating	-	691 406
Total government securities	-	**5 744 646**
Debt securities of international financial institutions without a credit rating	34 551 825	31 628 731
Agency securities with credit rating AAA	1 773 852	1 685 967
Total debt securities	**36 325 677**	**39 059 344**

As at 31 December 2023 and 2022 investment securities at fair value through other comprehensive income are not overdue.

As at 31 December 2023 and 2022, the Group had one counterparty, whose balance exceeded 10% of the Group's equity. As at 31 December 2023, the credit risk exposure in respect of this counterparty amounted to 25 344 500 thousand soms (31 December 2022: 27 209 612 thousand soms).

The credit ratings are presented by reference to the credit ratings of Fitch credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in Note 25.

11 INVESTMENT SECURITIES AT AMORTISED COST

	31 December 2023	31 December 2022
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic with B- credit rating	14 569 557	11 494 467
Allowance for expected credit losses	(238 656)	(145 904)
	14 330 901	**11 348 563**

Movement in the allowance for expected credit losses is disclosed in Note 25.

12 INVESTMENT IN AN ASSOCIATE

The movement of investment in an associate is as follows:

	Carrying amount
1 January 2022	**344 582**
Share in associate's profit	113 684
31 December 2022	**458 266**
Share in associate's profit	233 416
Disposal of interest in associate as a result of reclassification of subsidiary to non-current assets held for sale (Note 16)	(15 006)
31 December 2023	**676 676**

Investment in an associate	Activity	Share of ownership, %	31 December 2023	Ownership, %	31 December 2022
CJSC Interbank Process Center	Processing services	46,71	676 676	49,42	458 266
			676 676		**458 266**

The Group's associate is registered and operates in the Kyrgyz Republic.

On 30 April 2022, retained earnings of previous years of IPC CJSC in the amount of 263 520 thousand soms was used to increase the charter capital of IPC CJSC by issuing additional common registered shares in proportion to the shares of shareholders in the charter capital. Following the increase in the number of outstanding shares, the share of the Group in the charter capital of IPC CJSC did not change.

13 PROPERTY AND EQUIPMENT

	Land	Buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress and equipment to be installed	Total
Cost							
At 1 January 2023	**209 036**	**1 158 402**	**589 930**	**645 644**	**170 558**	**527 826**	**3 301 396**
Additions	-	20	101 131	20 957	28 358	126 613	277 079
Disposals	-	-	(100 730)	(16 463)	(36 935)	(29 750)	(183 878)
As a result of reclassification of a subsidiary to non-current assets held for sale		(207 894)	(186 112)	(223 797)	(13 520)	-	(631 323)
Transfers	-	58 679	15 092	338	-	(84 667)	(10 558)
At 31 December 2023	**209 036**	**1 009 207**	**419 311**	**426 679**	**148 461**	**540 022**	**2 752 716**
Depreciation							
At 1 January 2023	**-**	**(206 225)**	**(200 941)**	**(408 608)**	**(87 486)**	**-**	**(903 260)**
Charge for the year	-	(24 090)	(90 414)	(76 232)	(22 527)	-	(213 263)
Disposals	-	-	100 730	16 463	36 935	-	154 128
As a result of reclassification of a subsidiary to non-current assets held for sale	-	49 210	136 535	139 439	12 350	-	337 534
At 31 December 2023	**-**	**(181 105)**	**(54 090)**	**(328 938)**	**(60 728)**	**-**	**(624 861)**
Carrying amount							
At 31 December 2023	**209 036**	**828 102**	**365 221**	**97 741**	**87 733**	**540 022**	**2 127 855**

13 PROPERTY AND EQUIPMENT (CONTINUED)

	Land	Buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress and equipment to be installed	Total
Cost							
At 1 January 2022	**206 132**	**1 120 278**	**559 204**	**741 379**	**135 450**	**393 398**	**3 155 841**
Additions	2 904	13 749	66 122	44 951	35 108	226 300	389 134
Disposals	-	(2 412)	(52 746)	(140 686)	-	(47 735)	(243 579)
Transfers	-	26 787	17 350	-	-	(44 137)	-
At 31 December 2022	**209 036**	**1 158 402**	**589 930**	**645 644**	**170 558**	**527 826**	**3 301 396**
Depreciation							
At 1 January 2022	**-**	**(174 780)**	**(147 653)**	**(439 987)**	**(64 781)**	**-**	**(827 201)**
Charge for the year	-	(33 857)	(105 912)	(109 300)	(22 705)	-	(271 774)
Disposals	-	2 412	52 624	140 679	-	-	195 715
At 31 December 2022	**-**	**(206 225)**	**(200 941)**	**(408 608)**	**(87 486)**	**-**	**(903 260)**
Carrying amount							
At 31 December 2022	**209 036**	**952 177**	**388 989**	**237 036**	**83 072**	**527 826**	**2 398 136**

During 2023 property and equipment transferred to intangible assets in the amount of 10 558 thousand soms (2022: there were no property and equipment transferred to intangible assets).

During 2023 and 2022 there were not capitalised borrowing costs associated with the acquisition or construction of property and equipment.

As at 31 December 2023 and 2022 there are no property and equipment pledged as collateral for loans received.

CONTENT

14 NON-MONETARY GOLD AND GOLD RESERVES

	31 December 2023	31 December 2022
Gold reserves	122 139 214	129 853 589
Non-monetary gold	5 846 352	4 111 136
	127 985 566	**133 964 725**

During 2023, the Group conducted operations with gold that is not part of international reserves with the aim to form the National Bank's reserves as part of the prospects for development of the domestic precious metals market. Non-monetary gold and gold reserves do not participate in the Group's active investment operations and are not part of the Group's investment assets in gold.

15 OTHER ASSETS

	31 December 2023	31 December 2022
Accounts receivable	510 740	846 601
Allowance for expected credit losses	(135 001)	(200 882)
Total other financial assets	**375 739**	**645 719**
Advances paid	1 631 618	144 249
Inventory	778 939	746 770
Numismatic items	96 210	80 738
Other	8 854	13 301
Total other non-financial assets	**2 515 621**	**985 058**
	2 891 360	**1 630 777**

Movement in the allowance for expected credit losses is disclosed in Note 25.

As at 31 December 2023, advances paid comprise a prepayment to an entity with state ownership for construction and installation works on construction in progress in the amount of 1 171 thousand soms.

16 NON-CURRENT ASSETS HELD FOR SALE

	31 December 2023	31 December 2022
Non-current assets held for sale	14 437 340	-
	14 437 340	**-**

On 27 December 2023 the draft Law of the Kyrgyz Republic "On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic" was submitted to the Jogorku Kenesh of the Kyrgyz Republic for consideration.

16 NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

The Law of the Kyrgyz Republic No. 63 dated 1 March 2024 “On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of the open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic” established the acquisition by the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic from the National Bank of a block of shares of OJSC Keremet Bank in the amount of 84 770 588 units representing 97,45 percent of all common voting shares of OJSC Keremet Bank.

The fair value and price of the purchased block of shares of OJSC Keremet Bank was determined in the amount of 7 126 432 thousand soms.

As at 31 December 2023 OJSC Keremet Bank is classified as non-current assets held for sale. The results of OJSC Keremet Bank’s performance for the years ended 31 December 2023 and 2022 are as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated using effective interest rate	1 365 499	999 254
Interest expense	(354 988)	(305 729)
Net interest income	**1 010 511**	**693 525**
Fee and commission income	186 602	177 164
Fee and commission expense	(135 642)	(116 055)
Net fee and commission income	**50 960**	**61 109**
Recovery/(charge) of allowance for expected credit losses	544 892	(15 423)
Net realised gain on foreign currencies	104 968	386 203
Net gain/(loss) on financial instruments at fair value through profit or loss	12 588	(23 910)
Recovery/(charge) of allowance on contingent liabilities	40 722	(62 307)
Other income	16 441	44 942
Net non-interest income	**719 611**	**329 505**
Operating income	**1 781 082**	**1 084 139**
Administrative expenses	(765 152)	(700 869)
Other expenses	(50 313)	(13 055)
Operating expenses	**(815 465)**	**(713 924)**
Profit before tax	965 617	370 215
Income tax expense	-	(10 932)
Profit for the year associated with non-current assets held for sale	**965 617**	**359 283**

16 NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

The assets and liabilities of OJSC Keremet Bank classified as non-current assets held for sale as at 31 December 2023 are as follows:

	31 December 2023
Cash on hand, amounts due from banks and other financial institutions	4 045 429
Loans to customers	6 905 255
Investment securities at fair value through other comprehensive income	728 113
Investment securities at amortised cost	1 117 688
Investment in an associate (Note 12)	15 006
Property and equipment (Note 13)	354 072
Right-of-use assets	92 796
Intangible assets	125 865
Assets available for sale	908 865
Current income tax assets	93
Other assets	144 158
Non-current assets held for sale	**14 437 340**
Derivative financial liabilities	9 769
Amounts due to banks and other financial institutions	72 345
Amounts due to customers	5 690 116
Loans received	547 215
Lease liabilities	84 563
Deferred income tax liabilities	13 483
Other liabilities	125 193
Liabilities associated with non-current assets held for sale	**6 542 684**
Net assets associated with non-current assets held for sale	**7 894 656**
Items included in other comprehensive income	
Revaluation reserve for investments in securities at fair value through other comprehensive income	(15 160)
Other reserves	159 689
Reserves associated with non-current assets held for sale	**144 529**

17 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2023 and 2022, banknotes and coins in circulation comprise:

	31 December 2023	31 December 2022
Banknotes and coins in circulation	210 545 932	202 397 440
Less banknotes and coins on hand in national currency	(3 294 904)	(4 461 502)
	207 251 028	**197 935 938**

Banknotes and coins in circulation represent the face value of the amount of banknotes and coins in circulation held by the general public and organisations.

18 AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023	31 December 2022
Accounts of commercial banks	45 510 202	33 357 408
Accounts of commercial banks and financial institutions owned by the Cabinet of Ministers of the Kyrgyz Republic	11 747 956	17 773 593
Accounts of other financial institutions	1 740 860	5 717 604
	58 999 018	**56 848 605**

As at 31 December 2023, the Group has 2 commercial bank account balances individually in excess of 10% of equity (as at 31 December 2022: 4 commercial banks). The gross value of balances in the accounts of these banks as at 31 December 2023 is 17 510 937 thousand soms (as at 31 December 2022: 32 342 616 thousand soms).

19 AMOUNTS DUE TO THE CABINET OF MINISTERS OF THE KYRGYZ REPUBLIC

Amount due to the Cabinet of Ministers of the Kyrgyz Republic comprise funds in the current accounts of the Ministry of Finance of the Kyrgyz Republic.

	31 December 2023	31 December 2022
In national currency	42 179 078	30 270 363
In foreign currency	457 900	1 538 339
	42 636 978	**31 808 702**

20 DEBT SECURITIES ISSUED

As at 31 December 2023 and 2022 debt securities issued include securities with the following maturities and carrying amounts:

	31 December 2023	31 December 2022
Notes of the National Bank with 28 days maturity	42 349 561	14 560 227
Notes of the National Bank with 91 days maturity	7 109 375	7 543 234
Notes of the National Bank with 182 days maturity	3 504 778	-
Notes of the National Bank with 7 days maturity	319 683	-
Notes of the National Bank with 14 days maturity	-	12 056 287
	53 283 397	**34 159 748**

The Group is entitled to issue securities and conduct all kinds of operations with them in accordance with accepted international practice in order to conduct its monetary policy. The notes of the National Bank are placed through Automated Trading System of the National Bank, members of which are commercial banks in the Kyrgyz Republic.

21 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	31 December 2023	31 December 2022
Liabilities to the IMF in respect of SDR allocations	10 204 524	16 171 080

A special drawing rights (the "SDR") allocation is an unconditional distribution of SDR amounts to International Monetary Fund (the "IMF") member countries by its decision for the purpose of replenishing international reserves and sustaining the liquidity of IMF member countries. The allocation is a cooperative monetary response to the global financial crisis by the provision of significant unconditional financial resources to liquidity constrained countries, which have to smooth the need for adjustment and add to the scope for expansionary policies, designed to provide liquidity to the global economic system by supplementing the IMF member countries' foreign exchange reserves. The general SDR allocations were made to IMF members in proportion to their existing IMF quotas (Note 32). Separately, on 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force to boost global liquidity.

According to the amendment, the special allocation was made to IMF members, which includes Kyrgyz Republic, on 9 September 2009. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Kyrgyz Republic received the right to use SDR allocations in the amount of 84 737 thousand SDR.

In 2021, the IMF conducted an SDR allocation among the member countries in the context of the need to mitigate the negative effects of the COVID-19 pandemic, as a result, on 23 August 2021, the Kyrgyz Republic increased the amount of SDR allocated by 170 222 thousand SDR. The interest rate is determined weekly by the IMF and is the same for all recipients of SDR allocations in the world.

On 13 May 2022 an Agreement was signed on the transfer of SDR allocated by the IMF to the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic in 2021, according to which the allocated SDR will be used to repay part of the state foreign debt of the Kyrgyz Republic.

As at 31 December 2023 and 2022, the National Bank transferred 56 386 thousand SDR and 113 836 thousand SDR, respectively, to the Ministry of Finance of the Kyrgyz Republic. As at 31 December 2023, the liabilities of the National Bank and the Ministry of Finance of the Kyrgyz Republic under SDR received from the IMF in respect of allocations amount to 84 737 thousand SDR and 170 222 thousand SDR, respectively (as at 31 December 2022: 141 123 thousand SDR and 113 836 thousand SDR, respectively).

21 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS (CONTINUED)

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2023	**Cash flows from financing activities (i)**	**Foreign currency exchange rate adjustment**	**Other changes (ii)**	**31 December 2023**
Liabilities to the IMF in respect of SDR allocations	16 171 080	-	623 633	(6 590 189)	10 204 524
	16 171 080	**-**	**623 633**	**(6 590 189)**	**10 204 524**

			Non-cash changes		
	1 January 2022	**Cash flows from financing activities (i)**	**Foreign currency exchange rate adjustment**	**Other changes (ii)**	**31 December 2022**
Liabilities to the IMF in respect of SDR allocations	30 258 833	-	(1 944 720)	(12 143 033)	16 171 080
	30 258 833	**-**	**(1 944 720)**	**(12 143 033)**	**16 171 080**

(i) Cash flows from liabilities to the IMF in respect of SDR allocations constitute the gross amount of proceeds from borrowing and repayment of borrowings in the consolidated statement of cash flows.

(ii) Other changes include transfers by the National Bank to the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic of SDR allocated to the Kyrgyz Republic by the IMF and changes in accrued interest.

22 OTHER LIABILITIES

	31 December 2023	**31 December 2022**
Payables	265 680	296 289
Total other financial liabilities	**265 680**	**296 289**
Allowance for expected credit losses from credit related commitments	100 426	137 386
Other	142 381	208 077
Total other non-financial liabilities	**242 807**	**345 463**
	508 487	**641 752**

23 CHARTER CAPITAL

Paid-up capital

In accordance with the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic", adopted by Jogorku Kenesh of the Kyrgyz Republic on 30 June 2022, which entered into force on 17 August 2022, the charter capital of the National Bank has been increased by 2 000 000 thousand soms at the expense of the obligatory reserve. As at 31 December 2023 and 2022 the charter capital of the National Bank amounts to 4 000 000 thousand soms.

Distribution to the state budget and obligatory reserve

In accordance with the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic", profit of the National Bank is to be distributed as follows:

- If according to the results of the financial year the amount of the share capital and obligatory reserve of the National Bank is less than five percent of the monetary liabilities of the National Bank, no profit shall be transferred to the income of the republican budget of the Kyrgyz Republic. The remaining profit shall be transferred to the National Bank's obligatory reserve;
- If according to the results of the financial year the amount of the share capital and the obligatory reserve of the National Bank is from five to ten percent of the monetary liabilities of the National Bank, seventy percent of the profit shall be transferred to the republican budget. The balance of profit after transferring it to the republican budget of the Kyrgyz Republic shall be transferred to the obligatory reserve of the National Bank;
- If according to the results of the financial year the amount of the share capital and the obligatory reserve is equal to or exceeds ten percent of the National Bank's monetary liabilities, one hundred percent of the profit shall be transferred to the republican budget of the Kyrgyz Republic.

In accordance with Article 12 of the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic", profit shall be transferred at the end of the financial year after an independent external audit and approval of the annual report by the Management Board of the National Bank.

On 1 August 2023, the profit of the National Bank for 2022 was approved for distribution in the amount of 10 186 889 thousand soms, of which 9 168 200 thousand soms was transferred to the republican budget of the Kyrgyz Republic, 1 018 689 thousand soms was transferred to the obligatory reserve of the National Bank (in 2022: the profit for 2021 in the amount of 9 192 509 thousand soms was approved, of which 8 273 258 thousand soms was transferred to the republican budget of the Kyrgyz Republic, 919 251 thousand soms was transferred to the obligatory reserve of the National Bank).

Amounts of transfers to the state budget and obligatory reserve are excluded from the consolidated statement of cash flows due to the fact that these amounts were recorded as an increase in funds of the Cabinet of Ministers of the Kyrgyz Republic.

23 CHARTER CAPITAL (CONTINUED)

Capital management

The capital of the National Bank comprises the residual value of the National Bank's assets after deduction of all its liabilities.

The National Bank's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the National Bank and ability to perform its functions. The National Bank considers total capital under management to be equity shown in the consolidated statement of financial position.

No external capital requirements exist for the National Bank, except for the size of the charter capital stipulated by the Law "On the National Bank of the Kyrgyz Republic", which is 4 000 000 thousand soms (as at 31 December 2022: 4 000 000 thousand soms).

24 NET INTEREST EXPENSE

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated using the effective interest rate method		
Nostro accounts with banks and international financial institutions	2 052 181	1 096 685
Investment securities at fair value through other comprehensive income	1 336 748	353 859
Investment securities at amortised cost	1 327 025	877 795
Term deposits in banks and international financial institutions	1 120 765	732 040
Loans to banks and international organisations	81 861	197 609
Other	70 970	81 992
	5 989 550	**3 339 980**
Interest expense		
Debt securities issued	(6 280 366)	(2 420 519)
Amounts due to banks and other financial institutions	(1 627 633)	(1 335 975)
Liabilities to the IMF in respect of SDR allocations	(510 860)	(254 963)
Other	(22 978)	(59 873)
	(8 441 837)	**(4 071 330)**
Net interest expense	**(2 452 287)**	**(731 350)**

CONTENT

25 (CHARGE)/RECOVERY OF ALLOWANCE FOR EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

	Cash on hand, due from banks and other financial institutions (Note 8)			Loans to banks and international organisations (Note 9)			Loans to customers			Investment securities at fair value through other comprehensive income	Investment securities at amortised cost (Note 11)	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	Total
Allowance for expected credit losses as at 1 January 2023	**15 561**	**200 410**	**5 643**	-	-	**153 244**	**26 579**	**232 929**	**989 761**	**11 373**	**145 904**	**1 781 404**
Transfer to Stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Net changes resulting from changes in credit risk parameters	-	-	-	-	-	-	-	-	-	-	111	111
Recovery of losses/(write-off of assets against provisions)	-	-	-	-	-	108	-	-	-	-	-	108
Financial assets originated or purchased	3 587	61 552	-	-	-	-	-	-	-	26	117 978	183 143
Financial assets derecognised, except for write-offs	(5 148)	(95 031)	(5 643)	-	-	(108)	(26 579)	(232 929)	(989 761)	(11 373)	(25 337)	(1 391 909)
Other changes	-	-	-	-	-	6 091	-	-	-	-	-	6 091
Allowance for expected credit losses as at 31 December 2023	**14 000**	**166 931**	-	-	-	**159 335**	-	-	-	**26**	**238 656**	**578 948**

25 (ACCRUAL)/RECOVERY OF ALLOWANCE FOR EXPECTED CREDIT LOSSES AND OTHER PROVISIONS (CONTINUED)

	Cash on hand, due from banks and other financial institutions (Note 8)			Loans to banks and international organisations (Note 9)			Loans to customers				Investment securities at fair value through other comprehensive income	Investment securities at amortised cost (Note 11)	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Stage 1	Total
Allowance for expected credit losses as at 1 January 2022	**14 483**	**160**	**407**	**63 914**	**343 419**	**151 597**	**43 651**	**83 463**	**1 235 474**	**-**	**10 862**	**67 813**	**2 015 243**
Transfer to Stage 1	-	-	-	317 629	(317 629)	-	55 510	(55 445)	(65)	-	-	-	-
Transfer to Stage 2	(200 250)	200 250	-	-	-	-	(137 494)	299 766	(162 272)	-	-	-	-
Transfer to Stage 3	(3 848)	-	3 848	-	-	-	(7)	(264 681)	264 688	-	-	-	-
Net changes resulting from changes in credit risk parameters	429	10	1 137	(128 124)	-	-	73 769	207 336	269 247	(62 146)	3 234	30 210	395 102
Recovery of losses/ (write-off of assets against provisions)	-	-	-	-	-	99	-	-	-	62 146	-	-	62 245
Financial assets originated or purchased	207 371	-	-	-	-	-	22 451	572	-	-	-	47 881	278 275
Financial assets derecognised, except for write-offs	(2 671)	-	-	(253 419)	(25 790)	(99)	(31 193)	(37 834)	(438 733)	-	(2 723)	-	(792 462)
Other changes	47	(10)	251	-	-	1 647	(108)	(248)	(178 578)	-	-	-	(176 999)
Allowance for expected credit losses as at 31 December 2022	**15 561**	**200 410**	**5 643**	**-**	**-**	**153 244**	**26 579**	**232 929**	**989 761**	**-**	**11 373**	**145 904**	**1 781 404**

CONTENT

25 (ACCRUAL)/RECOVERY OF ALLOWANCE FOR EXPECTED CREDIT LOSSES AND OTHER PROVISIONS (CONTINUED)

	Other financial assets (Note 15)				Contingent liabilities (Notes 22, 29)	
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired financial assets**	**Stage 1**	**Total**
Allowance for expected credit losses as at 1 January 2023	**6 978**	**1 125**	**75 465**	**117 314**	**137 386**	**338 268**
Changes in allowance						
Transfer to Stage 2	(145)	145	-	-	-	-
Transfer to Stage 3		(31)	31	-	-	-
Net changes resulting from changes in credit risk parameters	-	-	2 776	-	-	2 776
Write-off of assets against provisions	-	-	-	-	(48 115)	(48 115)
Financial assets originated or purchased	640	27	50 240	-	12 670	63 577
Financial assets derecognised, except for write-offs	(1 784)	(380)	(31)	(117 314)	(1 515)	(121 024)
Other changes	(47)	47	(55)	-	-	(55)
Allowance for expected credit losses as at 31 December 2023	**5 642**	**933**	**128 426**	**-**	**100 426**	**235 427**

	Other assets (Note 15)				Contingent liabilities (Notes 20, 29)	
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired financial assets**	**Stage 1**	**Total**
Allowance for expected credit losses as at 1 January 2022	**7 336**	**-**	**52 760**	**116 121**	**123 522**	**299 739**
Changes in allowance						
Transfer to Stage 2	(1 125)	1 125	-	-	-	-
Net changes resulting from changes in credit risk parameters	(156)	-	458	1 193	(23 613)	(22 118)
Write-off of assets against provisions	-	-	-	-	(25 278)	(25 278)
Financial assets originated or purchased	1 378	-	22 755	-	47 630	71 763
Financial assets derecognised, except for write-offs	(455)	-	(508)	-	(905)	(1 868)
Other changes					16 030	16 030
Allowance for expected credit losses as at 31 December 2022	**6 978**	**1 125**	**75 465**	**117 314**	**137 386**	**338 268**

26 NET REALISED GAIN ON FOREIGN CURRENCIES AND GOLD TRANSACTIONS

	For the year ended 31 December 2023	For the year ended 31 December 2022
Realised gain from operations with foreign currencies and gold	13 447 960	11 898 214
Profit from spot transactions with foreign currencies	1 391 373	349 110
	14 839 333	**12 247 324**

27 OTHER INCOME AND EXPENSES

	For the year ended 31 December 2023	For the year ended 31 December 2022
Other income		
Income from the sale of bullion and numismatic valuables	369 297	766 454
Other	151 175	152 349
	520 472	**918 803**
Other expenses		
Expenses for recognition of the cost of bullion and numismatic valuables	(335 090)	(572 203)
Other	(16 666)	(9 399)
	(351 756)	**(581 602)**

28 ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2023	For the year ended 31 December 2022
Personnel expenses		
Salary	1 363 235	1 043 142
Payments to the Social fund	233 083	177 452
	1 596 318	**1 220 594**
Other administrative expenses		
Depreciation and amortisation	230 124	258 010
Repair and maintenance	144 126	151 149
Security	104 883	61 400
Communications and information services	38 861	36 194
Professional services	31 375	22 677
Business trip expenses	22 174	16 043
Publication and subscription	17 961	19 342
Staff training	13 398	10 707
Expenses for social events	10 616	8 784
Office supplies	7 632	6 727
Rent expenses	4 001	2 933
Other	41 613	32 911
Total administrative expenses	**2 263 082**	**1 847 471**

29 CONTINGENCIES

(a) Taxation

The taxation system in the Kyrgyz Republic is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities who have the authority to impose severe fines, penalties and interest charges. No liability for additional taxes, fines or penalties can be imposed by the tax authorities after six years in the event of a violation of the tax laws.

