КЫРГЫЗ БАНКЫ

ANNUAL REPORT 2022

Bishkek-2023

Annual Report of the National Bank of the Kyrgyz Republic for 2022.
Financial Statements for the year ended on December 31, 2022.

The report of the National Bank of the Kyrgyz Republic for the year of 2022 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, 2022 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No.*2023-П-15/24-3-(ВД)* of April 14, 2023.

The separate financial statements of the National Bank for the year ended on December 31, 2022 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No.*2023-П-15/24-4-(ВД)* of April 14, 2023.

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

Reprinting shall be performed only with the permission of the National Bank of the Kyrgyz Republic; quotation shall be fulfilled with obligatory indication of the source.

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

CONTENTS

IV. FINANCIAL STATEMENTS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC FOR 2022

CHAPTER 7. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CHAPTER 8. SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

IV

FINANCIAL STATEMENTS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC FOR 2022

CHAPTER 7. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

«Эрнст энд Янг Аудит» ЖЧК
ул. Токтогула, 125/1
Бишкек ш. 720001
Кыргыз Республикасы

ООО «Эрнст энд Янг Аудит»
ул. Токтогула, 125/1
г. Бишкек, 720001
Кыргызская Республика

Ernst & Young Audit LLC
Toktogul Str., 125/1
Bishkek, 720001
Kyrgyz Republic

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 (hereinafter, the "National Bank") and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated 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 (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other information included in the Annual Report of the National Bank for 2022

Other information consists of the information included in the Annual Report of the National Bank for 2022, other than the consolidated financial statements and our auditor's report thereon. 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.

Emphasis 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 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 National Bank for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2022.

Responsibilities of management and Audit Committee for the consolidated financial statements

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 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.

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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, 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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Olga Khegay
Auditor

Paul Cohn
General Director
Ernst & Young Audit LLC

Qualification certificate of the auditor:
Series AD No. 0017, registration number
No. 0466 dated 7 August 2019

Qualification certificate of the auditor:
Series A No. 0366, registration number
No. 0446 dated 22 October 2018

Audit license: Series A, No. 0036, registration number No. 0065, issued on 20 February 2010 by the State Service for Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic

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

14 April 2023

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Consolidated statement of financial position as at 31 december 2022

(in thousands of soms)

	Notes	31 December 2022	31 December 2021
Assets			
Gold	6	81 833 825	50 159 119
Cash on hand, amounts due from banks and other financial institutions	7	123 004 432	134 282 112
Loans to banks and international organisations	8	2 526 768	6 248 840
Loans to customers	9	6 493 771	6 339 365
Investment securities at fair value through other comprehensive income	10	39 059 344	72 482 525
Investment securities at amortised cost	11	11 348 563	9 099 364
Investment in an associate	12	458 266	344 582
Property and equipment	13	2 398 136	2 328 640
Right-of-use assets	14	125 903	106 626
Intangible assets		169 111	209 281
Non-current assets held for sale	15	532 567	687 416
Non-monetary gold and gold reserves	16	133 964 725	35 413 597
Deferred income tax assets	32	2 889	5 380
Current income tax assets		93	93
Other assets	17	1 630 777	4 480 843
Total assets		**403 549 170**	**322 187 783**
LIABILITIES			
Banknotes and coins in circulation	18	197 935 938	139 554 512
Derivative financial liabilities		18 667	15 539
Amounts due to banks and other financial institutions	19	56 848 605	39 110 292
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	20	31 808 702	22 730 726
Amounts due to customers	21	5 268 235	4 402 860
Debt securities issued	22	34 159 748	18 400 171
Other borrowed funds		181 371	-
Liabilities to the IMF in respect of SDR allocations	23	16 171 080	30 258 833
Lease liabilities	14	127 827	128 557
Deferred income tax liabilities	32	13 483	2 551
Other liabilities	24	641 752	442 962
Total liabilities		**343 175 408**	**255 047 003**
EQUITY			
Share capital	25	4 000 000	2 000 000
Obligatory reserve		7 244 293	8 325 042
Revaluation reserve for foreign currencies and gold		35 858 965	44 149 006
Revaluation reserve for investment securities at fair value through other comprehensive income		(279 165)	(102 317)
Retained earnings		12 757 103	11 998 053
Total equity attributable to equity holders of the National Bank		**59 581 196**	**66 369 784**
Non-controlling interests		792 566	770 996
Total equity		**60 373 762**	**67 140 780**
Total liabilities and equity		**403 549 170**	**322 187 783**

Chokoev Z.L.
Acting Chairman of the National Bank
14 April 2023
Bishkek, the Kyrgyz Republic

Abylgazieva A.B.
Chief Accountant
14 April 2023
Bishkek, the Kyrgyz Republic

The notes on pages 17 - 98 form an integral part of these separate financial statements.