These circumstances create tax risks in Kyrgyzstan that are more significant than in other countries. Management believes that tax liabilities are adequately presented in accordance with applicable tax laws, official clarifications and court decisions of Kyrgyzstan. However, the interpretation of these provisions by the relevant authorities may differ and the impact on the consolidated financial statements, if they can prove the validity of their position, can be significant.

The Management also believes that the liability according to final decision, if any, from claims and complaints against the National Bank and OJSC Keremet Bank, will not have a significant impact on the consolidated financial position or results of future activities of the Group.

Legal cases

From time to time and in the normal course of business claims against the Group may be received from third parties. As at 31 December 2023 and 2022 management believed that the Group would not incur significant losses as a result of any such claims and accordingly did not recognise contingent liability.

Credit commitments, guarantees and other financial contracts

OJSC Guarantee Fund issues financial guarantees to borrowers of partner banks and financial institutions.

As at 31 December 2023 and 2022, the nominal or contract amounts were:

	31 December 2023	31 December 2022
Credit line commitments	-	146 081
Financial guarantees	3 304 747	2 131 613
Allowance for expected credit losses on credit related commitments	(100 426)	(137 386)
Total credit commitments	**3 204 321**	**2 140 308**

Analysis of changes in ECL on financial guarantees is as follows:

	12-month credit losses
Expected credit losses as at 31 December 2022	**137 386**
Net change in allowance	(36 960)
Expected credit losses as at 31 December 2023	**100 426**

29 CONTINGENCIES (CONTINUE)

Credit commitments, guarantees and other financial contracts (continued)

	12-month credit losses
Expected credit losses as at 31 December 2021	**123 522**
Net change in allowance	13 864
Expected credit losses as at 31 December 2022	**137 386**

(d) Insurance

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

Until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position of the Group.

OJSC Keremet Bank is a member of the deposit protection system of the Kyrgyz Republic, which is implemented by the Deposit Protection Agency and is regulated by the law of the Kyrgyz Republic "On the Protection of Bank Deposits". Upon the occurrence of a guarantee event in accordance with the law, each individual depositor is paid compensation of no more than 1 million soms in the aggregate, including interest on deposits.

30 INCOME TAX

In accordance with legislation of the Kyrgyz Republic, the National Bank is exempt from income tax. Subsidiaries are subject to taxation. The tax rate is 10% of the taxable profit payable by legal entities in the Kyrgyz Republic in accordance with the tax legislation of this jurisdiction.

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

Deferred tax reflects net tax effect of temporary differences between carrying amount of assets and liabilities for consolidated financial statements purposes and the amount to be determined for tax purposes. Temporary differences as at 31 December 2023 and 2022 relate mostly to different methods/timeframes for income and expense recognition as well as to temporary differences related to difference in book and tax values of certain assets.

	31 December 2023	31 December 2022
Current income tax expense	(70 245)	(39 597)
Deferred tax expense due to origination and reversal of temporary differences	14 319	(13 423)
Total income tax expenses	**(55 926)**	**(53 020)**

30 INCOME TAX (CONTINUED)

The following is a calculation to bring the income tax expense calculated at statutory rate of 10% in line with the actual income tax expense:

	31 December 2023	31 December 2022
Profit before tax	**9 999 633**	**9 688 037**
Tax at the statutory tax rate (10%)	(999 963)	(968 804)
Non-taxable income from operations of the National Bank	1 243 606	1 018 689
Other permanent differences	(299 569)	(102 905)
Total income tax expenses	**(55 926)**	**(53 020)**

Deferred tax assets/(liabilities) as at 31 December 2023 and 2022 are as follows:

	31 December 2023	In the consolidated statement of profit or loss	31 December 2022	In the consolidated statement of profit or loss	31 December 2021
Property and equipment	(2 958)	10 681	(13 639)	446	(14 085)
Non-current assets held for sale	-	36 450	(36 450)	1 196	(37 646)
Loans to customers	-	2 049	(2 049)	31 844	(33 893)
Other financial liabilities	3 027	(1 645)	4 672	1 832	2 840
Cash on hand, amounts due from banks and other financial institutions	1 026	(1 635)	2 661	1 274	1 387
Financial guarantees	-	-	-	(366)	366
Investment securities at amortised cost	-	-	-	(3 980)	3 980
Tax loss carry forwards	-	(29 711)	29 711	(47 710)	77 421
Other assets and liabilities	2 630	(1 870)	4 500	2 041	2 459
Net deferred tax assets/(liabilities)	**3 725**	**14 319**	**(10 594)**	**(13 423)**	**2 829**

31 RISK MANAGEMENT

Risk management is fundamental to the Group's activities and is an essential element of the Group's operations. The major risks faced by the Group in carrying out of its activities are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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

The Management Board of the National Bank, committees, commissions review regularly matters related to the monetary, investing and currency policies of the Group and set up limits on the scope of transactions, as well as requirements for the assessment of the Group's counterparties.

31 RISK MANAGEMENT (CONTINUED)

(a) Risk management policies and procedures

In accordance with Investment policy on International Reserve Management of the National Bank (the "Investment policy") approved by the Board on 19 December 2022, the main goals of risk management are safety and liquidity of the assets of the Group. Operations are conducted within the annual limitations imposed by this Investment policy.

In accordance with these goals, gold and foreign currency assets of the National Bank are separated into the following portfolios: working portfolio and investment portfolio.

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented with explanations to the Management Board.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise currency 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 volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Group manages its market risk by conducting regular assessment of all open positions. In addition, the Group continuously monitors open position limits in relation to financial instruments, interest rate, maturity and balance of risks and profitability.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

CONTENT

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk

(i) Interest rate risk (continued)

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2023 and 2022. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

	Weighted average effective interest rate, % 31 December 2023	Weighted average effective interest rate, % 31 December 2022
Interest-bearing assets		
Amounts due from banks and other financial institutions		
Nostro accounts		
- USD	5,30	4,30
- EUR	3,84	1,97
- CAD	4,82	3,92
- CNY	0,25	0,35
- KRW	0,10	0,10
- CHF	1,13	(0,02)
- SDR	4,10	2,92
- AUD	4,35	3,10
- JPY	(0,22)	(0,04)
- GBP	5,12	3,45
- SGD	-	2,40
- RUB	6,00	4,00
- KGS	4,53	4,90
Term deposits		
- USD	5,65	4,77
- GBP	5,18	3,40
- AUD	4,50	3,32
- CNY	2,46	1,75
- SGD	4,04	3,35
- KGS	7,92	6,88
Loans to banks and international organisations		
- KGS	-	4,00
Loans to customers		
- KGS	-	14,61
- USD	-	14,90
- RUB	-	14,12
Investment securities at fair value through other comprehensive income		
- USD	4,53	4,41
- AUD	4,61	2,98
- CAD	4,33	4,20
- GBP	-	3,29
- CNY	3,07	0,85
- KGS	-	11,82
Investment securities at amortised cost		
- KGS	12,90	11,92
Interest-bearing liabilities		
Amounts due to banks and other financial institutions		
- KGS	11,00	10,11
- USD	-	0,34
- RUB	-	3,35
Amounts due to customers		
- KGS	-	12,19
- USD	-	2,32
- RUB	-	2,00
- EUR	-	1,60
Debt securities issued		
- KGS	13,37	13,77
Liabilities to the IMF in respect of SDR allocations	4,10	2,92
Lease liabilities		
- KGS	-	12,70
- USD	-	3,20

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk

(i) Interest rate risk (continued)

Interest rate sensitivity analysis

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets at fair value through other comprehensive income due to changes in the interest rates based on positions of assets with a floating interest rate existing as at 31 December 2023 and 2022 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2023		31 December 2022	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
100 bp parallel rise	-	(359 467)	-	(98 939)
100 bp parallel fall	-	359 467	-	98 939

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management policy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, actions of the Group could include selling investment assets, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk

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

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market foreign exchange rates. Despite the fact that the Group hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

The Group's exposure to foreign currency exchange rate risk by currencies as at 31 December 2023 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2023
Non-derivative financial assets											
Cash on hand, amounts due from banks and other financial institutions	2 814 421	81 302 566	3 799 593	174 450	673 295	15 809 946	3 471 913	13 896 850	3 726 415	1 796 129	127 465 578
Loans to banks and international organisations	-	-	-	-	-	-	-	-	-	-	-
Loans to customers	-	-	-	-	-	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	-	19 693 854	-	5 293 667	714 954	-	-	10 623 202	-	-	36 325 677
Investment securities at amortised cost	14 330 901	-	-	-	-	-	-	-	-	-	14 330 901
Other financial assets	375 739	-	-	-	-	-	-	-	-	-	375 739
Total non-derivative financial assets	**17 521 061**	**100 996 420**	**3 799 593**	**5 468 117**	**1 388 249**	**15 809 946**	**3 471 913**	**24 520 052**	**3 726 415**	**1 796 129**	**178 497 895**

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2023
Non-derivative financial liabilities											
Banknotes and coins in circulation	207 251 028	-	-	-	-	-	-	-	-	-	207 251 028
Amounts due to banks and other financial institutions	56 231 623	2 767 395	-	-	-	-	-	-	-	-	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 179 078	187 791	64 396	-	-	-	-	143 014	32 315	30 384	42 636 978
Amounts due to customers	-	-	-	-	-	-	-	-	-	-	-
Debt securities issued	53 283 397	-	-	-	-	-	-	-	-	-	53 283 397
Loans received	-	-	-	-	-	-	-	-	-	-	-
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	10 204 524	-	-	-	-	10 204 524
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	261 394	3 233	394	135	-	-	-	-	-	524	265 680
Total non-derivative financial liabilities	**359 206 520**	**2 958 419**	**64 790**	**135**	**-**	**10 204 524**	**-**	**143 014**	**32 315**	**30 908**	**372 640 625**
Net balance sheet position	**(341 685 459)**	**98 038 001**	**3 734 803**	**5 467 982**	**1 388 249**	**5 605 422**	**3 471 913**	**24 377 038**	**3 694 100**	**1 765 221**	**(194 142 730)**

CONTENT

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

The Group's exposure to foreign currency exchange rate risk by currencies as at 31 December 2022 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2022
Non-derivative financial assets											
Cash on hand, amounts due from banks and other financial institutions	2 109 626	78 880 521	2 388 820	1 735 688	624 213	19 682 154	1 727 476	12 942 545	1 284 495	1 628 894	123 004 432
Loans to banks and international organisations	2 526 768	-	-	-	-	-	-	-	-	-	2 526 768
Loans to customers	6 250 050	243 721	-	-	-	-	-	-	-	-	6 493 771
Investment securities at fair value through other comprehensive income	691 406	28 936 889	-	6 203 845	657 408	-	1 302 131	1 267 665	-	-	39 059 344
Investment securities at amortised cost	11 348 563	-	-	-	-	-	-	-	-	-	11 348 563
Other financial assets	605 631	175	14 389	-	-	-	-	-	25 524	-	645 719
Total non-derivative financial assets	**23 532 044**	**108 061 306**	**2 403 209**	**7 939 533**	**1 281 621**	**19 682 154**	**3 029 607**	**14 210 210**	**1 310 019**	**1 628 894**	**183 078 597**

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2022
Non-derivative financial liabilities											
Banknotes and coins in circulation	197 935 938	-	-	-	-	-	-	-	-	-	197 935 938
Amounts due to banks and other financial institutions	49 746 978	7 094 059	457	-	-	-	-	-	7 111	-	56 848 605
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	30 270 363	600 731	794 328	-	-	-	-	-	121 234	22 046	31 808 702
Amounts due to customers	4 246 464	836 452	59 850	-	-	-	-	41 296	82 352	1 821	5 268 235
Debt securities issued	34 159 748	-	-	-	-	-	-	-	-	-	34 159 748
Loans received	181 371	-	-	-	-	-	-	-	-	-	181 371
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	16 171 080	-	-	-	-	16 171 080
Lease liabilities	12 128	115 699	-	-	-	-	-	-	-	-	127 827
Other financial liabilities	223 951	25 255	39 487	-	-	-	-	-	7 580	16	296 289
Total non-derivative financial liabilities	**316 776 941**	**8 672 196**	**894 122**	**-**	**-**	**16 171 080**	**-**	**41 296**	**218 277**	**23 883**	**342 797 795**
Balance sheet position	**(293 244 897)**	**99 389 110**	**1 509 087**	**7 939 533**	**1 281 621**	**3 511 074**	**3 029 607**	**14 168 914**	**1 091 742**	**1 605 011**	**(159 719 198)**
Derivative financial liabilities	138 450	(157 117)	-	-	-	-	-	-	-	-	(18 667)
Net balance sheet position	**(293 106 447)**	**99 231 993**	**1 509 087**	**7 939 533**	**1 281 621**	**3 511 074**	**3 029 607**	**14 168 914**	**1 091 742**	**1 605 011**	**(159 737 865)**

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

Depreciation of KGS, as indicated in the table below, against following currencies as at 31 December 2023 and 2022 would have given a rise to the below increase (decrease) of equity and other comprehensive income. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The given level of sensitivity is used within the Group for preparation of report on currency risk for the key management of the Group. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2023		31 December 2022	
	Profit or loss	Other comprehensive income and equity	Profit or loss	Other comprehensive income and equity
10% appreciation of USD against KGS	-	9 803 800	-	9 923 200
10% appreciation of CNY against KGS	-	2 437 704	-	1 416 892
10% appreciation of CAD against KGS	-	546 798	-	793 954
10% appreciation of EUR against KGS	-	373 481	-	150 909
10% appreciation of RUB against KGS	-	369 410	-	109 174
10% appreciation of GBP against KGS	-	347 192	-	302 961
10% appreciation of AUD against KGS	-	138 825	-	128 162
10% appreciation of other currencies against KGS	-	176 522	-	160 501

Appreciation of the KGS against the above currencies at 31 December 2023 and 2022 would have had the opposite effect on the basis that all other variables remain constant.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(iii) Other price risks

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

As at 31 December 2022 the Group was exposed to price risk of gold in accounts with foreign banks. As at 31 December 2023 gold is represented by physical gold in storage and gold in accounts. Although gold is not considered to be a financial asset under IFRS, the bank is exposed to price changes in physical gold due to the fact that its accounting policy is to measure gold at fair value.

31 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(iii) Other price risks

An increase or decrease in prices in KGS equivalent of gold, as indicated below, at 31 December 2023 and 2022 would have increased or decreased equity and other comprehensive income by the amounts shown below. This analysis is based on gold price movements that the National Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

	31 December 2023		31 December 2022	
	Profit or loss	Other comprehensive income and equity	Profit or loss	Other comprehensive income and equity
10% appreciation of gold prices in KGS equivalent	-	12 741 362	-	8 183 383
10% depreciation of gold prices in KGS equivalent	-	(12 741 362)	-	(8 183 383)

(c) Credit risk

Credit risk is the risk that the Group will incur a financial loss because its customers or counterparties failed to discharge their contractual obligations. The Group has developed policies and procedures for credit risk management, including guidelines to limit portfolio concentration. There is an Investment Committee, which is responsible for the monitoring of credit risk on management of international reserves.

In order to minimise the credit risk, the National Bank uses risk management policy, which sets out requirements for the counterparty of the National Bank. According to this policy, only central banks, financial institutions or commercial banks with a high rating in accordance with the standards of Moody's Investors Service and/or a similar level of rating in accordance with the standards of other world leading rating agencies (Standard & Poor's Corporation, Fitch IBCA) can be counterparties of the National Bank.

Financial assets of the Group other than loans to customers are graded according to the current credit rating they have been issued by internationally regarded agencies such as Moody's, Fitch and etc. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have BBB ratings of according to classification of Fitch are classed as speculative grade. Taking into consideration the National Bank's status as a central bank the counterparties are divided into two categories:

Category A

- Central banks of advanced developed industrial countries with stable economic and political situation and sovereign rating not less than A- per Fitch classification;
- International financial organisations, institutions and banks, such as IMF, BIS, EBRD, ADB, KfW, etc.
- Foreign commercial banks with rating not less than A- per Fitch classification.

Category B

- Central banks of countries with sovereign rating less than A- per Fitch classification;
- Financial institutions indicated in international agreements signed by the Kyrgyz Republic;
- Foreign commercial banks with rating less than A- but not less than BBB per Fitch classification.

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Decisions on investment deals with the counterparties of the Category A, i.e. limitations on certain counterparties, investment instruments and amount of deals are established based on power of the Investment Committee of the National Bank. Decisions on investment deals with each counterparty of Category B are approved by the Management Board of the National Bank upon submission by the Investment Committee of the National Bank.

One of the criteria for control of credit risk is the maximum exposure to credit risk per one counterparty, as well as the geographical segments.

The Group's maximum exposure to credit risk per one counterparty varies significantly and is dependent on both individual risks and general market economy risks. The Group's maximum exposure to credit risk is generally reflected in the gross carrying amounts of financial assets in the consolidated statement of financial position. Netting of assets and liabilities is not significant for mitigating the potential credit exposure.

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

	31 December 2023	31 December 2022
Financial assets		
Gold in deposits with foreign banks	13 511 707	6 799 869
Cash on hand, amounts due from banks and other financial institutions*	106 667 629	102 947 751
Loans to banks and international organisations	159 335	2 680 012
Loans to customers	-	7 743 040
Investment securities at fair value through other comprehensive income, except for investments in equity instruments	36 325 677	39 059 344
Investment securities at amortised cost	14 569 557	11 494 467
Other financial assets	510 740	846 601
Total maximum exposure	**171 744 645**	**171 571 084**

* Amount does not include cash balances on hand in foreign currencies.

Internal credit risk ratings

To minimise credit risk, the Group has developed a credit rating system for categorising risks depending on the degree of default risk. Credit rating information is based on a set of data that is defined as forward-looking data with respect to default risk and uses expert judgment regarding credit risk. The analysis takes into account the nature of risk and type of a borrower. Credit ratings are determined using qualitative and quantitative factors that indicate the risk of default. The credit rating system of the Group includes three categories.

Internal credit ratings	*Description*
1	Low or moderate risk
2	Watch
3	Impaired

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The analysis of credit risk for each class of financial assets, taking into account the internal credit rating and stage in accordance with IFRS 9, without taking into account the effect of collateral and other mechanisms to improve the quality of a loan, is presented in the tables below. Unless otherwise indicated, the amounts presented in the tables for financial assets represent their gross carrying amount.

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Amounts due from banks and other financial institutions				
Credit rating 1: low or moderate risk	102 731 197	-	-	102 731 197
Credit rating 2: watch	-	3 936 432	-	3 936 432
Credit rating 3: impaired	-	-	-	-
Total gross carrying amount	**102 731 197**	**3 936 432**	**-**	**106 667 629**
Allowance for expected credit losses	(14 000)	(166 931)	-	(180 931)
Carrying amount	**102 717 197**	**3 769 501**	**-**	**106 486 698**

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Loans to banks and international organisations				
Credit rating 1: low or moderate risk	-	-	-	-
Credit rating 2: watch	-	-	-	-
Credit rating 3: impaired	-	-	159 335	159 335
Total gross carrying amount	**-**	**-**	**159 335**	**159 335**
Allowance for expected credit losses	-	-	(159 335)	(159 335)
Carrying amount	**-**	**-**	**-**	**-**

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Credit rating 1: low or moderate risk	36 325 677	-	-	36 325 677
Carrying amount	**36 325 677**	**-**	**-**	**36 325 677**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investments in securities, valued at amortized cost				
Credit rating 1: low or moderate risk	14 569 557	-	-	14 569 557
Total gross carrying amount	**14 569 557**	-	-	**14 569 557**
Allowance for expected credit losses	(238 656)	-	-	(238 656)
Total carrying amount	**14 330 901**	-	-	**14 330 901**

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Other financial assets				
Credit rating 1: low or moderate risk	329 694	-	-	329 694
Credit rating 2: watch	-	52 620	-	52 620
Credit rating 3: impaired	-	-	128 426	128 426
Total gross carrying amount	**329 694**	**52 620**	**128 426**	**510 740**
Allowance for expected credit losses	(5 642)	(933)	(128 426)	(135 001)
Carrying amount	**324 052**	**51 687**	-	**375 739**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Amounts due from banks and other financial institutions				
Credit rating 1: low or moderate risk	100 528 659	-	-	100 528 659
Credit rating 2: watch	-	2 412 240	-	2 412 240
Credit rating 3: impaired	-	-	6 852	6 852
Total gross carrying amount	**100 528 659**	**2 412 240**	**6 852**	**102 947 751**
Allowance for expected credit losses	(15 561)	(200 410)	(5 643)	(221 614)
Carrying amount	**100 513 098**	**2 211 830**	**1 209**	**102 726 137**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Loans to banks and international organisations				
Credit rating 1: low or moderate risk	2 526 768	-	-	2 526 768
Credit rating 2: watch	-	-	-	-
Credit rating 3: impaired	-	-	153 244	153 244
Total gross carrying amount	**2 526 768**	**-**	**153 244**	**2 680 012**
Allowance for expected credit losses	-	-	(153 244)	(153 244)
Carrying amount	**2 526 768**	**-**	**-**	**2 526 768**

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		Total
Loans to customers					
Credit rating 1: low or moderate risk	5 156 122	-	-	-	5 156 122
Credit rating 2: watch	-	989 266	-	-	989 266
Credit rating 3: impaired	-	-	1 441 783	155 869	1 597 652
Total gross carrying amount	**5 156 122**	**989 266**	**1 441 783**	**155 869**	**7 743 040**
Allowance for expected credit losses	(26 579)	(232 929)	(989 761)	-	(1 249 269)
Carrying amount	**5 129 543**	**756 337**	**452 022**	**155 869**	**6 493 771**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at fair value through other comprehensive income				
Credit rating 1: low or moderate risk	39 059 344	-	-	39 059 344
Total carrying amount	**39 059 344**	**-**	**-**	**39 059 344**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Credit rating 1: low or moderate risk	11 494 467	-	-	11 494 467
Total gross carrying amount	**11 494 467**	**-**	**-**	**11 494 467**
Allowance for expected credit losses	(145 904)	-	-	(145 904)
Carrying amount	**11 348 563**	**-**	**-**	**11 348 563**

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		Total
Other financial assets					
Credit rating 1: low or moderate risk	480 908	-	-	-	480 908
Credit rating 2: watch	-	103 012	-	-	103 012
Credit rating 3: impaired	-	-	76 611	186 070	262 681
Total gross carrying amount	**480 908**	**103 012**	**76 611**	**186 070**	**846 601**
Allowance for expected credit losses	(6 978)	(1 125)	(75 465)	(117 314)	(200 882)
Carrying amount	**473 930**	**101 887**	**1 146**	**68 756**	**645 719**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The table below analyses information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in ECL allowance during 2023, by classes of assets:

	2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Loans to banks and international organisations Gross carrying amount as at 1 January 2023	**2 526 768**	**-**	**153 244**	**2 680 012**
Changes in gross carrying amount	-	-	-	-
Financial assets derecognised, except for write-offs	(2 526 768)	-	-	(2 526 768)
Change in currency rates and other changes	-	-	6 091	6 091
Gross carrying amount as at 31 December 2023	**-**	**-**	**159 335**	**159 335**
Allowance for expected credit losses as at 31 December 2023	**-**	**-**	**(159 335)**	**(159 335)**

	2023				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		Total
Loans to customers					
Gross carrying amount as at 1 January 2023	**5 156 122**	**989 266**	**1 441 783**	**155 869**	**7 743 040**
Changes in gross carrying amount					
Financial assets derecognised, except for write-offs*	(5 156 122)	(989 266)	(1 441 783)	(155 869)	(7 743 040)
Change in currency rates and other changes	-	-	-	-	-
Gross carrying amount as at 31 December 2023	-	-	-	-	-
Allowance for expected credit losses as at 31 December 2023	-	-	-	-	-

* *The amount includes loans issued and repaid during 2023.*

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investments in securities, measured at fair value through other comprehensive income				
Carrying amount as at 1 January 2023	**39 059 344**	**-**	**-**	**39 059 344**
Changes in gross carrying amount	-	-	-	-
Financial assets originated or purchased	84 483 273	-	-	84 483 273
Financial assets derecognised, except for write-offs	(88 430 780)	-	-	(88 430 780)
Change in currency rates and other changes	1 213 840	-	-	1 213 840
Carrying amount as at 31 December 2023	**36 325 677**	**-**	**-**	**36 325 677**

	2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Gross carrying amount as at 1 January 2023	**11 494 467**	**-**	**-**	**11 494 467**
Changes in gross carrying amount	-	-	-	-
Financial assets originated or purchased	5 239 717	-	-	5 239 717
Financial assets derecognised, except for write-offs	(2 374 355)	-	-	(2 374 355)
Change in currency rates and other changes	209 728	-	-	209 728
Gross carrying amount as at 31 December 2023	**14 569 557**	**-**	**-**	**14 569 557**
Allowance for expected credit losses as at 31 December 2023	**(238 656)**	**-**	**-**	**(238 656)**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2023				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Total
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		
Other financial assets					
Gross carrying amount as at 1 January 2023	**480 908**	**103 012**	**76 611**	**186 070**	**846 601**
Changes in gross carrying amount					
Transfer to Stage 2	(8 201)	8 201	-	-	-
Transfer to Stage 3	-	(1 755)	1 755	-	-
Financial assets originated or purchased	42 072	-	51 870	-	93 942
Financial assets derecognised, except for write-offs	(221 879)	(21 922)	(1 755)	(186 070)	(431 626)
Other changes	36 794	(34 916)	(55)	-	1 823
Gross carrying amount as at 31 December 2023	**329 694**	**52 620**	**128 426**	**-**	**510 740**
Allowance for expected credit losses as at 31 December 2023	**(5 642)**	**(933)**	**(128 426)**	**-**	**(135 001)**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The table below analyses information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in ECL allowance during 2022, by classes of assets:

	2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Loans to banks and international organisations Gross carrying amount as at 1 January 2022	**4 875 663**	**1 780 510**	**151 597**	**6 807 770**
Changes in gross carrying amount				
Transfer to Stage 2	1 524 326	(1 524 326)	-	-
(Write-off)/recovery of assets against allowance	(37 249)	37 249	-	-
Financial assets originated or purchased	-	-	-	-
Financial assets derecognised, except for write-offs	(3 835 972)	(293 433)	-	(4 129 405)
Change in currency rates and other changes	-	-	1 647	1 647
Gross carrying amount as at 31 December 2022	**2 526 768**	**-**	**153 244**	**2 680 012**
Allowance for expected credit losses as at 31 December 2022	**-**	**-**	**(153 244)**	**(153 244)**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Total
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		
Loans to customers					
Gross carrying amount as at 1 January 2022	**4 462 062**	**1 186 084**	**2 053 807**	**-**	**7 701 953**
Changes in gross carrying amount					
Transfer to Stage 1	570 586	(559 837)	(10 749)	-	-
Transfer to Stage 2	(952 607)	1 403 413	(450 806)	-	-
Transfer to Stage 3	(3 007)	(852 788)	855 795	-	-
New financial assets originated or purchased*	3 963 667	263 516	-	115 664	4 342 847
Financial assets derecognised, except for write-offs*	(2 890 914)	(446 832)	(871 752)	(21 941)	(4 231 439)
Change in currency rates and other changes	6 335	(4 290)	(134 512)	62 146	(70 321)
Gross carrying amount as at 31 December 2022	**5 156 122**	**989 266**	**1 441 783**	**155 869**	**7 743 040**
Allowance for expected credit losses as at 31 December 2022	**(26 579)**	**(232 929)**	**(989 761)**	**-**	**(1 249 269)**

** The amount includes loans issued and repaid during 2022.*

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	
Investments in securities, measured at fair value through other comprehensive income				
Carrying amount as at 1 January 2022	**72 482 524**	**-**	**-**	**72 482 524**
Changes in gross carrying amount				
New financial assets originated or purchased	96 086 835	-	-	96 086 835
Financial assets derecognised, except for write-offs	(131 536 309)	-	-	(131 536 309)
Other changes	2 026 294	-	-	2 026 294
Carrying amount as at 31 December 2022	**39 059 344**	**-**	**-**	**39 059 344**

31 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Gross carrying amount as at 1 January 2022	**9 167 177**	**-**	**-**	**9 167 177**
Changes in gross carrying amount				
New financial assets originated or purchased	2 348 268	-	-	2 348 268
Financial assets derecognised, except for write-offs	(112 113)	-	-	(112 113)
Other changes	91 135	-	-	91 135
Gross carrying amount as at 31 December 2022	**11 494 467**	**-**	**-**	**11 494 467**
Allowance for expected credit losses as at 31 December 2022	**(145 904)**	**-**	**-**	**(145 904)**

	2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		Total
Other financial assets					
Gross carrying amount as at 1 January 2022	**588 144**	**-**	**54 005**	**116 121**	**758 270**
Changes in gross carrying amount					
Transfer to Stage 2	(103 012)	103 012	-	-	-
New financial assets originated or purchased	46 128	-	24 346	1 825	72 299
Financial assets derecognised, except for write-offs	(50 352)	-	(1 751)	-	(52 103)
Other changes	-	-	11	68 124	68 135
Gross carrying amount as at 31 December 2022	**480 908**	**103 012**	**76 611**	**186 070**	**846 601**
Allowance for expected credit losses as at 31 December 2022	**(6 978)**	**(1 125)**	**(75 465)**	**(117 314)**	**(200 882)**

31 RISK MANAGEMENT (CONTINUED)

(d) Geographical concentration

The Investment Committee of the National Bank steadily monitors the country risk of its counterparties. This approach is aimed at minimising potential losses from investment climate changes in those countries where the National Bank's currency reserves are placed.

The following table shows the geographical concentration of assets and liabilities at 31 December 2023:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	Total 31 December 2023
Financial assets					
Cash on hand, amounts due from banks and other financial institutions	23 793 297	38 421 573	20 939 520	44 311 188	127 465 578
Loans to banks and international organisations	-	-	-	-	-
Loans to customers	-	-	-	-	-
Investment securities at fair value through other comprehensive income	-	1 773 852	-	34 551 825	36 325 677
Investment securities at amortised cost	14 330 901	-	-	-	14 330 901
Other financial assets	375 739	-	-	-	375 739
Total financial assets	**38 499 937**	**40 195 425**	**20 939 520**	**78 863 013**	**178 497 895**
Financial liabilities					
Banknotes and coins in circulation	207 251 028	-	-	-	207 251 028
Derivative financial liabilities	-	-	-	-	-
Amounts due to banks and other financial institutions	57 837 754	-	1 066 515	94 749	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	-	42 636 978
Amounts due to customers	-	-	-	-	-
Debt securities issued	53 283 397	-	-	-	53 283 397
Loans received	-	-	-	-	-
Liabilities to the IMF in respect of SDR allocations	-	-	-	10 204 524	10 204 524
Lease liabilities	-	-	-	-	-
Other financial liabilities	257 588	7 844	248	-	265 680
Total financial liabilities	**361 266 745**	**7 844**	**1 066 763**	**10 299 273**	**372 640 625**
Net position	**(322 766 808)**	**40 187 581**	**19 872 757**	**68 563 740**	**(194 142 730)**

31 RISK MANAGEMENT (CONTINUED)

(d) Geographical concentration (continued)

The following table shows the geographical concentration of assets and liabilities at 31 December 2022:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	Total 31 December 2022
Financial assets					
Cash on hand, amounts due from banks and other financial institutions	22 487 769	37 401 886	27 777 419	35 337 358	123 004 432
Loans to banks and international organisations	2 526 768	-	-	-	2 526 768
Loans to customers	6 493 771	-	-	-	6 493 771
Investment securities at fair value through other comprehensive income	691 406	6 739 207	-	31 628 731	39 059 344
Investment securities at amortised cost	11 348 563	-	-	-	11 348 563
Other financial assets	620 369	-	25 350	-	645 719
Total financial assets	**44 168 646**	**44 141 093**	**27 802 769**	**66 966 089**	**183 078 597**
Financial liabilities					
Banknotes and coins in circulation	197 935 938	-	-	-	197 935 938
Derivative financial liabilities	18 667	-	-	-	18 667
Amounts due to banks and other financial institutions	56 489 647	1 871	299 509	57 578	56 848 605
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	-	-	31 808 702
Amounts due to customers	4 605 645	102 923	559 667	-	5 268 235
Debt securities issued	34 159 748	-	-	-	34 159 748
Loans received	181 371	-	-	-	181 371
Liabilities to the IMF in respect of SDR allocations	-	-	-	16 171 080	16 171 080
Lease liabilities	127 827	-	-	-	127 827
Other financial liabilities	283 088	3 572	9 629	-	296 289
Total financial liabilities	**325 610 633**	**108 366**	**868 805**	**16 228 658**	**342 816 462**
Net balance sheet position	**(281 441 987)**	**44 032 727**	**26 933 964**	**50 737 431**	**(159 737 865)**

31 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. Liquidity risk exists when maturities of assets and liabilities denominated in foreign currency do not match. The matching and/or controlled mismatching of maturities of assets and liabilities is fundamental to the risk management of financial institutions. It is not a common practice for financial institutions to completely match maturity of assets and liabilities due to the diversity of operations and associated uncertainty.

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

The Group seeks to actively support a diversified and stable funding base in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Since the National Bank is the emission bank (the National Bank carries out the issue of national currency – the Kyrgyz som), the default risk on fulfilment its obligations in national currency is minimal, and liquidity risk is more applicable for obligations of the National Bank denominated in foreign currency.

The Group's liquidity management policy requires:

- projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be sold as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios of the National Bank against regulatory requirements.

31 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	Carrying Cost 31 December 2023
Derivative financial liabilities	-	-	-	-	-	-	-
Amounts due to banks and other financial institutions	58 999 018	-	-	-	-	58 999 018	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	-	-	42 636 978	42 636 978
Amounts due to customers	-	-	-	-	-	-	-
Debt securities issued	46 465 540	5 301 310	2 012 200	-	-	53 779 050	53 283 397
Loans received	-	-	-	-	-	-	-
Liabilities to the IMF in respect of SDR allocations	10 131 147	73 377	-	-	-	10 204 524	10 204 524
Lease liabilities	-	-	-	-	-	-	-
Other financial liabilities	149 702	786	12 749	96 352	6 090	265 680	265 680
	158 382 385	**5 375 473**	**2 024 949**	**96 352**	**6 090**	**165 885 250**	**165 389 597**

The tables above show cash outflows of financial liabilities that are not equal to carrying amounts of those liabilities in current consolidated financial statements because these amounts include remaining interest payable, which is not yet recognised using the effective interest rate method.

31 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	Carrying Cost 31 December 2022
Derivative financial liabilities	18 667	-	-	-	-	18 667	18 667
Amounts due to banks and other financial institutions	56 816 781	2 420	-	34 415	886	56 854 502	56 848 605
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	-	-	-	31 808 702	31 808 702
Amounts due to customers	3 246 634	242 991	383 354	869 270	722 592	5 464 841	5 268 235
Debt securities issued	28 429 200	5 995 800	-	-	-	34 425 000	34 159 748
Loans received	4 013	-	-	-	234 640	238 653	181 371
Liabilities to the IMF in respect of SDR allocations	16 091 884	79 196	-	-	-	16 171 080	16 171 080
Lease liabilities	6 052	11 153	15 120	34 165	64 684	131 174	127 827
Other financial liabilities	192 407	14 553	6 712	76 549	6 068	296 289	296 289
	136 614 340	**6 346 113**	**405 186**	**1 014 399**	**1 028 870**	**145 408 908**	**144 880 524**

The tables above show cash outflows of financial liabilities that are not equal to carrying amounts of those liabilities in current consolidated financial statements because these amounts include remaining interest payable, which is not yet recognised using the effective interest rate method.

CONTENT

31 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total 31 December 2023
Financial assets							
Cash on hand, amounts due from banks and other financial institutions	115 002 955	10 339 711	1 098 955	1 023 957	-	-	127 465 578
Loans to banks and international organisations	-	-	-	-	-	-	-
Loans to customers	-	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	10 506 371	10 042 789	7 284 146	6 260 230	2 232 141	-	36 325 677
Investment securities at amortised cost	-	193 149	1 818 199	4 178 532	8 141 021	-	14 330 901
Other financial assets	35 129	6 219	29 105	170 527	134 759	-	375 739
	125 544 455	**20 581 868**	**10 230 405**	**11 633 246**	**10 507 921**	**-**	**178 497 895**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	207 251 028	207 251 028
Derivative financial liabilities	-	-	-	-	-	-	-
Amounts due to banks and other financial institutions	58 999 018	-	-	-	-	-	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	-	-	-	42 636 978
Amounts due to customers	-	-	-	-	-	-	-
Debt securities issued	46 207 702	5 176 655	1 899 040	-	-	-	53 283 397
Loans received	-	-	-	-	-	-	-
Liabilities to the IMF in respect of SDR allocations	10 131 147	73 377	-	-	-	-	10 204 524
Lease liabilities	-	-	-	-	-	-	-
Other financial liabilities	149 703	786	107 551	7 382	258	-	265 680
	158 124 548	**5 250 818**	**2 006 591**	**7 382**	**258**	**207 251 028**	**372 640 625**
Net balance sheet position	**(32 580 093)**	**15 331 050**	**8 223 814**	**11 625 864**	**10 507 663**	**(207 251 028)**	**(194 142 730)**

31 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total 31 December 2022
Financial assets							
Cash on hand, amounts due from banks and other financial institutions	98 713 059	20 837 485	2 075 841	1 378 047	-	-	123 004 432
Loans to banks and international organisations	-	127 200	2 399 568	-	-	-	2 526 768
Loans to customers	246 519	360 835	1 429 591	3 226 415	1 230 411	-	6 493 771
Investment securities at fair value through other comprehensive income	12 232 227	21 189 071	3 369 249	2 261 820	6 977	-	39 059 344
Investment securities at amortised cost	86 791	14 563	1 470 737	6 147 255	3 629 217	-	11 348 563
Other financial assets	193 407	32 308	37 209	199 210	183 585	-	645 719
	111 472 003	**42 561 462**	**10 782 195**	**13 212 747**	**5 050 190**	**-**	**183 078 597**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	197 935 938	197 935 938
Derivative financial liabilities	16 247	2 420	-	-	-	-	18 667
Amounts due to banks and other financial institutions	56 816 734	-	30 985	886	-	-	56 848 605
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	-	-	-	-	31 808 702
Amounts due to customers	3 245 718	238 612	1 159 886	622 584	1 435	-	5 268 235
Debt securities issued	28 306 200	5 853 548	-	-	-	-	34 159 748
Loans received	-	-	-	122 691	58 680	-	181 371
Liabilities to the IMF in respect of SDR allocations	16 091 884	79 196	-	-	-	-	16 171 080
Lease liabilities	5 788	10 681	47 658	63 700	-	-	127 827
Other financial liabilities	192 407	14 553	83 261	6 068	-	-	296 289
	136 483 680	**6 199 010**	**1 321 790**	**815 929**	**60 115**	**197 935 938**	**342 816 462**
Net balance sheet position	**(25 011 677)**	**36 362 452**	**9 460 405**	**12 396 818**	**4 990 075**	**(197 935 938)**	**(159 737 865)**

CONTENT

32 AGENCY FUNCTIONS

Membership quota of the Kyrgyz Republic in the International Monetary Fund

In 1992, the Kyrgyz Republic joined the International Monetary Fund (the "IMF"). A membership quota expressed in Special Drawing Rights (the "SDRs") is assigned to each member of the IMF. The membership quota is the basis for determining access of the country to the IMF financing. As at 31 December 2023 and 2022, the quota of the Kyrgyz Republic amounted to 177 600 thousand SDR.

To secure a part of the membership quota, the Ministry of Finance of the Kyrgyz Republic issued securities to the IMF. The other part was secured by funds placed on the IMF current account with the National Bank.

The National Bank was designated as a depository for these securities and funds and as a financial agency authorised to carry out transactions with the IMF on behalf of the Kyrgyz Republic. Accordingly, the following assets and liabilities are not assets and liabilities of the National Bank and were not included in the National Bank's consolidated financial statements:

	31 December 2023	31 December 2022
IMF membership quota	**21 186 036**	**20 251 132**
Securities issued to the IMF	(21 095 953)	(20 165 024)
The IMF current accounts	(56 778)	(58 292)
	(21 152 731)	**(20 223 316)**

33 RELATED PARTY TRANSACTIONS

(a) Control relationship

In considering each possible related party relationship, attention is paid to the substance of the relationship rather than only their legal status.

In accordance with the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" the National Bank is the central bank of the Kyrgyz Republic and is owned by the Kyrgyz Republic. The Group has the authority to independently run its own operation under powers given by the Law.

(b) Transactions with the members of the Management Board

Total remuneration received by the members of the Group's Management Board for the years ended 31 December 2022 and 2022 was 124 617 thousand soms and 86 343 soms, respectively. The remuneration consists of salary and other payments. The outstanding balances of loans issued to members of the Group's Management Board as at 31 December 2023 and 2022 were 6 313 thousand soms and 7 043 thousand soms, respectively. The loans are KGS-denominated and repayable by 2032. Interest income from loans to members of the Group's Management Board for the years ended 31 December 2023 and 2022 was 100 thousand soms and 88 thousand soms, respectively.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other related parties

As at 31 December 2023, the outstanding balances with related parties, which are not disclosed separately in these consolidated financial statements were as follows:

	Non-current assets held for sale	Associate	Total 31 December 2023
Consolidated statement of financial position			
Cash on hand, amounts due from banks and other financial institutions	94 354	-	94 354
Investment in an associate	-	676 676	676 676

The relevant gains and losses on transactions with other related parties for the year ended 31 December 2023 were as follows:

	Non-current assets held for sale	Associate	Total For the year ended 31 December 2023
Consolidated statement of profit or loss			
Interest income calculated using effective interest rate	28 585	-	28 585
Share of profit of associates	-	273 115	273 115
Fee and commission income	-	-	-
Other income	-	1 068	1 068
Other expenses	-	(481)	(481)

As at 31 December 2022, the outstanding balances with related parties, which are not disclosed separately in these consolidated financial statements were as follows:

	Associate	Total 31 December 2022
Consolidated statement of financial position		
Investment in an associate	458 266	458 266

Related profit or loss amounts of transactions for the year ended 31 December 2022 with other related parties are as follows:

	Non-current assets held for sale	Associate	Total For the year ended 31 December 2022
Consolidated statement of profit or loss			
Interest income calculated using effective interest rate	25 927	-	25 927
Share of profit of associates	-	130 972	130 972
Fee and commission income	-	100	100
Other income	-	1 100	1 100
Other expenses	-	(469)	(469)

34 FINANCIAL ASSETS AND FINANCIAL LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

(a) Accounting classifications and fair value

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

	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total carrying amount 31 December 2023	Fair value 31 December 2023
Cash on hand, amounts due from banks and other financial institutions	42 759 248	84 706 330	-	127 465 578	127 465 578
Loans to banks and international organisations	-	-	-	-	-
Loans to customers	-	-	-	-	-
Investment securities at fair value through other comprehensive income	-	36 325 677	-	36 325 677	36 325 677
Investment securities at amortised cost	14 330 901	-	-	14 330 901	14 330 901
Other financial assets	375 739	-	-	375 739	375 739
	57 465 888	**121 032 007**	**-**	**178 497 895**	**178 497 895**
Banknotes and coins in circulation	207 251 028	-	-	207 251 028	207 251 028
Derivative financial liabilities	-	-	-	-	-
Amounts due to banks and other financial institutions	58 999 018	-	-	58 999 018	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	42 636 978	42 636 978
Amounts due to customers	-	-	-	-	-
Debt securities issued	53 283 397	-	-	53 283 397	53 283 397
Loans received	-	-	-	-	-
Liabilities to the IMF in respect of SDR allocations	10 204 524	-	-	10 204 524	10 204 524
Lease liabilities	-	-	-	-	-
Other financial liabilities	265 680	-	-	265 680	265 680
	372 640 625	**-**	**-**	**372 640 625**	**372 640 625**

34 FINANCIAL ASSETS AND FINANCIAL LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

(a) Accounting classifications and fair value (continued)

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

	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total carrying amount 31 December 2022	Fair value 31 December 2022
Cash on hand, amounts due from banks and other financial institutions	50 844 267	72 160 165	-	123 004 432	123 004 432
Loans to banks and international organisations	2 526 768	-	-	2 526 768	2 526 768
Loans to customers	6 493 771	-	-	6 493 771	5 866 567
Investment securities at fair value through other comprehensive income	-	39 059 344	-	39 059 344	39 059 344
Investment securities at amortised cost	11 348 563	-	-	11 348 563	10 808 506
Other financial assets	645 719	-	-	645 719	645 719
	71 859 088	**111 219 509**	**-**	**183 078 597**	**181 911 336**
Banknotes and coins in circulation	197 935 938	-	-	197 935 938	197 935 938
Derivative financial liabilities	-	-	18 667	18 667	18 667
Amounts due to banks and other financial institutions	56 848 605	-	-	56 848 605	56 848 605
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	-	31 808 702	31 808 702
Amounts due to customers	5 268 235	-	-	5 268 235	5 608 535
Debt securities issued	34 159 748	-	-	34 159 748	34 159 748
Loans received	181 371	-	-	181 371	181 371
Liabilities to the IMF in respect of SDR allocations	16 171 080	-	-	16 171 080	16 171 080
Lease liabilities	127 827	-	-	127 827	127 827
Other financial liabilities	296 289	-	-	296 289	296 289
	342 797 795		**18 667**	**342 816 462**	**343 156 762**

34 FINANCIAL ASSETS AND FINANCIAL LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

(a) Accounting classifications and fair value (continued)

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Group measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

34 FINANCIAL ASSETS AND FINANCIAL LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

(b) Fair value hierarchy (continued)

The table below analyses financial instruments at fair value as at 31 December 2023, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 31 December 2023
Cash on hand, amounts due from banks and other financial institutions	84 706 330	-	-	**84 706 330**
Investment securities at fair value through other comprehensive income	36 325 677	-	-	**36 325 677**

The table below analyses financial instruments at fair value as at 31 December 2022, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 31 December 2022
Cash on hand, amounts due from banks and other financial institutions	72 160 165	-	-	**72 160 165**
Investment securities at fair value through other comprehensive income	38 367 938	691 406	-	**39 059 344**
Derivative financial liabilities	-	18 667	-	**18 667**

The table below analyses the fair value of financial instruments not measured at fair value as at 31 December 2023, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 31 December 2023
Cash on hand, amounts due from banks and other financial institutions	20 978 880	21 780 368	-	**42 759 248**
Loans to banks and international organisations	-	-	-	**-**
Loans to customers	-	-	-	**-**
Investment securities at amortised cost	-	14 330 901	-	**14 330 901**
Other financial assets	-	375 739	-	**375 739**
Banknotes and coins in circulation	-	207 251 028	-	**207 251 028**
Amounts due to banks and other financial institutions	-	58 999 018	-	**58 999 018**
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	-	42 636 978	-	**42 636 978**
Amounts due to customers	-	-	-	**-**
Debt securities issued	-	53 283 397	-	**53 283 397**
Loans received		-	-	**-**
Liabilities to the IMF in respect of SDR allocations	-	10 204 524	-	**10 204 524**
Lease liabilities	-	-	-	**-**
Other financial liabilities	-	265 680	-	**265 680**

34 FINANCIAL ASSETS AND FINANCIAL LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

(b) Fair value hierarchy (continued)

The table below analyses the fair value of financial instruments not measured at fair value as at 31 December 2022, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 31 December 2022
Cash on hand, amounts due from banks and other financial institutions	20 278 295	30 565 972	-	**50 844 267**
Loans to banks and international organisations	-	2 526 768	-	**2 526 768**
Loans to customers	-	-	5 866 567	**5 866 567**
Investment securities at amortised cost	-	10 808 506	-	**10 808 506**
Other financial assets	-	645 719	-	**645 719**
Banknotes and coins in circulation	-	197 935 938	-	**197 935 938**
Amounts due to banks and other financial institutions	-	56 848 605	-	**56 848 605**
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	-	31 808 702	-	**31 808 702**
Amounts due to customers	-	5 608 535	-	**5 608 535**
Debt securities issued	-	34 159 748	-	**34 159 748**
Loans received	-	181 371	-	**181 371**
Liabilities to the IMF in respect of SDR allocations	-	16 171 080	-	**16 171 080**
Lease liabilities	-	127 827	-	**127 827**
Other financial liabilities	-	296 289	-	**296 289**

CONTENT

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2023 and 2022, the Group had not any financial assets and financial liabilities that would have met the criteria for offsetting in the consolidated statement of financial position, and the Group had not entered into any master netting or similar agreements.

36 EVENTS AFTER THE REPORTING PERIOD

The Law of the Kyrgyz Republic No. 63 dated 1 March 2024 “On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of the open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic” established the acquisition by the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic from the National Bank of a block of shares of OJSC Keremet Bank in the amount of 84 770 588 units, representing 97,45 percent of all common voting shares of OJSC Keremet Bank.

The fair value and price of the purchased block of shares of OJSC Keremet Bank was determined in the amount of 7 126 432 thousand soms.

A draft Constitutional Law of the Kyrgyz Republic “On issues of transfer of the National Bank’s profit of the Kyrgyz Republic” was submitted on 26 February 2024 to the Jogorku Kenesh of the Kyrgyz Republic for consideration, according to which the transfer of profit of the National Bank at the end of 2023 to the republican budget will be carried out in the amount of one hundred per cent.

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

CHAPTER 8. SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND INDEPENDENT AUDITOR'S REPORT

CONTENT

bakertilly

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

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

INDEPENDENT AUDITOR'S REPORT

To the Management and Audit Committee of the National bank of the Kyrgyz Republic:

Opinion

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the National Bank as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the financial reporting principles disclosed in Note 2 to the separate financial statements.

Basis for opinion

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

Other information included in the Annual Report of the National Bank for 2023

Other information consists of the information included in the Annual Report of the National Bank for 2023, other than the separate financial statements and our auditor's report thereon. The Management is responsible for the other information.

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

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

If based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Empasis of matter – Basis of accounting

We draw attention to Note 2 to the separate financial statements, which describes the basis of accounting. The separate financial statements are prepared to assist the National Bank in complying with the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic". As a result, the separate financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The separate financial statements of the National Bank for the year ended December 31, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements issued on April 14, 2023.

Responsibilities of the management and the Audit Committee for the separate financial statements

The Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the basis of accounting, described in Note 2 to the separate financial statements, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the National Bank's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

As part of an audit in accordance with ISAs and regulations of IFRS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the National Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the National Bank to express as opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the National Bank audit. The auditor is solely responsible for the audit opinion.

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

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

Kubat Alymkulov
Engagement Partner

Nurlan Bekenov
Engagement Partner

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

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

April 17, 2024
Bishkek, the Kyrgyz Republic

Separate statement of financial position as at 31 december 2023

(In thousands of soms)

	Notes	31 December 2023	31 December 2022
ASSETS			
Gold	7	127 413 613	81 833 825
Cash on hand, amounts due from banks and other financial institutions	8	124 651 157	119 522 906
Loans to banks and international organisations	9	-	2 526 768
Investment securities at fair value through other comprehensive income	10	36 325 677	38 367 938
Investment securities at amortised cost	11	10 203 674	5 007 033
Investments in subsidiaries and an associate	12	7 446 676	11 798 316
Non-current assets held for sale	13	7 126 432	-
Property and equipment	14	2 007 563	2 002 524
Intangible assets		31 964	27 559
Non-monetary gold and gold reserves	15	127 985 566	133 962 227
Other assets	16	2 870 350	1 372 105
Total assets		**446 062 672**	**396 421 201**
LIABILITIES			
Banknotes and coins in circulation	17	207 251 028	198 810 147
Amounts due to banks and other financial institutions	18	58 999 018	58 035 390
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	19	42 636 978	31 808 702
Debt securities issued	20	54 281 514	34 350 617
Liabilities to the IMF in respect of SDR allocations	21	10 204 524	16 171 080
Other liabilities		266 413	198 073
Total liabilities		**373 639 475**	**339 374 009**
EQUITY			
Charter capital	22	4 000 000	4 000 000
Obligatory reserve		8 262 982	7 244 293
Revaluation reserve for foreign currencies and gold		47 886 430	35 858 965
Revaluation reserve for investment securities at fair value through other comprehensive income		(162 271)	(242 955)
Retained earnings		12 436 056	10 186 889
Total equity		**72 423 197**	**57 047 192**
Total liabilities and equity		**446 062 672**	**396 421 201**

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 109 to 179 are an integral part of these separate financial statements.

Separate statement of profit or loss for the year ended 31 december 2023

(In thousands of soms)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated using effective interest rate	23	5 271 206	2 634 184
Interest expense	23	(8 470 422)	(4 096 533)
Net interest expense	23	**(3 199 216)**	**(1 462 349)**
Fee and commission income		127 827	89 261
Fee and commission expense		(31 852)	(38 827)
Net fee and commission income		**95 975**	**50 434**
(Charge)/recovery of allowance for expected credit losses	24	(85 555)	166 670
Recovery of impairment loss on investments in a subsidiary	12	2 541 376	750 063
Net realised gain on foreign currencies and gold transactions	25	14 839 343	12 247 482
Share of profit of associates		273 115	130 972
Other income	26	814 214	1 019 643
Net non-interest income		**18 382 493**	**14 314 830**
Operating income		**15 279 252**	**12 902 915**
Banknotes and coins production expenses		(584 686)	(609 319)
Administrative expenses	27	(1 914 763)	(1 532 849)
Other expenses	26	(343 747)	(573 858)
Operating expenses		**(2 843 196)**	**(2 716 026)**
Profit for the year		**12 436 056**	**10 186 889**

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Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

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Separate statement of comprehensive income for the year ended 31 december 2023

(In thousands of soms)

	For the year ended 31 December 2023	For the year ended 31 December 2022
Profit for the year	**12 436 056**	**10 186 889**
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods subject to meeting certain conditions		
Revaluation reserve for foreign currencies and gold:		
- net gain on revaluation of assets and liabilities in foreign currencies and gold	25 475 425	3 608 173
- net realised gain on foreign currencies and gold transactions transferred to profit or loss	(13 447 960)	(11 898 214)
Net gain/(loss) from changes in fair value of investment securities at fair value through other comprehensive income	80 684	(144 739)
Other comprehensive income/(loss) for the year	**12 108 149**	**(8 434 780)**
Total comprehensive income for the year	**24 544 205**	**1 752 109**

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Acting Chairman of the National Bank

17 April 2024

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Aisulu Abylgazieva
Chief Accountant

17 April 2024

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CONTENT

The accompanying notes on pages 109 to 179 are an integral part of these separate financial statements.

Separate statement of cash flows for the year ended 31 december 2023

(In thousands of soms)

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		3 929 186	2 070 484
Interest paid		(8 248 642)	(3 804 994)
Fees and commissions received		127 827	89 261
Fees and commissions paid		(31 852)	(38 827)
Realised gain from dealing in foreign currencies	25	1 391 383	349 268
Other income		394 877	704 016
Payroll expenses		(1 229 784)	(922 640)
Banknotes and coins production expenses		(697 818)	(142 152)
Administrative and other expenses excluding payroll expenses		(759 938)	(921 090)
Cash flows from operating activities before changes in operating assets and liabilities		**(5 124 761)**	**(2 616 674)**
(Increase)/decrease in operating assets			
Gold		22 490 639	-
Amounts due from banks and other financial institutions		8 350 540	20 914 918
Loans to banks and international organisations		2 526 768	4 496 416
Investment securities at fair value through other comprehensive income		3 166 609	35 511 150
Non-monetary gold and gold reserves		(40 062 496)	(128 781 523)
Other assets		(1 385 733)	3 667
Increase/(decrease) in operating liabilities			
Banknotes and coins in circulation		8 440 880	58 887 928
Amounts due to banks and other financial institutions		676 367	18 423 977
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic		(4 992 033)	(10 253 070)
Debt securities issued		19 725 329	15 685 193
Other liabilities		(28 358)	8 906
Net cash from operating activities		**13 783 751**	**12 280 888**

Separate statement of cash flows for the year ended 31 december 2023 (continued)

(In thousands of soms)

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets		(156 824)	(223 679)
Purchase of investment securities at amortised cost		(4 999 999)	(2 105 911)
Interest received on investment securities at amortised cost		557 429	369 732
Dividends received		467 799	262 759
Net cash used in investing activities		**(4 131 595)**	**(1 697 099)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**9 652 156**	**10 583 789**
Effect of expected credit losses on cash and cash equivalents		33 437	(198 052)
Effect of changes in foreign exchange rates on cash and cash equivalents		3 436 841	(3 332 058)
Cash and cash equivalents beginning	8	92 335 455	85 281 776
Cash and cash equivalents ending	**8**	**105 457 889**	**92 335 455**
Non-cash transactions			
Transfer of liabilities to the IMF in respect of SDR allocations to the Ministry of Finance of the Kyrgyz Republic	21	(6 584 371)	(12 219 462)

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 109 to 179 are an integral part of these separate financial statements.

Separate statement of changes in equity for the year ended 31 december 2023

(In thousands of soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currencies and gold	Revaluation reserve for investment securities at fair value through other comprehensive income	Retained earnings	Total
At 1 January 2023	**4 000 000**	**7 244 293**	**35 858 965**	**(242 955)**	**10 186 889**	**57 047 192**
Profit for the year	-	-	-	-	12 436 056	12 436 056
Other comprehensive income						
Net gain from investment securities at fair value through other comprehensive income	-	-	-	80 684	-	80 684
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	25 475 425	-	-	25 475 425
Net gain on foreign currencies and gold transaction transferred to profit or loss	-	-	(13 447 960)	-	-	(13 447 960)
Total comprehensive income for the year	**-**	**-**	**12 027 465**	**80 684**	**12 436 056**	**24 544 205**
Transactions recorded directly in equity						
Distribution of prior year profit to the State budget (Note 22)	-	-	-	-	(9 168 200)	(9 168 200)
Increase in charter capital (Note 22)	-	-	-	-	-	-
Transfer to obligatory reserve (Note 22)	-	1 018 689	-	-	(1 018 689)	-
Total amounts of transactions recorded directly in equity	**-**	**1 018 689**	**-**	**-**	**(10 186 889)**	**(9 168 200)**
At 31 December 2023	**4 000 000**	**8 262 982**	**47 886 430**	**(162 271)**	**12 436 056**	**72 423 197**

CONTENT

Separate statement of changes in equity for the year ended 31 december 2023 (continued)

(In thousands of soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currencies and gold	Revaluation reserve for investment securities at fair value through other comprehensive income	Retained earnings	Total
At 1 January 2022	**2 000 000**	**8 325 042**	**44 149 006**	**(98 216)**	**9 192 509**	**63 568 341**
Profit for the year	-	-	-	-	10 186 889	10 186 889
Other comprehensive income						
Net loss from investment securities at fair value through other comprehensive income	-	-	-	(144 739)	-	(144 739)
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	3 608 173	-	-	3 608 173
Net gain on foreign currencies and gold transactions transferred to profit or loss	-	-	(11 898 214)	-	-	(11 898 214)
Total comprehensive income for the year	**-**	**-**	**(8 290 041)**	**(144 739)**	**10 186 889**	**1 752 109**
Transactions recorded directly in equity						
Distribution of prior year profit to the State budget (Note 22)	-	-	-	-	(8 273 258)	(8 273 258)
Increase in charter capital (Note 22)	2 000 000	(2 000 000)	-	-	-	-
Transfer to obligatory reserve (Note 22)	-	919 251	-	-	(919 251)	-
Total amounts of transactions recorded directly in equity	**2 000 000**	**(1 080 749)**	**-**	**-**	**(9 192 509)**	**(8 273 258)**
At 31 December 2022	**4 000 000**	**7 244 293**	**35 858 965**	**(242 955)**	**10 186 889**	**57 047 192**

Kaiyp Kulenbekov
Acting Chairman of the National Bank

17 April 2024

Bishkek, the Kyrgyz Republic

Aisulu Abylgazieva
Chief Accountant

17 April 2024

Bishkek, the Kyrgyz Republic

The accompanying notes on pages 109 to 179 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(In thousands of soms)

1 GENERAL INFORMATION

(a) Organisation and principal activities

The National Bank of the Kyrgyz Republic (the "National Bank") is a legal successor of the State Bank of the Kyrgyz Republic which was renamed by the Law "On the National Bank of the Kyrgyz Republic" dated 12 December 1992 as the National Bank of the Kyrgyz Republic. In 2022, the National Bank worked to bring the legislative acts regulating its activities into conformity with the Constitution of the Kyrgyz Republic. On 30 June 2022, the Jogorku Kenesh (the Parliament) of the Kyrgyz Republic adopted the Constitutional Law "On the National Bank of the Kyrgyz Republic" which was enacted on 17 August 2022 and currently regulates the activities of the National Bank.

The principal goal of the National Bank is to achieve and maintain stability of prices in the Kyrgyz Republic. To achieve this goal the National Bank is entrusted to perform the following functions: determine and implement the monetary policy for the country; facilitate reliable and secure functioning of the payment system; supply banknotes and coins for circulation; manage international currency reserves; license, regulate and supervise operations of the commercial banks and financial institutions in accordance with the legislation.

The National Bank acts as a fiscal agent of the Cabinet of Ministers of the Kyrgyz Republic.

The National Bank's registered office is: 168, Chui ave., Bishkek, Kyrgyz Republic, 720001.

As at 31 December 2023 and 2022, the National Bank has 5 regional departments and one representative office operating throughout the Kyrgyz Republic.

As at 31 December 2023 and 2022, the total number of the National Bank's employees is 721 and 702, respectively.

The National Bank is the parent company of the group (the "Group") which includes the following organisations:

	Percentage of voting shares (%)		
Name	**31 December 2023**	**31 December 2022**	**Activity**
OJSC Keremet Bank	97,45	97,45	Banking services
OJSC Guarantee Fund	91,22	91,22	Guarantee issue services
CJSC Kyrgyz Cash Collection	100,00	100,00	Valuable's transportation services

As at 31 December 2023 and 2022, the National Bank also owns an investment in an associate CJSC Interbank Processing Centre (46,71% of shares).

These separate financial statements were approved by the Management Board of the National Bank on 17 April 2024.

1 GENERAL INFORMATION (CONTINUED)

(b) Business environment

The Kyrgyz Republic is undergoing significant political, economic, and social changes. As an emerging market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in more developed market economies. As a result, operations in the Kyrgyz Republic involve risks that are typically associated with those in developed markets. The Kyrgyz Republic's high degree of integration with the economies of the countries in the region results in the exposure of the Kyrgyz Republic economy to the influence of unstable situation in international capital markets.

The separate financial statements reflect management's assessment of the impact of the Kyrgyz Republic business environment on the performance and the financial position of the National Bank. The actual impact of future economic conditions may differ from management's estimates.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(a) General

These separate financial statements have been prepared to present fairly the separate financial position of the National Bank and the results of its operations in accordance with the accounting policies of the National Bank and with the provisions of the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic".

The term "fair presentation framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- Acknowledges explicitly that it may be necessary for the management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) General (continued)

The accounting policies of the National Bank are based on International Financial Reporting Standards (the "IFRS") issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (the "IFRIC") except as follows:

- Gold is revalued based on the market value and if the total net unrealised result from the mark to market of gold and foreign currency assets and liabilities revaluation is a gain, this is recognised through other comprehensive income. Where the total net unrealised result from the mark to market of gold and foreign currency assets and liabilities revaluation is a loss, it is recognised in the separate statement of profit or loss except to the extent that it reverses a previous net unrealised gain, otherwise it is recognised as other comprehensive income. At the time of derecognition of gold and foreign currency assets and liabilities, the cumulative gain or loss previously recognised in equity is transferred to the separate statement of profit or loss based on the weighted-average cost method.
- The classification of investments in securities measured at fair value through other comprehensive income is determined based on the characteristics of the business model "holding assets in order to collect the contractual cash flows", such as no sales or insignificant sales value in prior periods, as this best reflects the way the assets are managed and the way information is presented to stakeholders. Due to the chosen classification and the intention to sell the securities in the short term, these financial assets are presented in operating activities of the separate statement of cash flows.

These separate financial statements are the separate financial statements of the National Bank.

The subsidiaries of the National Bank are not consolidated in these separate financial statements. Investments in subsidiaries are accounted at cost less accumulated impairment losses.

The National Bank also prepares consolidated financial statements of the National Bank and its subsidiaries. These separate financial statements should be read in conjunction with the consolidated financial statements, which were approved for issue by the Management Board of the National Bank on 17 April 2024.

These separate financial statements have been prepared on the assumption that the National Bank will continue to operate as a going concern in the foreseeable future.

(b) Basis of measurement

These separate financial statements have been prepared under the historical cost convention, except for gold as disclosed in Note 3(a) and certain financial instruments measured at fair value.

(c) Functional and presentation currency the separate financial statements

Items included in the separate financial statements are measured using the currency of the primary economic environment in which the National Bank operates ("the functional currency"). The functional currency of the National Bank is Kyrgyz som as, being the national currency of the Kyrgyz Republic, reflects the economic substance of the majority of the National Bank's transactions and circumstances relevant to them that affect its activities. The Kyrgyz som is also the presentation currency of these separate financial statements.

Financial information is presented in soms and rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting for gold

(i) Gold

Gold comprises gold on deposits with foreign banks and gold bullion with Good Delivery status. Gold is an investment asset formed to implement the monetary policy and generate investment income.

Gold is accounted for at the market value in the separate financial statements. Market value is determined by reference to the London Bullion Market Association Gold Price at the day preceding the reporting date. Gain on revaluation at market value of gold is recognised in other comprehensive income. Revaluation losses are recognised in the separate statement of profit or loss to the extent that they exceed the previous accumulated revaluation gains recognised in other comprehensive income in equity. Realised gains and losses related to gold are subsequently recognised in the separate statement of profit or loss.

(ii) Non-monetary gold and gold reserves

Non-monetary gold is represented by bullion that is not in compliance with the standards of the London Bullion Market Association.

Gold reserves comprise gold bullion, which meets the requirements of the Good Delivery international quality standard of London Bullion Market Association and other generally recognised international standards; bullion that have qualitative characteristics of Good Delivery international quality standard but are not certified by London Bullion Market Association, and gold in non-standard bullions, plates, granules or other types, purchased to form the gold reserves, for production and other purposes, and to expand operations with precious metals and develop the precious metals market.

Gold reserves represented by gold bullion that meet the requirements of the International Good Delivery London Bullion Market Association quality standard may be reclassified as gold. At the time of reclassification, gold reserves are revalued at market value with the result of revaluation reflected in other comprehensive income.

Non-monetary gold and gold reserves are intended to form the National Bank's reserves within the framework of the development prospects of the domestic precious metals market. They do not participate in active investment operations of the National Bank and do not form the National Bank's investment assets in gold.

Non-monetary gold and gold reserves are classified as inventory and are measured at the lower of cost and net realisable value.

(b) Foreign currency transactions

Foreign currency transactions are translated into the National Bank's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rate of exchange ruling at the reporting date.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies and recorded by fair value are retranslated to the functional currency at the functional currency rate of exchange ruling at the date when fair value was determined. Foreign currency differences arising from the translation to foreign currency are recognised as other comprehensive income. Revaluation losses are recognised in the separate statement of profit or loss to the extent that they exceed the previous accumulated revaluation gains recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies and recorded by actual costs are retranslated to the functional currency to the functional currency at the rate of exchange ruling at the transaction date.

Realised gains and losses related to foreign currency transactions are subsequently recognised in the separate statement of profit or loss.

Foreign exchange rates

Foreign exchange rates used by the National Bank in preparing the separate financial statements as at 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
US dollar/som	89,0853	85,6800
Euro/som	98,5328	91,4377
Special drawing rights/som	119,5599	114,0271
Canadian dollar/som	67,2951	63,3025
Australian dollar/som	60,7695	58,2453
Great British pound sterling/som	113,4902	103,2958
Chinese renminbi/som	12,5343	12,3378
Russian rouble/som	0,9935	1,1763
Troy ounce of gold/som	183 729,5227	155 282,1480

(c) Cash and cash equivalents

For the purpose of the separate statement of cash flows, cash and cash equivalents include cash on hand in foreign currencies and nostro accounts which are not subject to significant fair value risk and are used by the National Bank to settle current liabilities.

Cash on hand in the national currency is deducted from the amount of banknotes and coins in circulation.

(d) Financial asset

Financial assets are recorded in the separate statement of financial position of the National Bank when the National Bank becomes a party to the contract with respect to the relevant financial instrument. The National Bank recognises regular way purchases and sales of financial assets on the trade date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification and measurement of financial assets

After initial recognition, all recognised financial assets within the scope of IFRS 9 should be measured at amortised cost or at fair value in accordance with the business model of the National Bank for management of financial assets and characteristics of the contractual cash flows, except for nostro accounts with foreign banks and international financial institutions and investments measured at fair value through other comprehensive income, which are classified in accordance with the Regulation "On Classification of Financial Assets and Liabilities and Calculation of ECL Allowance for Financial Assets of the National Bank of the Kyrgyz Republic".

In particular:

- debt instruments that are held within a business model whose objective is to collect contractual cash flows that include solely payments of principal and interest are measured at amortised cost after initial recognition;
- debt instruments that are held within a business model whose objective is both to collect contractual cash flows that are solely payments of principal and interest, and to sell the related debt instruments, are measured after initial recognition at fair value through other comprehensive income;
- all other debt instruments (e.g., debt instruments measured at fair value or held for sale) and equity investments are subsequently measured at fair value through profit or loss.

However, the National Bank makes the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis. In particular:

- The National Bank may irrevocably elect to present subsequent changes in fair value of investments in equity instruments that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; as well as
- The National Bank may irrevocably elect to designate a debt instrument as at fair value through profit or loss (the "FVTPL") if such debt instrument meets the criteria for recognition at fair value through other comprehensive income (the "FVTPL"), provided that it eliminates or significantly reduces an accounting mismatch ("fair value option").

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification and measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income

A business model whose objective is to hold assets both to collect contractual cash flows and sell financial assets implies that financial assets are managed both to collect contractual cash flows and sell financial asset. Under this business model, the receipt of cash from the sale of a financial asset is a priority, which is distinguished by a higher frequency and volume of sales compared to the business model "holding assets in order to collect the contractual cash flows". The National Bank considers the absence or insignificant sales value in prior periods, as well as expectations in the future, not in isolation, but as part of a single holistic analysis of how the stated objective of financial assets management is achieved and how cash flows are realised, and does not accept the above fact as a criteria for reclassification of such assets as an unconditional condition for transfer.

Financial assets at fair value through other comprehensive income include the following assets:

- nostro accounts with foreign banks and international financial institutions (Note 8);
- investment securities at fair value through other comprehensive income (Note 10).

The balance of nostro accounts with foreign banks and international financial institutions is maintained to manage liquidity. Payments from nostro accounts with foreign banks and international financial institutions are made to support the current operations of the National Bank for the performance of its functions.

The main goal when managing investments in state (sovereign) and agency debt instruments, as well as debt instruments of international financial institutions is to ensure liquidity and security of international reserves. Investments in state and agency debt obligations, as well as debt securities of international financial institutions may be sold early in the financial markets to perform the functions of the National Bank. As a result, management have determined that these items are held under a business model to collect and sell and are therefore measured at FVOCI.

The fair value of financial assets measured at FVTOCI is determined under IFRS 13 Fair value measurement.

The fair value gains or losses of financial assets measured at FVOCI are recognised in other comprehensive income, until these assets are derecognised, when accumulated profits or losses previously reflected in equity are transferred to profit or loss.

Financial assets at amortised cost

A business model whose objective is to hold assets in order to collect contractual cash flows implies that financial assets are managed to realise cash flows by collecting payments of principal amount and interest over the life of the financial instrument. Within this business model, holding the financial asset till maturity is the priority, but early sale is not prohibited.

Financial assets at amortised cost include the following assets:

- term deposits in foreign banks, term deposits in international financial institutions and cash on hand in foreign currencies (Note 8);
- loans to banks and international organisations (Note 9);
- investment securities measured at amortised cost (Note 11); and
- accounts receivable (Note 16).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification and measurement of financial assets (continued)

After initial recognition, financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method less any impairment losses.

Reclassification

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

(ii) Measurement of expected credit losses for assets

General approach to recognition of expected credit losses

The National Bank recognises allowances for expected credit losses (ECL) in respect of following financial assets that are not measured at fair value through profit or loss:

- amounts due from banks and other financial institutions (Note 8);
- loans to banks and international organisations (Note 9);
- investment securities at fair value through other comprehensive income (Note 10);
- investment securities measured at amortised cost (Note 11);
- accounts receivable (Note 16).

Expected credit losses are not recognised on investments in equity instruments.

With the exception of purchased or originated credit-impaired (the "POCI") financial assets (which are considered separately below), ECLs are required to be measured through an impairment allowance at an amount equal to:

- the amount of credit losses expected in the next 12 months, i.e. that part of the credit losses over the entire term of the financial instrument, which is the ECL due to instances of default on the instrument, which may occur within 12 months after the reporting date ("Stage 1");
- the amount of credit losses expected over the entire term of the financial instrument, which arise as a result of all possible cases of non-performance of obligations under the instrument during its validity period ("Stage 2" and "Stage 3").

An allowance equal to the full amount of credit losses expected over the life of the financial instrument is required when the credit risk on the instrument has increased significantly since initial recognition or in case of default. In all other cases, allowances for expected credit losses are created in the amount equal to the amount of credit losses expected within 12 months.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(ii) Measurement of expected credit losses for assets (continued)

General approach to recognition of expected credit losses (continued)

For purchased or originated credit-impaired financial assets, the National Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Following formula is used to calculate ECL:

ECL = EAD * LGD * PD, where

ECL – expected credit losses

EAD – exposure at default;

LGD – loss given default

PD – probability of default

Approach to determining significant increase in credit risk

If there are facts of a significant increase in credit risk since the initial recognition, the National Bank monitors all financial assets that are subject to impairment requirements. In the event of a significant increase in credit risk, the National Bank will measure the loss allowance based on instrument lifetime rather than 12-month ECL. In relation to financial assets with a significant increase in credit risk, the term “Stage 2 assets” is used.

When assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the National Bank compares the risk of a default occurring on the 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 as at the current reporting date when the financial instrument was initially recognised. In making this assessment, the National 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 National Bank’s historical experience and expert credit assessment including forward-looking information.

Credit-impaired financial asset

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”.

More detailed information on estimation of expected credit losses, criteria for significant increase of credit risk and credit impairment for each group of financial assets is given below.

Estimation of expected credit losses for amounts due from banks and other financial institutions

Impairment indicators are determined based on the ratings of international rating agencies Moody’s Investors Service, Fitch Ratings, Standard & Poor’s (hereinafter Moody’s, Fitch, S&P, respectively), analysis of financial statements of the National Bank’s counterparties and other information, which indicates change in their credit risk.

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(ii) Measurement of expected credit losses for assets (continued)

Estimation of expected credit losses for amounts due from banks and other financial institutions (continued)

Approach to determining significant increase in credit risk.

Indicators of significant increase of credit risk for these assets are as follows:

- deterioration of the long-term counterparty rating below Baa2 (BBB) according to the classification of one or more rating agencies indicated above compared to the rating upon initial recognition;
- assignment of points to a commercial bank, below a certain level, when calculating limits for counterparties in accordance with the policy of determining limits for counterparties of the National Bank.
- incurring annual net losses by the counterparty for 2 (two) consecutive years or more;
- delay in fulfilment of obligations to transfer currency in accordance with the payment order of the National Bank or overdue of the principal and/or interest over 3 (three) days;
- information on large amounts of fines, legal proceedings and other negative information obtained from reliable sources that may affect the counterparty's credit risk during the future reporting period.

Indicators of credit impairment

Indicators of credit impairment of amounts due from banks and other financial institutions are:

- default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- delay in fulfilment of obligations over 30 days;
- a contractor's request for debt restructuring;
- assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;
- other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the National Bank.

Calculation of expected credit losses for amounts due from banks and other financial institutions.

EAD for nostro accounts is equal to the average balance of the current account (calculated as the average value of account balances at the end of each month over the past 12 months), converted to soms at the official exchange rate of the National Bank as at the reporting date.

EAD for term deposits in foreign banks, term deposits in international financial institutions is equal to the future discounted value of contractual cash flows on assets (principal and interest), converted to soms at the official exchange rate of the National Bank as at the reporting date. The discount factor for discounting contractual cash flows on placements with banks is the effective interest rate on the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(ii) Measurement of expected credit losses for assets (continued)

Estimation of expected credit losses for amounts due from banks and other financial institutions (continued)

Loss given default is the share of difference between cash flows, which are due to the National Bank in accordance with the contract, and cash flows, which National Bank expects to receive in case of default of the counterparty. LGD vary from nil to 100% and are calculated using the following formula:

$$LGD = 100\% - RR, \text{ where}$$

RR (recovery rate) is an indicator of the share of the refund in case of default of the counterparty or instrument according to rating agencies.

The average cumulative default rates, published and updated by the international rating agency Moody's, are used as the probability of default (PD). Similar rates from the rating agency S&P are used as an alternative. If the counterparty does not have a rating agency both from Moody's and S&P, a similar rating from Fitch is used.

Assessment of expected credit losses on investments in securities measured at fair value through other comprehensive income

Approach to determining significant increase in credit risk.

An indication of a significant increase in credit risk for investments in securities measured at fair value through other comprehensive income is a decrease in the issuer rating by two (2) or more levels on the scale of an international rating agency as compared to the rating at initial recognition.

Indicators of credit impairment

Evidence of credit impairment of investments in securities measured at fair value through other comprehensive income comprises:

- default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- delay in fulfilment of obligations over 30 days;
- a counterparties' request for debt restructuring;
- assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;
- other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the National Bank.

Measurement of expected credit losses on investments in securities measured at fair value through other comprehensive income

EAD for investments in securities measured at fair value through other comprehensive income is equal to the discounted value of contractual cash flows on assets (principal and interest), converted to soms at the official exchange rate of the National Bank as at the reporting date. The discount factor for discounting contractual cash flows on placements with banks is the effective interest rate on the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(ii) Measurement of expected credit losses for assets (continued)

Assessment of expected credit losses on investments in securities measured at fair value through other comprehensive income (continued)

Loss given default is the share of difference between cash flows, which are due to the National Bank in accordance with the contract, and cash flows, which National Bank expects to receive in case of default of the counterparty. LGD vary from nil to 100% and are calculated using the following formula:

LGD =100% - RR, where

RR (recovery rate) is an indicator of the share of the refund in case of default of the counterparty or instrument according to rating agencies.

The average cumulative default rates, published and updated by the international rating agency Moody's, are used as the probability of default (PD). Similar rates from the rating agency S&P are used as an alternative. If the counterparty does not have a rating agency both from Moody's and S&P, a similar rating from Fitch is used.

Assessment of expected credit losses on investments in securities measured at amortised cost

Approach to determining significant increase in credit risk.

Indicator of significant deterioration in credit risk for investments in securities measured at amortised cost is a decrease in the sovereign rating of the Kyrgyz Republic by 2 (two) or more levels in accordance with scale of an international rating agency within one year (in the last 12 months).

Indicator of credit impairment

Indicator of credit impairment of investments in securities measured at amortised cost is breach of contractual obligations for a period of more than 30 days without taking into account the officially granted period of deferment of payments.

Calculation of expected credit losses

EAD for investments in securities measured at amortised cost is equal to the present value of the principal amount balance of securities and interest receivable in future.

LGD for investments in securities measured at amortised cost is calculated based on the sovereign rating of the Kyrgyz Republic.

Weighted cumulative default rates corresponding to the sovereign rating of the Kyrgyz Republic are used as the probability of default on investments in securities measured at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(ii) Measurement of expected credit losses for assets (continued)

Estimation of expected credit losses for loans to banks and international organisations

At initial recognition a loan is assigned low risk of default, i.e. the loan is included in Stage 1 loans, except for loans of last resort and loans to maintain liquidity issued to a bank, which was defined as unreliable under the risk-based supervision system of the National Bank, PD for which is determined as being equal to 100%.

Approach to determining significant increase in credit risk.

If the value of PD of a bank or international organisation in the reporting period is among 40 or 10 percent of the highest PD throughout the entire banking system of the Kyrgyz Republic over the past 60 months, this fact is regarded as a significant increase in credit risk of the bank and international organisation.

Measurement of expected credit losses for loans to banks and international organisations

Indicator of credit impairment

Indicator of credit impairment of a loan issued is the failure to fulfil contractual obligations for following periods:

- for overnight loan and 7-day loan – for a period of more than 1 (one) day without taking into account the officially granted grace period;
- for other loans, with the exception of liquidity loan issued to unreliable bank – for a period of more than 30 (thirty) days without taking into account the officially granted period of deferment of payments.

Calculation of expected credit losses for loans to banks and international organisations

EAD for loans issued is equal to the present value of the principal amount of the loan and interest on loans receivable in the future.

LGD for loans issued depends on the structure of the collaterals, and the following formula is used:

$$LGD = \frac{EAD - [\sum_{i=1}^{n} Collateral_i * (1 - Disc\_factor_i)]}{EAD}, \text{ where}$$

EAD – exposure at default;

Collateral_i - value of a specific type of collateral;

Disc_factor_i - discount factor corresponding to a specific type of collateral.

PD for loans issued is calculated on the basis of a specialised model, which is based on trend of borrowers' financial ratios and trend of the main macroeconomic indicators of banks and financial institutions that received loans.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Presentation of allowance for expected credit losses in the separate statement of financial position

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

- for financial assets at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at fair value through other comprehensive income: allowance for expected credit losses is included in the carrying amount of the asset, with the amount of the revaluation recognised in the investment revaluation reserve.

(iv) 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.

When a financial asset is modified the National Bank assesses whether this modification results in derecognition. 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 National Bank considers qualitative and quantitative factors. If the difference in present value is greater than 10% the National Bank deems the modified terms are substantially different from the original contractual terms leading to derecognition.

The National Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the National 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.

The National 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 National Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the National Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the National Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the National Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the National Bank repurchases its own debt, it is removed from the separate statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The National Bank writes off assets that are deemed to be uncollectible after all measures on collection of debt have been undertaken.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non–financial assets

Other non-financial assets 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.

(f) Investments in subsidiaries and an associate

Investments in subsidiaries are carried at cost less impairment losses.

Investments in the associate of the National Bank are accounted for using the equity method, according to which the investments are initially measured at cost, and then their value is adjusted to reflect the change in the investor's share in the net assets of the investee after the acquisition. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Dividends received from the investee as a result of the distribution of profits reduce the carrying amount of the investment.

The National Bank discontinues recognising its share of further losses when the National Bank's cumulative share of losses of an investee equals or exceeds its interest in that investee.

Calculation of the impairment allowance for investments in subsidiaries

The National Bank must determine at the end of each reporting period whether there is any indication of impairment of investments in the subsidiary. If any such indication exists, the National Bank estimates the recoverable amount of investment in the subsidiary.

The recoverable amount of investment in the subsidiary is defined as the higher of the fair value less costs of disposal or its value in use (fair value less costs of disposal or value in use). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The National Bank estimates the impairment amount based on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which individual assets are allocated. Forecast calculations are made for ten years using planned figures.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments in subsidiaries and an associate (continued)

Calculation of the impairment allowance for investments in subsidiaries (continued)

Impairment losses on investments in subsidiaries are recognised in the separate statement of profit or loss. For investments excluding goodwill, an assessment is made by the National Bank at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the National Bank estimates the recoverable amount of investments. A previously recognised impairment loss is reversed only if there has been a change in the assumption used to determine the investments' recoverable amount since when the last impairment loss was recognised. Any impairment loss is only reversed to the extent that the investment's carrying amount does not exceed its recoverable amount and also does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised. Such reversal is recognised in the separate statement of profit or loss.

(g) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group), with the sale being highly probable and expected to qualify for recognition as held for sale within one year from the date of classification.

(h) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses in the separate financial statements. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

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

Buildings	75 years
Constructions	20 years
Furniture and equipment	7 years
Computer equipment	7 years
Motor vehicles	7 years
Land improvements	10 years

(i) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses in the separate financial statements.

Acquired computer software licenses and expenses to bring to use the specific software are included in the cost of the relevant intangible asset.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are no more than 5 years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities

Financial liabilities are recorded in the separate statement of financial position of the National Bank when the National Bank becomes a party to the contract with respect to the relevant financial instrument. The National Bank recognises regular way purchases and sales of financial liabilities on the trade date.

All financial liabilities of the National Bank are carried at amortised cost.

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

When the National Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The National Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

(k) Banknotes and coins in circulation

Banknotes and coins in circulation are recorded in the separate statement of financial position at their nominal value. Banknotes and coins in circulation are recorded as a liability. Banknote and coins in national currency held in the vaults and cash offices are not included in the banknotes and coins in circulation.

Production costs of banknotes and coins that are not in circulation are recorded within other assets until released into circulation.

Expenses on production of banknotes and coins issued into circulation include expenses for security, transportation, insurance and other expenses. Expenses on production of banknotes and coins are recognised upon their issuance into circulation and are recorded as a separate item in the separate statement of profit or loss.

(l) Charter capital and reserves

The National Bank has a fixed amount of charter capital. Increases and decreases of the amount of charter capital are implemented through amendments to the Constitutional Law "On the National Bank of the Kyrgyz Republic". Charter capital of the National Bank is recognised at cost.

The obligatory reserve has been created through the capitalisation of a portion of net profit upon its distribution to the state budget as established by the Law. The obligatory reserve is recognised at cost.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Taxation

In accordance with legislation of the Kyrgyz Republic, the National Bank is exempt from income tax. All other compulsory payments to the budget, which are assessed on the National Bank's activities, are accrued and paid in accordance with the Tax Code of the Kyrgyz Republic. Taxes that the National Bank pays as a tax agent are included as a component of administrative expenses in the separate statement of profit or loss.

(n) Income and expense recognition

Fee and commission income and expenses as well as other income and expenses are recognised when the corresponding service is provided.

Interest income and expense for all financial instruments except for those designated as at fair value through profit or loss (the "FVTPL") are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

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

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income / interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

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

(o) Fiduciary assets

The National Bank provides agency services that result in holding of assets on behalf of third parties. These assets and income arising thereon are excluded from these separate financial statements as they are not assets of the National Bank.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the separate statement of financial position 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. An offsetting right must not be preconditioned by a future event and must have a legal force at all circumstances:

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

Income and expenses are presented on a net basis in the separate statement of profit or loss only when permitted under IFRS.

4 ADOPTION OF NEW AND REVISED STANDARDS

New standards, interpretations and amendments thereof

The National Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise specified). The National Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the National Bank's separate financial statements are listed below. The National Bank intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

- Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures" which will introduce targeted disclosure requirements that will enhance transparency of supplier finance arrangements and their effects on liabilities and cash flows.
- Amendments to IAS 1 "Presentation of Financial Statements" requires to classify liabilities as current or noncurrent based on rights to defer settlement for at least 12 months which must exist and have a substance as at the reporting date. Only covenants with which a company must comply on or before the reporting date may affect this right.
- Amendments to IFRS 16 "Leases" which introduce a new model for accounting of variable payments and will require seller-lessees to reassess and possibly restate sale-leaseback transactions.
- Introduction of IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" which provide a framework for banks to report on all sustainability-related topics across the areas of governance, strategy and risk management. These standards are also designed to disclose information that is expected to affect the assessments that investors make about future cash flows.

The National Bank does not expect that the application of the Standards specified above will have a significant impact on the separate financial statements in subsequent periods.

5 SIGNIFICANT ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the National Bank's accounting policies, the 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. Estimates and underlying assumptions are based on past experience and other factors that are deemed to be relevant in specific circumstances. Actual outcomes could differ from these estimates.

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

Significant assumptions

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of expected credit losses allowances. Expected credit losses calculations of the National Bank are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit losses models that are considered accounting judgements and estimates include:

- The National Bank's internal credit grading model, which assigns PDs to the individual grades;
- The National Bank's criteria for assessing if there has been a significant increase in credit risk and so ECL allowances for financial assets should be measured on a life-time expected credit losses basis and the qualitative assessment;
- Development of expected credit losses models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the expected credit losses models.

More details are provided in Note 24.

6 RECLASSIFICATIONS

Certain reclassifications have been made to the separate financial statements for the year ended 31 December 2022 to conform to the presentation of separate financial statements for the year ended 31 December 2023. The presentation of these separate financial statements provides better view of the financial position of the National Bank. These changes did not affect the financial results in the separate financial statements for the year ended 31 December 2022.

Impact of changes on the separate financial statements for the year ended 31 December 2022 is provided below:

(in thousands of soms)

Items of separate statement of profit or loss for the year ended 31 December 2022	Before reclassification	Reclassification amount	Result of reclassification
Interest income calculated using effective interest rate	2 552 192	81 992	2 634 184
Other income	1 101 635	(81 992)	1 019 643

(in thousands of soms)

Items of separate statement of cash flows for the year ended 31 December 2022	Before reclassification	Reclassification amount	Result of reclassification
Interest received	1 988 492	81 992	2 070 484
Other income	786 008	(81 992)	704 016

7 GOLD

	31 December 2023	31 December 2022
Gold		
Gold in accounts with foreign banks and in bullion	127 413 613	81 833 825
	127 413 613	**81 833 825**

Gold in accounts with foreign banks and gold bullion meets the standards of London Bullion Market Association.

Concentration of gold on deposits in foreign banks

As at 31 December 2023 the National Bank has gold on accounts with foreign banks with a credit rating of A+ (As at 31 December 2022: the National Bank had gold on accounts with foreign banks with a credit rating of AA-) assigned by Fitch Ratings Inc. (the “Fitch”).

As at 31 December 2023 and 2022 the National Bank has gold balances on accounts with foreign banks exceeding 10% of equity.

8 CASH ON HAND, AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

	31 December 2023	31 December 2022
Accounts and deposits with foreign banks		
Nostro accounts with foreign banks		
- rated at AAA	2 189 137	32 271 115
- rated from A- to AA+	34 189 664	7 708 996
- rated from BB- to BBB	36 886	29 490
- not rated	3 922 446	1 353 329
Total nostro accounts with foreign banks	**40 338 133**	**41 362 930**
Allowance for expected credit losses	(170 308)	(203 760)
	40 167 825	**41 159 170**
Term deposits with foreign banks		
- rated from AA- to AA+	8 399 257	10 258 510
- rated from A- to A+	10 794 352	12 593 166
Total term deposits with foreign banks	**19 193 609**	**22 851 676**
Allowance for expected credit losses	(341)	(588)
	19 193 268	**22 851 088**
Accounts and deposits with international financial institutions		
Account with the International Monetary Fund (IMF)	15 809 958	19 682 157
Accounts with the Bank for International Settlements (BIS):		
- Term deposit with BIS	28 501 250	11 318 843
- Nostro accounts with BIS	-	4 336 363
Total accounts and deposits with international financial institutions	**44 311 208**	**35 337 363**
Allowance for expected credit losses	(20)	(5)
	44 311 188	**35 337 358**
Cash on hand in foreign currencies	20 978 876	20 175 290
Cash on hand, amounts due from banks and other financial institutions	**124 651 157**	**119 522 906**

Concentration of amounts due from banks and other financial institutions

As at 31 December 2023, the National Bank has accounts with three banks and other financial institutions rated from AA+ (31 December 2022: five banks and other financial institutions rated from A to AAA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2023 is 70 511 246 thousand soms (at 31 December 2022: 83 860 736 thousand soms).

The credit ratings are presented by reference to the credit ratings of Fitch credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in Note 24.

8 CASH ON HAND, AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Cash and cash equivalents

Cash and cash equivalents for the purposes of the separate statement of cash flows comprise the following:

	31 December 2023	31 December 2022
Nostro accounts with foreign banks	40 167 825	41 159 170
Nostro accounts with BIS	28 501 242	11 318 841
Accounts with the IMF	15 809 946	19 682 154
Cash on hand in foreign currencies	20 978 876	20 175 290
Cash and cash equivalents in the separate statement of cash flows	**105 457 889**	**92 335 455**

Cash equivalents are not overdue.

9 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS

	31 December 2023	31 December 2022
Loans issued to international organisations		
- not rated	-	2 526 768
Loans issued to resident commercial banks		
- not rated	159 335	153 244
Total loans to banks and international organisations before allowance for expected credit losses	**159 335**	**2 680 012**
Allowance for expected credit losses	(159 335)	(153 244)
Loans to banks and international organisations	**-**	**2 526 768**

The credit ratings are presented by reference to the credit ratings of Fitch credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in Note 24.

Analysis of collateral

The following table provides information on collateral securing loans issued to resident commercial banks and international organisations as at 31 December 2023 and 2022, excluding the effect of overcollateralisation.

	31 December 2023	% of loan portfolio	31 December 2022	% of loan portfolio
Deposits in foreign currencies	-	-	2 526 768	100
	-	-	**2 526 768**	**100**

The amounts shown in the table above are limited by the carrying value of loans, and do not necessarily represent the fair value of collateral. The fair value of collateral was estimated at the inception of the loan and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral.

9 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS (CONTINUED)

Concentration of loans to banks and international organisations

As at 31 December 2023 and 2022 the National Bank does not have loans issued to banks and international organisations whose balances exceeded 10% of total equity.

10 INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Debt securities		
Government securities		
Treasury bonds of the government of Canada with AA+ credit rating	-	5 053 240
Total government securities	**-**	**5 053 240**
Debt securities of international financial institutions without a credit rating	34 551 825	31 628 731
Agency securities with AAA credit rating	1 773 852	1 685 967
Total debt securities	**36 325 677**	**38 367 938**

As at 31 December 2023 and 2022 investment securities measured at fair through other comprehensive income are not overdue.

As at 31 December 2023 and 2022 the National Bank has one counterparty whose balance exceeded 10% of equity. As at 31 December 2023, the credit risk exposure in respect of this counterparty amounted to 25 344 500 thousand soms (31 December 2022: 27 209 612 soms).

The credit ratings are presented by reference to the credit ratings of Fitch credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in Note 24.

11 INVESTMENT SECURITIES AT AMORTISED COST

	31 December 2023	31 December 2022
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic with B- credit rating	10 415 925	5 104 038
Allowance for expected credit losses	(212 251)	(97 005)
	10 203 674	**5 007 033**

Movement in the allowance for expected credit losses is disclosed in Note 24.

12 INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

The movements of investments in subsidiaries and an associate are as follows:

	Subsidiaries	Associate	Carrying amount
1 January 2022	**10 604 993**	**334 464**	**10 939 457**
Share of profit of associate	-	108 796	108 796
Recovery of impairment loss on investment in a subsidiary	750 063	-	750 063
31 December 2022	**11 355 056**	**443 260**	**11 798 316**
Share of profit of associate	-	233 416	233 416
Recovery of impairment loss on investment in a subsidiary	2 541 376	-	2 541 376
Reclassification of subsidiary to non-current assets held for sale	(7 126 432)	-	(7 126 432)
31 December 2023	**6 770 000**	**676 676**	**7 446 676**

Investments in subsidiaries and an associate	Activity	Share of ownership, %	31 December 2023	Share of ownership, %	31 December 2022
OJSC Keremet Bank	Bank services	97,45	7 126 432	97,45	4 585 056
OJSC Guarantee Fund	Guarantee issue services	91,22	6 050 000	91,22	6 050 000
CJSC Kyrgyz Cash Collection	Transportation services	100,00	720 000	100,00	720 000
CJSC Interbank Process Center	Processing services	46,71	676 676	46,71	443 260
			14 573 108		**11 798 316**

As at 31 December 2023, investment in OJSC Kerement Bank is reclassified to non-current assets held for sale.

All subsidiaries and an associate of the National Bank are registered and operate in the Kyrgyz Republic.

On 30 April 2022, retained earnings of previous years of IPC CJSC in the amount of 263 520 thousand soms was used to increase the charter capital of IPC CJSC by issuing additional common registered shares in proportion to the shares of shareholders in the charter capital. Following the increase in the number of outstanding shares, the share of the National Bank in the charter capital of IPC CJSC did not change.

As at 31 December 2023, the National Bank recovered losses from impairment of investment in a subsidiary in the amount of 2 541 376 thousand soms (31 December 2022: recovered losses from impairment of investment in a subsidiary in the amount of 750 063 thousand soms).

12 INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

The movements in allowance for impairment of an investment in a subsidiary which is reclassified to non-current assets held for sale are as follows:

Allowance for impairment of an investment in a subsidiary as at 1 January 2022	**(4 381 581)**
Recovery of impairment loss on investment in a subsidiary	750 063
Allowance for impairment of an investment in a subsidiary as at 31 December 2022	**(3 631 518)**
Recovery of impairment loss on investment in a subsidiary	2 541 376
Reclassification of subsidiary to non-current assets held for sale	1 090 142
Allowance for impairment of an investment in a subsidiary as at 31 December 2023	-

13 NON-CURRENT ASSETS HELD FOR SALE

	31 December 2023	**31 December 2022**
Non-current assets held for sale	7 126 432	-
	7 126 432	-

On 27 December 2023 the draft Law of the Kyrgyz Republic “On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic” was submitted to the Jogorku Kenesh of the Kyrgyz Republic for consideration.

The Law of the Kyrgyz Republic No. 63 dated 1 March 2024 “On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of the open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic” defined the acquisition by the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic from the National Bank of a block of shares of OJSC Keremet Bank in the amount of 84 770 588 units, representing 97,45 percent of all common voting shares of OJSC Keremet Bank.

The fair value and price of the purchased block of shares of OJSC Keremet Bank was determined in the amount of 7 126 432 thousand soms.

14 PROPERTY AND EQUIPMENT

	Land	Buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress and equipment to be installed	Total
Cost							
At 1 January 2023	**200 250**	**969 800**	**638 754**	**508 835**	**79 395**	**527 826**	**2 924 860**
Additions	-	-	99 999	11 144	1 139	99 576	211 858
Disposals	-	-	(100 690)	(16 413)	(36 935)	(2 845)	(156 883)
Transfers	-	58 679	15 092	338	-	(84 667)	(10 558)
At 31 December 2023	**200 250**	**1 028 479**	**653 155**	**503 904**	**43 599**	**539 890**	**2 969 277**
Depreciation							
At 1 January 2023	**-**	**(200 434)**	**(304 180)**	**(365 585)**	**(52 137)**	**-**	**(922 336)**
Charge for the year	-	(23 666)	(89 112)	(72 011)	(8 627)	-	(193 416)
Disposals	-	-	100 690	16 413	36 935	-	154 038
At 31 December 2023	**-**	**(224 100)**	**(292 602)**	**(421 183)**	**(23 829)**	**-**	**(961 714)**
Carrying amount							
At 31 December 2023	**200 250**	**804 379**	**360 553**	**82 721**	**19 770**	**539 890**	**2 007 563**

CONTENT

14 PROPERTY AND EQUIPMENT (CONTINUED)

	Land	Buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress and equipment to be installed	Total
Cost							
At 1 January 2022	**200 250**	**941 722**	**615 703**	**634 594**	**79 395**	**393 112**	**2 864 776**
Additions	-	2 916	58 317	14 643	-	179 823	255 699
Disposals	-	(1 625)	(52 616)	(140 402)	-	(972)	(195 615)
Transfers	-	26 787	17 350	-	-	(44 137)	-
At 31 December 2022	**200 250**	**969 800**	**638 754**	**508 835**	**79 395**	**527 826**	**2 924 860**
Depreciation							
At 1 January 2022	**-**	**(179 327)**	**(265 311)**	**(424 201)**	**(40 795)**	**-**	**(909 634)**
Charge for the year	-	(22 732)	(91 426)	(81 779)	(11 342)	-	(207 279)
Disposals	-	1 625	52 557	140 395	-	-	194 577
At 31 December 2022	**-**	**(200 434)**	**(304 180)**	**(365 585)**	**(52 137)**	**-**	**(922 336)**
Carrying amount							
At 31 December 2022	**200 250**	**769 366**	**334 574**	**143 250**	**27 258**	**527 826**	**2 002 524**

During 2023, property and equipment transferred to intangible assets in the amount of 10 558 thousand soms (2022: there were no property and equipment transferred to intangible assets).

During 2023 and 2022, there were not capitalised borrowing costs associated with the acquisition or construction of property and equipment.

As at 31 December 2023 and 2022, there are no property and equipment pledged as collateral for loans received.

15 NON-MONETARY GOLD AND GOLD RESERVES

	31 December 2023	31 December 2022
Gold reserves	122 139 214	129 853 589
Non-monetary gold	5 846 352	4 108 638
	127 985 566	**133 962 227**

During 2023, the National Bank conducted operations with gold that is not part of international reserves with the aim to form the National Bank's reserves as part of the prospects for development of the domestic precious metals market. Non-monetary gold and gold reserves do not participate in the National Bank's active investment operations and are not part of the National Bank's investment assets in gold.

16 OTHER ASSETS

	31 December 2023	31 December 2022
Accounts receivable	416 349	490 263
Allowance for expected credit losses	(55 896)	(51 872)
Other financial assets	**360 453**	**438 391**
Advances paid	1 628 518	121 278
Inventory	776 940	723 773
Numismatic items	96 210	80 738
Other	8 229	7 925
Other non-financial assets	**2 509 897**	**933 714**
	2 870 350	**1 372 105**

Movement in the allowance for expected credit losses is disclosed in Note 24.

As at 31 December 2023, advances paid comprise prepayment to an entity with state ownership for construction and installation works on construction in progress in the amount of 1 171 thousand soms.

17 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2023 and 2022, banknotes and coins in circulation comprise:

	31 December 2023	31 December 2022
Banknotes and coins in circulation	210 545 932	203 271 649
Less banknotes and coins on hand in national currency	(3 294 904)	(4 461 502)
	207 251 028	**198 810 147**

Banknotes and coins in circulation represent the face value of the amount of banknotes and coins in circulation held by the general public and organisations.

18 AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023	31 December 2022
Accounts of commercial banks	45 510 202	34 669 420
Accounts of commercial banks and financial institutions owned by the Cabinet of Ministers of the Kyrgyz Republic	11 747 956	17 773 593
Accounts of other financial institutions	1 740 860	5 592 377
	58 999 018	**58 035 390**

As at 31 December 2023, the National Bank has two commercial bank account balances individually in excess of 10% of total equity (as at 31 December 2022: four commercial bank). The gross value of balances in the accounts of these banks as at 31 December 2023 is 17 510 937 thousand soms (as at 31 December 2022: 32 342 616 thousand soms).

19 AMOUNTS DUE TO THE CABINET OF MINISTERS OF THE KYRGYZ REPUBLIC

Amounts due to the Cabinet of Ministers of the Kyrgyz Republic comprise funds in the current accounts of the Ministry of Finance of the Kyrgyz Republic.

	31 December 2023	31 December 2022
In national currency	42 179 078	30 270 363
In foreign currency	457 900	1 538 339
	42 636 978	**31 808 702**

20 DEBT SECURITIES ISSUED

As at 31 December 2023 and 2022 debt securities issued include securities with the following maturities and carrying amounts:

	31 December 2023	31 December 2022
Notes of the National Bank with maturity of 28 days	42 349 561	14 751 096
Notes of the National Bank with maturity of 91 days	8 107 492	7 543 234
Notes of the National Bank with maturity of 182 days	3 504 778	-
Notes of the National Bank with maturity of 7 days	319 683	-
Notes of the National Bank with maturity of 14 days	-	12 056 287
	54 281 514	**34 350 617**

The National Bank is entitled to issue securities and conduct all kinds of operations with them in accordance with accepted international practice in order to conduct its monetary policy. The notes of the National Bank are placed through Automated Trading System of the National Bank, members of which are commercial banks in the Kyrgyz Republic.

21 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	31 December 2023	31 December 2022
Liabilities to the IMF in respect of SDR allocations	10 204 524	16 171 080

A special drawing rights (the "SDR") allocation is an unconditional distribution of SDR amounts to International Monetary Fund (the "IMF") member countries by its decision for the purpose of replenishing international reserves and sustaining the liquidity of IMF member countries. The allocation is a cooperative monetary response to the global financial crisis by the provision of significant unconditional financial resources to liquidity constrained countries, which have to smooth the need for adjustment and add to the scope for expansionary policies, designed to provide liquidity to the global economic system by supplementing the IMF member countries' foreign exchange reserves. The general SDR allocations were made to IMF members in proportion to their existing IMF quotas (Note 30). Separately, on 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force to boost global liquidity. According to the amendment, the special allocation was made to IMF members, which includes Kyrgyz Republic, on 9 September 2009. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Kyrgyz Republic received the right to use SDR allocations in the amount of 84 737 thousand SDR.

In 2021, the IMF conducted an SDR allocation among the member countries in the context of the need to mitigate the negative effects of the COVID-19 pandemic, as a result, on 23 August 2021, the Kyrgyz Republic increased the amount of SDR allocated by 170 222 thousand SDR. The interest rate is determined weekly by the IMF and is the same for all recipients of SDR allocations in the world.

On 13 May 2022, an Agreement was signed on the transfer of SDR allocated by the IMF to the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic in 2021, according to which the allocated SDR will be used to repay part of the state foreign debt of the Kyrgyz Republic.

As at 31 December 2023 and 2022, the National Bank transferred 56 386 thousand SDR and 113 836 thousand SDR, respectively, to the Ministry of Finance of the Kyrgyz Republic. As at 31 December 2023, the liabilities of the National Bank and the Ministry of Finance of the Kyrgyz Republic under SDR received from the IMF in respect of allocations amount to 84 737 thousand SDR and 170 222 thousand SDR, respectively (as at 31 December 2022: 141 123 thousand SDR and 113 836 thousand SDR, respectively).

21 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS (CONTINUED)

The table below details changes in the National Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the National Bank's separate statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2023	**Cash flows from financing activities (i)**	**Foreign currency exchange rate adjustment**	**Other changes (ii)**	**31 December 2023**
Liabilities to the IMF in respect of SDR allocations	16 171 080	-	623 633	(6 590 189)	10 204 524
	16 171 080	**-**	**623 633**	**(6 590 189)**	**10 204 524**

			Non-cash changes		
	1 January 2022	**Cash flows from financing activities (i)**	**Foreign currency exchange rate adjustment**	**Other changes (ii)**	**31 December 2022**
Liabilities to the IMF in respect of SDR allocations	30 258 833	-	(1 944 720)	(12 143 033)	16 171 080
	30 258 833	**-**	**(1 944 720)**	**(12 143 033)**	**16 171 080**

(i) Cash flows from liabilities to the IMF in respect of SDR allocations comprise the gross amount of proceeds and repayment in the separate statement of cash flows.

(ii) Other changes include transfers by the National Bank to the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic of SDR allocated to the Kyrgyz Republic by the IMF and changes in accrued interest.

22 CHARTER CAPITAL

Paid-up capital

In accordance with the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”, adopted by Jogorku Kenesh of the Kyrgyz Republic on 30 June 2022, which entered into force on 17 August 2022, the charter capital of the National Bank has been increased by 2 000 000 thousand soms at the expense of the obligatory reserve of the National Bank. As at 31 December 2023 and 2022 the charter capital of the National Bank amounts to 4 000 000 thousand soms.

Distribution to the state budget and obligatory reserve

In accordance with the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”, profit of the National Bank is to be distributed as follows:

- If according to the results of the financial year the amount of the charter capital and obligatory reserve of the National Bank is less than five percent of the monetary liabilities of the National Bank, no profit shall be transferred to the income of the republican budget of the Kyrgyz Republic. The remaining profit shall be transferred to the National Bank’s obligatory reserve;
- If according to the results of the financial year the amount of the charter capital and the obligatory reserve of the National Bank is from five to ten percent of the monetary liabilities of the National Bank, seventy percent of the profit shall be transferred to the republican budget. The balance of profit after transferring it to the republican budget of the Kyrgyz Republic shall be transferred to the obligatory reserve of the National Bank;
- If according to the results of the financial year the amount of the charter capital and the obligatory reserve is equal to or exceeds ten percent of the National Bank’s monetary liabilities, one hundred percent of the profit shall be transferred to the republican budget of the Kyrgyz Republic.

In accordance with Article 12 of the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”, profit shall be transferred at the end of the financial year after an independent external audit and approval of the annual report by the Management Board of the National Bank.

On 1 August 2023, the profit of the National Bank for 2022 was approved for distribution in the amount of 10 186 889 thousand soms, of which 9 168 200 thousand soms was transferred to the republican budget of the Kyrgyz Republic, 1 018 689 thousand soms was transferred to the obligatory reserve of the National Bank (in 2022: the profit for 2021 in the amount of 9 192 509 thousand soms was approved, of which 8 273 258 thousand soms was transferred to the republican budget of the Kyrgyz Republic, 919 251 thousand soms was transferred to the obligatory reserve of the National Bank).

Amounts of transfers to the republican budget and obligatory reserve are excluded from the separate statement of cash flows due to the fact that these amounts were recorded as an increase in funds of the Cabinet of Ministers of the Kyrgyz Republic.

Capital management

The capital of the National Bank comprises the residual value of the National Bank’s assets after deduction of all its liabilities.

22 CHARTER CAPITAL (CONTINUED)

The National Bank's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the National Bank and ability to perform its functions. The National Bank considers total capital under management to be equity shown in the separate statement of financial position.

No external capital requirements exist for the National Bank, except for the size of the charter capital stipulated by the Law "On the National Bank of the Kyrgyz Republic", which is 4 000 000 thousand soms (as at 31 December 2022: 4 000 000 thousand soms).

23 NET INTEREST EXPENSE

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated using effective interest rate		
Nostro accounts with foreign banks and international financial institutions	2 048 142	1 094 129
Investment securities at fair value through other comprehensive income	1 336 748	352 335
Term deposits in foreign banks and international financial institutions	959 785	550 893
Investment securities at amortised cost	773 700	357 226
Loans to banks and international organisations	81 861	197 609
Other	70 970	81 992
	5 271 206	**2 634 184**
Interest expense		
Debt securities issued	(6 308 951)	(2 445 722)
Amounts due to banks and other financial institutions	(1 627 633)	(1 335 975)
Liabilities to the IMF in respect of SDR allocations	(510 860)	(254 963)
Other	(22 978)	(59 873)
	(8 470 422)	**(4 096 533)**
	(3 199 216)	**(1 462 349)**

24 (CHARGE)/RECOVERY OF ALLOWANCE FOR EXPECTED CREDIT LOSSES

	Cash on hand, amounts due from banks and other financial institutions (Note 8)			Loans to banks and international organisations (Note 9)			Investments in securities at fair value through other comprehensive income		Investment securities measured at amortised cost (Note 11)	Other financial assets (Note 16)			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as at 1 January 2023	**4 095**	**200 258**	**-**	**-**	**-**	**153 244**	**3**	**-**	**97 005**	**6 538**	**1 125**	**44 209**	**506 477**
Transfer to Stage 1	-	-				-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-	-	(145)	145	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-	-	-	(31)	31	-
Net changes resulting from changes in credit risk parameters	-	-	-	-	-	-	-	-	111	-	-	2 776	2 887
Recovery of losses/(write-off of assets against provisions)	-	-	-	-	-	108	-	-	-	-	-	-	108
Financial assets originated or purchased	1 122	61 552	-	-	-	-	26	-	115 135	504	27	2 752	181 118
Financial assets derecognised, except for write-offs	(1 479)	(94 879)	-	-	-	(108)	(3)	-	-	(1 570)	(380)	(31)	(98 450)
Change in currency rates and other changes	-	-	-	-	-	6 091	-	-	-	(47)	47	(54)	6 037
Allowance for expected credit losses as at 31 December 2023	**3 738**	**166 931**	**-**	**-**	**-**	**159 335**	**26**	**-**	**212 251**	**5 280**	**933**	**49 683**	**598 177**

CONTENT

CONTENT

24 (CHARGE)/RECOVERY OF ALLOWANCE FOR EXPECTED CREDIT LOSSES (CONTINUED)

	Cash on hand, amounts due from banks and other financial institutions (Note 8)			Loans to banks and international organisations (Note 9)			Investments in securities at fair value through other comprehensive income		Investments in securities measured at amortised cost (Note 11)	Other financial assets (Note 16)			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as at 1 January 2022	**6 692**	**160**	**-**	**63 914**	**343 419**	**151 597**	**9**	**-**	**54 667**	**7 122**	**-**	**43 811**	**671 391**
Transfer to Stage 1	-	-		317 629	(317 629)	-	-	-	-	-	-	-	-
Transfer to Stage 2	(200 103)	200 103	-	-	-	-	-	-	-	(1 125)	1 125	-	-
Net changes resulting from changes in credit risk parameters	-	-	-	(128 124)	-	-	-	-	(840)	(156)	-	448	(128 672)
(Recovery of losses/(write-off of assets against provisions)	-	-	-	-	-	99	-	-	-	-	-	-	99
Financial assets originated or purchased	198 900	-	-	-	-	(99)	3	-	43 178	1 152	-	448	243 681
Financial assets derecognised, except for write-offs	(1 394)	(5)	-	(253 419)	(25 790)	-	(9)	-	-	(455)	-	(508)	(281 679)
Change in currency rates and other changes	-	-	-	-	-	1 647	-	-	-	-	-	10	1 657
Allowance for expected credit losses as at 31 December 2022	**4 095**	**200 258**	**-**	**-**	**-**	**153 244**	**3**	**-**	**97 005**	**6 538**	**1 125**	**44 209**	**506 477**

25 NET REALISED GAIN ON FOREIGN CURRENCIES AND GOLD TRANSACTIONS

	For the year ended 31 December 2023	For the year ended 31 December 2022
Realised gain from operations with foreign currencies and gold	13 447 960	11 898 214
Profit from spot transactions with foreign currencies	1 391 383	349 268
	14 839 343	**12 247 482**

26 OTHER INCOME AND EXPENSES

	For the year ended 31 December 2023	For the year ended 31 December 2022
Other income		
Income from investments in subsidiaries	428 100	240 583
Income from the sale of bullion and numismatic valuables	369 297	766 454
Other	16 817	12 606
	814 214	**1 019 643**
Other expenses		
Expenses for recognition of the cost of bullion and numismatic valuables	(335 090)	(572 203)
Other	(8 657)	(1 655)
	(343 747)	**(573 858)**

27 ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2023	For the year ended 31 December 2022
Personnel expenses		
Salary	1 108 304	809 534
Payments to the Social fund	190 134	138 209
	1 298 438	**947 743**
Other administrative expenses		
Depreciation and amortisation	206 223	244 123
Repair and maintenance	132 809	140 317
Security	104 883	61 400
Communications and information services	37 903	35 485
Professional services	28 555	19 885
Business trip expenses	19 454	13 326
Publication and subscription	16 649	17 228
Staff training	12 948	10 112
Expenses for social events	10 616	7 517
Office supplies	6 882	6 171
Other	39 403	29 542
Total administrative expenses	**1 914 763**	**1 532 849**

28 RISK MANAGEMENT

Risk management is fundamental to the National Bank's activities and is an essential element of the National Bank's operations. The major risks faced by the National Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The National Bank's risk management policies aim to identify, analyse and manage the risks faced by the National Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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

The Management Board of the National Bank, committees, commissions review regularly matters related to the monetary, investing and currency policies of the National Bank and set up limits on the scope of transactions, as well as requirements for the assessment of the National Bank's counterparties.

In accordance with Investment policy on International Reserve Management of the National Bank (the "Investment policy") approved by the Board on 19 December 2022, the main goals of risk management are safety and liquidity of the assets of the National Bank. Operations are conducted within the limitations imposed by this Investment policy.

In accordance with these goals, gold and foreign currency assets of the National Bank are separated into the following portfolios: working portfolio and investment portfolio.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise currency 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 volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The National Bank manages its market risk by conducting regular assessment of all open positions. In addition, the National Bank continuously monitors open position limits in relation to financial instruments, interest rate, maturity and balance of risks and profitability.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The National Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

28 RISK MANAGEMENT (CONTINUED)

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2023 and 2022. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

	Weighted average effective interest rate, % 31 December 2023	Weighted average effective interest rate, % 31 December 2022
Interest-bearing assets		
Amounts due from banks and other financial institutions		
Nostro accounts		
- USD	5,30	4,30
- EUR	3,84	1,97
- CAD	4,82	3,92
- GBP	5,12	3,45
- RUB	6,00	4,00
- CNY	0,25	0,35
- SGD	-	2,40
- KRW	0,10	0,10
- CHF	1,13	(0,02)
- SDR	4,10	2,92
- AUD	4,35	3,10
- JPY	(0,22)	(0,04)
Term deposits		
- USD	5,65	4,77
- GBP	5,18	3,40
- AUD	4,50	3,32
- SGD	4,04	3,35
- CNY	2,46	1,75
Loans to banks and international organisations		
- KGS	-	4,00
Investment securities at fair value through other comprehensive income		
- USD	4,53	4,41
- AUD	4,61	2,98
- CAD	4,33	4,20
- GBP	-	3,29
- CNY	3,07	0,85
Investment securities at amortised cost		
- KGS	13,49	13,51
Interest-bearing liabilities		
Amounts due to banks and other financial institutions		
- KGS	11,00	10,00
Debt securities issued		
- KGS	13,37	13,77
Liabilities to the IMF in respect of SDR allocations	4,10	2,92

28 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate sensitivity analysis

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets measured at fair value through other comprehensive income due to changes in the interest rates based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a 100 basis points (bps) symmetrical fall or rise in all yield curves is as follows:

	31 December 2023		31 December 2022	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
100 bps parallel rise	-	(359 467)	-	(85 939)
100 bps parallel fall	-	359 467	-	85 939

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management policy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, actions of the National Bank could include selling investment assets, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the separate statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

(ii) Currency risk

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

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market foreign exchange rates. Despite the fact that the National Bank hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

28 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2023 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2023
Financial assets											
Cash on hand, amounts due from banks and other financial institutions	-	81 302 566	3 799 593	174 450	673 295	15 809 946	3 471 913	13 896 850	3 726 415	1 796 129	124 651 157
Loans to banks and international organisations	-	-	-	-	-	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	-	19 693 854	-	5 293 667	714 954	-	-	10 623 202	-	-	36 325 677
Investment securities at amortised cost	10 203 674	-	-	-	-	-	-	-	-	-	10 203 674
Other financial assets	360 453	-	-	-	-	-	-	-	-	-	360 453
Total financial assets	**10 564 127**	**100 996 420**	**3 799 593**	**5 468 117**	**1 388 249**	**15 809 946**	**3 471 913**	**24 520 052**	**3 726 415**	**1 796 129**	**171 540 961**
Financial liabilities											
Banknotes and coins in circulation	207 251 028	-	-	-	-	-	-	-	-	-	207 251 028
Amounts due to banks and other financial institutions	56 231 623	2 767 395	-	-	-	-	-	-	-	-	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 179 078	187 791	64 396	-	-	-	-	143 014	32 315	30 384	42 636 978
Debt securities issued	54 281 514		-	-	-	-	-	-	-	-	54 281 514
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	10 204 524	-	-	-	-	10 204 524
Other financial liabilities	240 575	3 233	394	135	-	-	-	-	-	524	244 861
Total financial liabilities	**360 183 818**	**2 958 419**	**64 790**	**135**	**-**	**10 204 524**	**-**	**143 014**	**32 315**	**30 908**	**373 617 923**
Net balance sheet position	**(349 619 691)**	**98 038 001**	**3 734 803**	**5 467 982**	**1 388 249**	**5 605 422**	**3 471 913**	**24 377 038**	**3 694 100**	**1 765 221**	**(202 076 962)**

28 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2022 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2022
Financial assets											
Cash on hand, amounts due from banks and other financial institutions	-	77 842 072	2 239 818	1 735 688	624 213	19 682 154	1 727 458	12 894 955	1 150 218	1 626 330	119 522 906
Loans to banks and international organisations	2 526 768	-	-	-	-	-	-	-	-	-	2 526 768
Investment securities at fair value through other comprehensive income	-	28 936 889	-	6 203 845	657 408	-	1 302 131	1 267 665	-	-	38 367 938
Investment securities at amortised cost	5 007 033	-	-	-	-	-	-	-	-	-	5 007 033
Other financial assets	438 391	-	-	-	-	-	-	-	-	-	438 391
Total financial assets	**7 972 192**	**106 778 961**	**2 239 818**	**7 939 533**	**1 281 621**	**19 682 154**	**3 029 589**	**14 162 620**	**1 150 218**	**1 626 330**	**165 863 036**
Financial liabilities											
Banknotes and coins in circulation	198 810 147	-	-	-	-	-	-	-	-	-	198 810 147
Amounts due to banks and other financial institutions	50 972 987	7 062 403	-	-	-	-	-	-	-	-	58 035 390
Amounts due to the Cabinet Ministers of the Kyrgyz Republic	30 270 363	600 731	794 328	-	-	-	-	-	121 234	22 046	31 808 702
Debt securities issued	34 350 617	-	-	-	-	-	-	-	-	-	34 350 617
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	16 171 080	-	-	-	-	16 171 080
Other financial liabilities	173 198	12 562	-	-	-	-	-	-	-	16	185 776
Total financial liabilities	**314 577 312**	**7 675 696**	**794 328**	**-**	**-**	**16 171 080**	**-**	**-**	**121 234**	**22 062**	**339 361 712**
Net balance sheet position	**(306 605 120)**	**99 103 265**	**1 445 490**	**7 939 533**	**1 281 621**	**3 511 074**	**3 029 589**	**14 162 620**	**1 028 984**	**1 604 268**	**(173 498 676)**

28 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

Depreciation of KGS, as indicated in the table below, against following currencies as at 31 December 2023 and 2022 would have given a rise to the below increase (decrease) of equity and other comprehensive income. This analysis is based on foreign currency exchange rate variances that the National Bank considered to be reasonably possible at the end of the reporting period. The given level of sensitivity is used within the National Bank for preparation of report on currency risk for the key management of the National Bank. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2023		31 December 2022	
	Profit or loss	**Other comprehensive income and equity**	**Profit or loss**	**Other comprehensive income and equity**
10% appreciation of USD against KGS	-	9 803 800	-	9 910 327
10% appreciation of CNY against KGS	-	2 437 704	-	1 416 262
10% appreciation of CAD against KGS	-	546 798	-	793 954
10% appreciation of EUR against KGS	-	373 481	-	144 549
10% appreciation of RUB against KGS	-	369 410	-	102 899
10% appreciation of GBP against KGS	-	347 192	-	302 959
10% appreciation of AUD against KGS	-	138 825	-	128 162
10% appreciation of other currencies against KGS	-	176 522	-	160 427

Appreciation of the KGS against the above currencies at 31 December 2023 and 2022 would have had the opposite effect on the basis that all other variables remain constant.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(iii) Other price risks

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

28 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(iii) Other price risks

As at 31 December 2023 the National Bank was exposed to price risk of gold in deposits with foreign banks. As at 31 December 2023 gold is represented by physical gold in storage and gold in accounts. Although gold is not considered to be a financial asset under IFRS, the bank is exposed to price changes in physical gold due to the fact that its accounting policy is to measure gold at fair value.

An increase or decrease in prices in KGS equivalent of gold, as indicated below, at 31 December 2023 and 2022 would have increased or decreased equity and other comprehensive income by the amounts shown below. This analysis is based on gold price movements that the National Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

	31 December 2023		31 December 2022	
	Profit or loss	**Comprehensive income and equity**	**Profit or loss**	**Comprehensive income and equity**
10% appreciation of gold prices in KGS equivalent	-	12 741 362	-	8 183 383
10% depreciation of gold prices in KGS equivalent	-	(12 741 362)	-	(8 183 383)

(c) Credit risk

Credit risk is the risk of financial losses occurring as a result of default by a borrower or counterparty of the National Bank. The National Bank has developed policies and procedures for credit risk management, including guidelines to limit portfolio concentration. There is an Investment Committee, which is responsible for the monitoring of credit risk on management of international reserves.

In order to minimise the credit risk, the National Bank uses risk management policy, which sets out requirements for the counterparty of the National Bank. According to this policy, only central banks, financial institutions or commercial banks with a high rating in accordance with the standards of Moody’s Investors Service and/or a similar level of rating in accordance with the standards of other world leading rating agencies (Standard & Poor’s Corporation, Fitch IBCA) can be counterparties of the National Bank.

Financial assets are graded according to the current credit rating they have been issued by internationally regarded agencies such as Moody’s, Fitch and etc. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have BBB ratings of according to classification of Fitch are classed as speculative grade. Taking into consideration the National Bank’s status as a central bank the counterparties are divided into two categories:

Category A:

- Central banks of advanced developed industrial countries with stable economic and political situation and sovereign rating not less than A- per Fitch classification;
- International financial institutions, institutions and banks, such as IMF, BIS, EBRD, ADB, KfW, etc.
- Foreign commercial banks with rating not less than A- per Fitch classification.

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Category B:

- Central banks of countries with sovereign rating less than A- per Fitch classification;
- Financial institutions indicated in international agreements signed by the Kyrgyz Republic;
- Foreign commercial banks with rating less than A- but not less than BBB per Fitch classification.

Decisions on investment deals with the counterparties of the Category A, i.e. limitations on certain counterparties, investment instruments and amount of deals are established based on power of the Investment Committee of the National Bank. Decisions on investment deals with each counterparty of Category B are approved by the Management Board of the National Bank upon submission by the Investment Committee of the National Bank.

One of the criteria for control of credit risk is the maximum exposure to credit risk per one counterparty, as well as the geographical segments.

The National Bank's maximum exposure to credit risk per one counterparty varies significantly and is dependent on both individual risks and general market economy risks. The National Bank's maximum exposure to credit risk is generally reflected in the gross carrying amounts of financial assets in the separate statement of financial position. Netting of assets and liabilities is not significant for mitigating the potential credit exposure.

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

	31 December 2023	31 December 2022
Financial assets		
Gold in deposits with foreign banks	13 511 707	6 799 869
Amounts due from banks and other financial institutions	103 842 950	99 551 969
Loans to banks and international organisations	159 335	2 680 012
Investment securities at fair value through other comprehensive income	36 325 677	38 367 938
Investment securities at amortised cost	10 415 925	5 104 038
Other financial assets	416 349	490 263
Total maximum exposure	**164 671 943**	**152 994 089**

* Amount does not include cash balances on hand in foreign currencies.

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings

To minimise credit risk, the National Bank has developed a credit rating system for categorising risks depending on the degree of default risk. Credit rating information is based on a set of data that is defined as forward-looking data with respect to default risk and uses expert judgment regarding credit risk. The analysis takes into account the nature of risk and type of a borrower. Credit ratings are determined using qualitative and quantitative factors that indicate the risk of default. The credit rating system of the National Bank includes three categories.

Internal credit ratings	*Description*
11	Low or moderate risk
22	Watch
33	Impaired

The analysis of credit risk for each class of financial assets, taking into account the internal credit rating and stage in accordance with IFRS 9, without taking into account the effect of collateral and other mechanisms to improve the quality of a loan, is presented in the tables below. Unless otherwise indicated, the amounts presented in the tables for financial assets represent their gross carrying amount.

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Cash on hand, amounts due from banks and other financial institutions				
Credit rating 1: Low or moderate risk	99 906 519	-	-	99 906 519
Credit rating 2: Watch	-	3 936 431	-	3 936 431
Total gross carrying amount	**99 906 519**	**3 936 431**	**-**	**103 842 950**
Allowance for expected credit losses	(3 738)	(166 931)	-	(170 669)
Carrying amount	**99 902 781**	**3 769 500**	**-**	**103 672 281**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Loans to banks and international organisations				
Credit rating 1: Low or moderate risk	-	-	-	-
Credit rating 2: Watch	-	-	-	-
Credit rating 3: Impaired	-	-	159 335	159 335
Total gross carrying amount	**-**	**-**	**159 335**	**159 335**
Allowance for expected credit losses	-	-	(159 335)	(159 335)
Carrying amount	**-**	**-**	**-**	**-**

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at fair value through other comprehensive income				
Credit rating 1: Low or moderate risk	36 325 677	-	-	36 325 677
Total carrying amount	**36 325 677**	**-**	**-**	**36 325 677**

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Credit rating 1: Low or moderate risk	10 415 925	-	-	10 415 925
Total gross carrying amount	**10 415 925**	**-**	**-**	**10 415 925**
Allowance for expected credit losses	(212 251)	-	-	(212 251)
Carrying amount	**10 203 674**	**-**	**-**	**10 203 674**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Other financial assets				
Credit rating 1: Low or moderate risk	314 046	-	-	314 046
Credit rating 2: Watch	-	52 620	-	52 620
Credit rating 3: Impaired	-	-	49 683	49 683
Total gross carrying amount	**314 046**	**52 620**	**49 683**	**416 349**
Allowance for expected credit losses	(5 280)	(933)	(49 683)	(55 896)
Carrying amount	**308 766**	**51 687**	**-**	**360 453**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Cash on hand, amounts due from banks and other financial institutions				
Credit rating 1: Low or moderate risk	98 186 867	-	-	98 186 867
Credit rating 2: Watch	-	1 365 102	-	1 365 102
Total gross carrying amount	**98 186 867**	**1 365 102**	**-**	**99 551 969**
Allowance for expected credit losses	(4 095)	(200 258)	-	(204 353)
Carrying amount	**98 182 772**	**1 164 844**	**-**	**99 347 616**

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Total
	12-month credit losses	Lifetime credit losses	Lifetime credit losses		
Loans to banks and international organisations					
Credit rating 1: Low or moderate risk	2 526 768	-	-	-	2 526 768
Credit rating 2: Watch	-	-	-	-	-
Credit rating 3: impaired	-	-	153 244	-	153 244
Total gross carrying amount	**2 526 768**	**-**	**153 244**	**-**	**2 680 012**
Allowance for expected credit losses	-	-	(153 244)	-	(153 244)
Carrying amount	**2 526 768**	**-**	**-**	**-**	**2 526 768**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	
Investment securities at fair value through other comprehensive income				
Credit rating 1: Low or moderate risk	38 367 938	-	-	38 367 938
Total carrying amount	**38 367 938**	**-**	**-**	**38 367 938**

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Credit rating 1: Low or moderate risk	5 104 038	-	-	5 104 038
Total gross carrying amount	**5 104 038**	**-**	**-**	**5 104 038**
Allowance for expected credit losses	(97 005)	-	-	(97 005)
Carrying amount	**5 007 033**	**-**	**-**	**5 007 033**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Other financial assets				
Credit rating 1: Low or moderate risk	342 110	-	-	342 110
Credit rating 2: Watch	103 012	103 012	-	103 012
Credit rating 3: Impaired	-	-	45 141	45 141
Total gross carrying amount	**342 110**	**103 012**	**45 141**	**490 263**
Allowance for expected credit losses	(6 538)	(1 125)	(44 209)	(51 872)
Carrying amount	**335 572**	**101 887**	**932**	**438 391**

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The tables below analyse information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in ECL allowance during 2023, by classes of assets:

	2023				
	Stage 1	**Stage 2**	**Stage 3**		
	12-month credit losses	**Lifetime credit losses**	**Lifetime credit losses**	**Purchased or originated credit-impaired financial assets**	**Total**
Loans to banks and international organisations					
Gross carrying amount as at 1 January 2023	**2 526 768**	-	**153 244**	-	**2 680 012**
Changes in gross carrying amount					
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Financial assets derecognised, except for write-offs	(2 526 768)	-	-	-	(2 526 768)
Change in currency rates and other changes	-	-	6 091	-	6 091
Gross carrying amount as at 31 December 2023	-	**-**	**159 335**	**-**	**159 335**
Allowance for expected credit losses as at 31 December 2023	**-**	**-**	**(159 335)**	**-**	**(159 335)**

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at fair value through other comprehensive income				
Gross carrying amount as at 1 January 2023	**38 367 938**	**-**	**-**	**38 367 938**
Changes in gross carrying amount				
Financial assets originated or purchased	84 483 273	-	-	84 483 273
Financial assets derecognised, except for write-offs	(87 739 374)	-	-	(87 739 374)
Change in currency rates and other changes	1 213 840	-	-	1 213 840
Gross carrying amount as at 31 December 2023	**36 325 677**	**-**	**-**	**36 325 677**

	2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Gross carrying amount as at 1 January 2023	**5 104 038**	**-**	**-**	**5 104 038**
Changes in gross carrying amount				
Financial assets originated or purchased	5 102 159	-	-	5 102 159
Financial assets derecognised, except for write-offs	-	-	-	-
Change in currency rates and other changes	209 728	-	-	209 728
Gross carrying amount as at 31 December 2023	**10 415 925**	**-**	**-**	**10 415 925**
Loss allowance for expected credit losses as at 31 December 2023	**(212 251)**	**-**	**-**	**(212 251)**

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2023			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Other financial assets				
Gross carrying amount as at 1 January 2023	**342 110**	**103 012**	**45 141**	**490 263**
Changes in gross carrying amount				
Transfer to Stage 2	(8 201)	8 201	-	-
Transfer to Stage 3	-	(1 755)	1 755	-
Financial assets originated or purchased	38 982		4 597	43 579
Financial assets derecognised, except for write-offs	(95 639)	(21 922)	(1 755)	(119 316)
Change in currency rates and other changes	36 794	(34 916)	(55)	1 823
Gross carrying amount as at 31 December 2023	**314 046**	**52 620**	**49 683**	**416 349**
Loss allowance for expected credit losses as at 31 December 2023	**(5 280)**	**(933)**	**(49 683)**	**(55 896)**

The tables below analyse information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in ECL allowance during 2022, by classes of assets:

	2022				
	Stage 1	Stage 2	Stage 3		
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Purchased or originated credit impaired financial assets	Total
Loans to banks and international organisations					
Gross carrying amount as at 1 January 2022	**4 875 663**	**1 780 510**	**151 597**	**384 235**	**7 192 005**
Changes in gross carrying amount					
Transfer to Stage 1	1 524 326	(1 524 326)	-	-	-
Transfer to Stage 2	(37 249)	37 249	-	-	-
Financial assets derecognised, except for write-offs	(3 835 972)	(293 433)	-	(384 235)	(4 513 640)
Change in currency rates and other changes	-	-	1 647	-	1 647
Gross carrying amount as at 31 December 2022	**2 526 768**	**-**	**153 244**	**-**	**2 680 012**
Loss allowance for expected credit losses as at 31 December 2022	**-**	**-**	**(153 244)**	**-**	**(153 244)**

CONTENT

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at fair value through other comprehensive income				
Gross carrying amount as at 1 January 2022	**71 602 189**	**-**	**-**	**71 602 189**
Changes in gross carrying amount				
Financial assets originated or purchased	96 086 835	-	-	96 086 835
Financial assets derecognised, except for write-offs	(131 347 380)	-	-	(131 347 380)
Change in currency rates and other changes	2 026 294	-	-	2 026 294
Gross carrying amount as at 31 December 2022	**38 367 938**	**-**	**-**	**38 367 938**

	2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Investment securities at amortised cost				
Gross carrying amount as at 1 January 2022	**3 010 634**	**-**	**-**	**3 010 634**
Changes in gross carrying amount				
Financial assets originated or purchased	2 034 963	-	-	2 034 963
Financial assets derecognised, except for write-offs	58 441	-	-	58 441
Gross carrying amount as at 31 December 2022	**5 104 038**	**-**	**-**	**5 104 038**
Loss allowance for expected credit losses as at 31 December 2022	**(97 005)**	**-**	**-**	**(97 005)**

28 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

	2022			
	Stage 1	Stage 2	Stage 3	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Total
Other financial assets				
Gross carrying amount as at 1 January 2022	**490 887**	**-**	**45 056**	**535 943**
Changes in gross carrying amount				
Transfer to Stage 2	(103 012)	103 012	-	-
Financial assets originated or purchased	44 085	-	1 825	45 910
Financial assets derecognised, except for write-offs	(89 850)	-	(1 751)	(91 601)
Change in currency rates and other changes	-	-	11	11
Gross carrying amount as at 31 December 2022	**342 110**	**103 012**	**45 141**	**490 263**
Loss allowance for expected credit losses as at 31 December 2022	**(6 538)**	**(1 125)**	**(44 209)**	**(51 872)**

28 RISK MANAGEMENT (CONTINUED)

(d) Geographical concentration

The Investment Committee of the National Bank steadily monitors the country risk of its counterparties. This approach is aimed at minimising potential losses from investment climate changes in those countries where the National Bank's currency reserves are placed.

The following table shows the geographical concentration of assets and liabilities at 31 December 2023:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	Total 31 December 2023
Financial assets					
Cash on hand, amounts due from banks and other financial institutions	20 978 876	38 421 573	20 939 520	44 311 188	124 651 157
Loans to banks and international organisations	-	-	-	-	-
Investment securities at fair value through other comprehensive income	-	1 773 852	-	34 551 825	36 325 677
Investment securities at amortised cost	10 203 674	-	-	-	10 203 674
Other financial assets	360 453	-	-	-	360 453
Total financial assets	**31 543 003**	**40 195 425**	**20 939 520**	**78 863 013**	**171 540 961**
Financial liabilities					
Banknotes and coins in circulation	207 251 028	-	-	-	207 251 028
Amounts due to banks and other financial institutions	57 837 754	-	1 066 515	94 749	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	-	42 636 978
Debt securities issued	54 281 514	-	-	-	54 281 514
Liabilities to the IMF in respect of SDR allocations	-	-	-	10 204 524	10 204 524
Other financial liabilities	236 769	7 844	248	-	244 861
Total financial liabilities	**362 244 043**	**7 844**	**1 066 763**	**10 299 273**	**373 617 923**
Net balance sheet position	**(330 701 040)**	**40 187 581**	**19 872 757**	**68 563 740**	**(202 076 962)**

28 RISK MANAGEMENT (CONTINUED)

(d) Geographical concentration (continued)

The following table shows the geographical concentration of assets and liabilities at 31 December 2022:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	Total 31 December 2022
Financial assets					
Cash on hand, amounts due from banks and other financial institutions	20 175 290	37 401 886	26 608 372	35 337 358	119 522 906
Loans to banks and international organisations	2 526 768	-	-	-	2 526 768
Investment securities at fair value through other comprehensive income	-	6 739 207	-	31 628 731	38 367 938
Investment securities at amortised cost	5 007 033	-	-	-	5 007 033
Other financial assets	438 391	-	-	-	438 391
Total financial assets	**28 147 482**	**44 141 093**	**26 608 372**	**66 966 089**	**165 863 036**
Financial liabilities					
Banknotes and coins in circulation	198 810 147	-	-	-	198 810 147
Amounts due to banks and other financial institutions	57 693 981	-	283 830	57 579	58 035 390
Amounts due to the Government of the Kyrgyz Republic	31 808 702	-	-	-	31 808 702
Debt securities issued	34 350 617	-	-	-	34 350 617
Liabilities to the IMF in respect of SDR allocations	-	-	-	16 171 080	16 171 080
Other financial liabilities	182 053	3 469	254	-	185 776
Total financial liabilities	**322 845 500**	**3 469**	**284 084**	**16 228 659**	**339 361 712**
Net balance sheet position	**(294 698 018)**	**44 137 624**	**26 324 288**	**50 737 430**	**(173 498 676)**

28 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

Liquidity risk is the risk that the National Bank will encounter difficulty in meeting the obligations associated with its financial liabilities. Liquidity risk exists when maturities of assets and liabilities denominated in foreign currency do not match. The matching and/or controlled mismatching of maturities of assets and liabilities is fundamental to the risk management of financial institutions, including the National Bank. It is not a common practice for financial institutions to completely match maturity of assets and liabilities due to the diversity of operations and associated uncertainty.

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

The National Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Since the National Bank is the emission bank (the National Bank carries out the issue of national currency – the Kyrgyz som), the default risk on fulfilment its obligations in national currency is minimal, and liquidity risk is more applicable for financial liabilities of the National Bank denominated in foreign currency.

Liquidity management of assets and liabilities in foreign currency of the National Bank includes:

- projecting cash flows by foreign currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be sold as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios of the National Bank against regulatory requirements.

28 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	Carrying amount 31 December 2023
Due to banks and other financial institutions	58 999 018	-	-	-	-	58 999 018	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	-	-	42 636 978	42 636 978
Debt securities issued	46 465 540	6 321 310	2 012 200	-	-	54 799 050	54 281 514
Liabilities to the IMF in respect of SDR allocations	10 131 147	73 377	-	-	-	10 204 524	10 204 524
Other financial liabilities	131 150	70	12 749	94 802	6 090	244 861	244 861
	158 363 833	**6 394 757**	**2 024 949**	**94 802**	**6 090**	**166 884 431**	**166 366 895**

The tables above show cash outflows of financial liabilities that are not equal to carrying amounts of those liabilities in current separate financial statements because these amounts include remaining interest payable, which is not yet recognised using the effective interest rate method.

CONTENT

28 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	Carrying amount 31 December 2022
Due to banks and other financial institutions	58 035 390	-	-	-	-	58 035 390	58 035 390
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	-	-	-	31 808 702	31 808 702
Debt securities issued	28 621 200	5 995 800	-	-	-	34 617 000	34 350 617
Liabilities to the IMF in respect of SDR allocations	16 091 884	79 196	-	-	-	16 171 080	16 171 080
Other financial liabilities	86 149	13 606	6 712	73 241	6 068	185 776	185 776
	134 643 325	**6 088 602**	**6 712**	**73 241**	**6 068**	**140 817 948**	**140 551 565**

The tables above show cash outflows of financial liabilities that are not equal to carrying amounts of those liabilities in current separate financial statements because these amounts include remaining interest payable, which is not yet recognised using the effective interest rate method.

28 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Without maturity	Total 31 December 2023
Financial assets							
Cash on hand, amounts due from banks and other financial institutions	114 705 203	9 945 954	-	-	-	-	124 651 157
Loans to banks and international organisations	-	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	10 506 371	10 042 789	7 284 146	6 260 230	2 232 141	-	36 325 677
Investment securities at amortised cost	-	193 149	22 270	2 494 838	7 493 417	-	10 203 674
Other financial assets	19 918	6 144	29 105	170 527	134 759	-	360 453
	125 231 492	**20 188 036**	**7 335 521**	**8 925 595**	**9 860 317**	**-**	**171 540 961**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	207 251 028	207 251 028
Amounts due to banks and other financial institutions	58 999 018	-	-	-	-	-	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	-	-	-	-	42 636 978
Debt securities issued	46 207 702	6 174 772	1 899 040	-	-	-	54 281 514
Liabilities to the IMF in respect of SDR allocations	10 131 147	73 377	-	-	-	-	10 204 524
Other financial liabilities	131 150	70	107 551	5 832	258	-	244 861
	158 105 995	**6 248 219**	**2 006 591**	**5 832**	**258**	**207 251 028**	**373 617 923**
Net position	**(32 874 503)**	**13 939 817**	**5 328 930**	**8 919 763**	**9 860 059**	**(207 251 028)**	**(202 076 962)**

CONTENT

28 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

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

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Without maturity	Total 31 December 2022
Financial assets							
Cash on hand, amounts due from banks and other financial institutions	97 262 218	20 684 544	1 576 144	-	-	-	119 522 906
Loans to banks and international organisations	-	127 200	2 399 568	-	-	-	2 526 768
Investment securities at fair value through other comprehensive income	12 228 718	21 184 741	3 367 559	1 586 920	-	-	38 367 938
Investment securities at amortised cost	-	-	22 362	2 381 621	2 603 050	-	5 007 033
Other financial assets	17 132	6 691	31 903	199 080	183 585	-	438 391
	109 508 068	**42 003 176**	**7 397 536**	**4 167 621**	**2 786 635**	**-**	**165 863 036**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	198 810 147	198 810 147
Amounts due to banks and other financial institutions	58 035 390	-	-	-	-	-	58 035 390
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	-	-	-	-	31 808 702
Debt securities issued	28 497 069	5 853 548	-	-	-	-	34 350 617
Liabilities to the IMF in respect of SDR allocations	16 091 884	79 196	-	-	-	-	16 171 080
Other financial liabilities	86 149	13 606	79 953	6 068	-	-	185 776
	134 519 194	**5 946 350**	**79 953**	**6 068**	**-**	**198 810 147**	**339 361 712**
Net balance sheet position	**(25 011 126)**	**36 056 826**	**7 317 583**	**4 161 553**	**2 786 635**	**(198 810 147)**	**(173 498 676)**

29 CONTINGENT LIABILITIES

(a) Insurance

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

(b) Litigation

In the ordinary course of business, the National Bank is subject to legal actions and complaints. Management of the National Bank believes that the ultimate liability, if any, arising from such actions or complaints, will not have a significant impact on the National Bank's financial position and operating results.

(c) Taxation contingencies

The taxation system in the Kyrgyz Republic is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years. However, under certain circumstances a tax year may remain open within six calendar years.

Taking into consideration that the National Bank has exemption from income tax and some other taxes, tax liabilities origination is not obvious and their influence on the separate financial statements of the National Bank is not significant.

30 AGENCY FUNCTIONS

Membership quota of the Kyrgyz Republic in the International Monetary Fund

In 1992, the Kyrgyz Republic joined the International Monetary Fund (the "IMF"). A membership quota expressed in Special Drawing Rights ("SDRs") is assigned to each member of the IMF. The membership quota is the basis for determining access of the country to the IMF financing. As at 31 December 2023 and 2022, the quota of the Kyrgyz Republic amounted to 177 600 thousand SDR.

To secure a part of the membership quota, the Ministry of Finance of the Kyrgyz Republic issued securities to the IMF. The other part was secured by funds placed on the IMF current account with the National Bank.

The National Bank was designated as a depository for these securities and funds and as a financial agency authorised to carry out transactions with the IMF on behalf of the Kyrgyz Republic. Accordingly, the following assets and liabilities are not assets and liabilities of the National Bank and were not included in the National Bank's separate financial statements:

30 AGENCY FUNCTIONS (CONTINUED)

	31 December 2023	31 December 2022
IMF membership quota	**21 186 036**	**20 251 132**
Securities issued to the IMF	(21 095 953)	(20 165 024)
The IMF current accounts	(56 778)	(58 292)
	(21 152 731)	**(20 223 316)**

31 RELATED PARTY TRANSACTIONS

(a) Control relationship

In considering each possible related party relationship, attention is paid to the substance of the relationship rather than only their legal status.

In accordance with the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" the National Bank is the central bank of the Kyrgyz Republic and is owned by the Kyrgyz Republic. The National Bank has the authority to independently run its own operations under powers given by the Law.

(b) Transactions with the members of the Management Board

Total remuneration received by the members of the National Bank's Management Board for the years ended 31 December 2023 and 2022 was 84 355 thousand soms and 31 992 thousand soms, respectively. The remuneration consists of salary and other payments. The outstanding balances of loans issued to members of the Management Board as at 31 December 2023 and 2022 were 6 313 thousand soms and 7 043 thousand soms, respectively. The loans are KGS-denominated and repayable by 2032. Interest income from loans to members of the Management Board of the National Bank for the years ended 31 December 2023 and 2022 was 100 thousand soms and 88 thousand soms, respectively.

(c) Transactions with other related parties

During 2023, the following related party transactions were entered into that are not separately disclosed in these separate financial statements:

	Subsidiaries	Average interest rate, %	Associate	Total 31 December 2023
Separate statement of financial position				
Investments in subsidiaries and an associate	6 770 000	-	676 676	7 446 676
Non-current assets held for sale	7 126 432	-	-	7 126 432
Other assets	662	-	-	662
Amounts due to banks and other financial institutions	1 786 272	11,00	-	1 786 272
Debt securities issued	1 151 986	14,64	-	1 151 986

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other related parties (continued)

During 2022, the following related party transactions were entered into that are not separately disclosed in these separate financial statements:

	Subsidiaries	Average interest rate, %	Associate	Total 31 December 2022
Separate statement of financial position				
Investments in subsidiaries and an associate	11 355 056	-	443 260	11 798 316
Other assets	351	-	-	351
Amounts due to banks and other financial institutions	1 312 012	10,00	-	1 312 012
Debt securities issued	381 335	12,52	-	381 335

The relevant gains and losses on transactions with other related parties for the year ended 31 December 2023 were as follows:

	Subsidiaries	Associate	Total For the year ended 31 December 2023
Separate statement of profit or loss			
Share of profit of associate	-	273 115	273 115
Interest income	-	-	-
Fee and commission income	3 806	-	3 806
Other income	428 448	1 068	429 516
Recovery of impairment loss of investment in a subsidiary	2 541 376	-	2 541 376
Interest expense	(79 891)	-	(79 891)
Other expenses	(5 332)	(481)	(5 813)

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other related parties, continued

The relevant gains and losses on transactions with other related parties for the year ended 31 December 2022 were as follows:

	Subsidiaries	Associate	Total For the year ended 31 December 2022
Separate statement of profit or loss			
Share of profit of associate	-	130 972	130 972
Interest income	7 812	-	7 812
Fee and commission income	3 172	100	3 272
Other income	240 904	1 100	242 004
Recovery of impairment loss of investment in a subsidiary	750 063	-	750 063
Interest expense	(89 947)	-	(89 947)
Other expenses	(10 235)	(469)	(10 704)

32 FINANCIAL ASSETS AND FINANCIAL LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUE

(a) Accounting classifications and fair value

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

	Measured at amortised cost	Measured at fair value through other comprehensive income	Total carrying amount 31 December 2023	Fair value 31 December 2023
Cash on hand, amounts due from banks and other financial institutions	40 172 144	84 479 013	124 651 157	124 651 157
Loans to banks and international organisations	-	-	-	-
Investment securities at fair value through other comprehensive income	-	36 325 677	36 325 677	36 325 677
Investment securities at amortised cost	10 203 674	-	10 203 674	10 203 674
Other financial assets	360 453	-	360 453	360 453
	50 736 271	**120 804 690**	**171 540 961**	**171 540 961**
Banknotes and coins in circulation	207 251 028	-	207 251 028	207 251 028
Amounts due to banks and other financial institutions	58 999 018	-	58 999 018	58 999 018
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	42 636 978	-	42 636 978	42 636 978
Debt securities issued	54 281 514	-	54 281 514	54 281 514
Liabilities to the IMF in respect of SDR allocations	10 204 524	-	10 204 524	10 204 524
Other financial liabilities	244 861	-	244 861	244 861
	373 617 923	**-**	**373 617 923**	**373 617 923**

32 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUE (CONTINUED)

(a) Accounting classifications and fair value (continued)

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

	Measured at amortised cost	Measured at fair value through other comprehensive income	Total carrying amount 31 December 2022	Fair value 31 December 2022
Cash on hand, amounts due from banks and other financial institutions	47 362 741	72 160 165	119 522 906	119 522 906
Loans to banks and international organisations	2 526 768	-	2 526 768	2 526 768
Investment securities at fair value through other comprehensive income	-	38 367 938	38 367 938	38 367 938
Investment securities at amortised cost	5 007 033	-	5 007 033	4 446 976
Other financial assets	438 391	-	438 391	438 391
	55 334 933	**110 528 103**	**165 863 036**	**165 302 979**
Banknotes and coins in circulation	198 810 147	-	198 810 147	198 810 147
Amounts due to banks and other financial institutions	58 035 390	-	58 035 390	58 035 390
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	31 808 702	-	31 808 702	31 808 702
Debt securities issued	34 350 617	-	34 350 617	34 350 617
Liabilities to the IMF in respect of SDR allocations	16 171 080	-	16 171 080	16 171 080
Other financial liabilities	185 776	-	185 776	185 776
	339 361 712	**-**	**339 361 712**	**339 361 712**

32 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUE (CONTINUED)

(a) Accounting classifications and fair value (continued)

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The National Bank measures fair values for financial instruments recorded in the separate statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

The table below analyses financial instruments measured at fair value as at 31 December 2023, by levels in the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total 31 December 2023**
Cash on hand, amounts due from banks and other financial institutions	84 479 013	-	-	**84 479 013**
Investments in securities at fair value through other comprehensive income	36 325 677	-	-	**36 325 677**

The table below analyses financial instruments measured at fair value as at 31 December 2022, by levels in the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total 31 December 2022**
Cash on hand, amounts due from banks and other financial institutions	72 160 165	-	-	**72 160 165**
Investments in securities at fair value through other comprehensive income	38 367 938	-	-	**38 367 938**

32 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

(b) Fair value hierarchy (continued)

The table below analyses financial instruments not measured at fair value as at 31 December 2023, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 31 December 2023
Cash on hand, amounts due from banks and other financial institutions	20 978 876	19 193 268	-	**40 172 144**
Loans to banks and international organisations	-	-	-	**-**
Investment securities at amortised cost	-	10 203 674	-	**10 203 674**
Other financial assets	-	360 453	-	**360 453**
Banknotes and coins in circulation	-	207 251 028	-	**207 251 028**
Amounts due to banks and other financial institutions	-	58 999 018	-	**58 999 018**
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	-	42 636 978	-	**42 636 978**
Debt securities issued	-	54 281 514	-	**54 281 514**
Liabilities to the IMF in respect of SDR allocations	-	10 204 524	-	**10 204 524**
Other financial liabilities	-	244 861	-	**244 861**

The table below analyses financial instruments not measured at fair value as at 31 December 2022, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 31 December 2022
Cash on hand, amounts due from banks and other financial institutions	20 175 290	27 187 451	-	**47 362 741**
Loans to banks and international organisations	-	2 526 768	-	**2 526 768**
Investment securities at amortised cost	-	4 446 976	-	**4 446 976**
Other financial assets	-	438 391	-	**438 391**
Banknotes and coins in circulation	-	198 810 147	-	**198 810 147**
Amounts due to banks and other financial institutions	-	58 035 390	-	**58 035 390**
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	-	31 808 702	-	**31 808 702**
Debt securities issued	-	34 350 617	-	**34 350 617**
Liabilities to the IMF in respect of SDR allocations	-	16 171 080	-	**16 171 080**
Other financial liabilities	-	185 776	-	**185 776**

33 OFFSETTING

As at 31 December 2023 and 2022, the National Bank had not any financial assets and financial liabilities that would have met the criteria for offsetting in the separate statement of financial position, and the National Bank had not entered into any master netting or similar agreements.

34 EVENTS AFTER THE REPORTING PERIOD

The Law of the Kyrgyz Republic No. 63 dated 1 March 2024 “On acquisition by the Cabinet of Ministers of the Kyrgyz Republic of a block of shares of the open joint stock company Keremet Bank from the National Bank of the Kyrgyz Republic” defined the acquisition by the Cabinet of Ministers of the Kyrgyz Republic represented by the Ministry of Finance of the Kyrgyz Republic from the National Bank of a block of shares of OJSC Keremet Bank in the amount of 84 770 588 units, representing 97,45 percent of all common voting shares of OJSC Keremet Bank.

The fair value and price of the purchased block of shares of OJSC Keremet Bank was determined in the amount of 7 126 432 thousand soms.

A draft Constitutional Law of the Kyrgyz Republic “On issues of transfer of the National Bank’s profit of the Kyrgyz Republic” was submitted on 26 February 2024 to the Jogorku Kenesh of the Kyrgyz Republic for consideration, according to which the transfer of profit of the National Bank at the end of 2023 to the republican budget will be carried out in the amount of one hundred percent.

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