Consolidated statement of profit or loss for the year ended 31 december 2022

(in thousands of soms)

	Note	2022	2021
Interest income calculated using effective interest rate	26	4 198 834	2 396 348
Interest expense	26	(4 318 650)	(1 420 448)
Net interest (expense)/income	**26**	**(119 816)**	**975 900**
Fee and commission income		288 690	213 342
Fee and commission expense		(155 942)	(79 967)
Net fee and commission income		**132 748**	**133 375**
Reversal of credit losses/(credit loss expense)	27	119 085	(349 695)
Net realised gain on foreign currencies and gold transactions	28	12 633 527	15 053 973
Net (loss)/gain on transactions with financial instruments at fair value through profit or loss		(23 910)	28 607
Other impairment and provisions	27	(47 777)	(88 053)
Share of profit of an associate		130 972	73 081
Other income	29	1 045 721	600 271
Net non-interest income		**13 857 618**	**15 318 184**
Operating income		**13 870 550**	**16 427 459**
Banknotes and coins production expenses		(609 319)	(434 774)
Administrative expenses	30	(2 527 933)	(2 127 732)
Other expenses	29	(675 047)	(259 595)
Operating expenses		**(3 812 299)**	**(2 822 101)**
Profit before tax		10 058 251	13 605 358
Income tax expense	32	(63 951)	(9 920)
Profit for the year		**9 994 300**	**13 595 438**
Profit attributable to non-controlling interests		45 179	17 663
Profit attributable to equity holders of the National Bank		**9 949 121**	**13 577 775**

Chokoev Z.L.
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14 April 2023
Bishkek, the Kyrgyz Republic

Abylgazieva A.B.
Chief Accountant
14 April 2023
Bishkek, the Kyrgyz Republic

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Consolidated statement of comprehensive income for the year ended 31 december 2022

(in thousands of soms)

	2022	2021
Profit for the year	**9 994 300**	**13 595 438**
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	3 608 173	5 122 030
- net realised gain on foreign currencies and gold transactions transferred to profit or loss	(11 898 214)	(14 545 597)
Net loss from changes in fair value of investment securities at fair value through other comprehensive income	(177 689)	(119 178)
Other comprehensive loss for the year, net of income tax	**(8 467 730)**	**(9 542 745)**
Total comprehensive income for the year	**1 526 570**	**4 052 693**
Attributable to:		
- equity holders of the National Bank	1 482 232	4 035 225
- non-controlling interests	44 338	17 468
	1 526 570	**4 052 693**

Chokoev Z.L.
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14 April 2023
Bishkek, the Kyrgyz Republic

Abylgazieva A.B.
Chief Accountant
14 April 2023
Bishkek, the Kyrgyz Republic

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Consolidated statement of cash flows for the year ended 31 december 2022

(in thousands of soms)

	Note	2022	2021
Cash flows from operating activities			
Interest received		2 877 733	1 884 738
Interest paid		(4 020 138)	(1 382 146)
Fees and commissions received		308 677	202 694
Fees and commissions paid		(151 629)	(79 925)
Realised gain from dealing in foreign currencies		703 721	505 786
Net realised gain on transactions with financial instruments at fair value through profit or loss		12 448	28 607
Other income		847 752	333 207
Payroll expenses		(1 566 903)	(1 123 346)
Banknotes and coins production expenses		(142 152)	(902 986)
Administrative and other expenses excluding payroll expenses		(1 243 988)	(708 169)
Cash flows from operating activities before changes in operating assets and liabilities		**(2 374 479)**	**(1 241 540)**
Decrease/(increase) in operating assets			
Gold		-	35 156 809
Amounts due from banks and other financial institutions		21 141 184	(21 962 511)
Investment securities at fair value through other comprehensive income		35 692 150	2 782 077
Loans to banks and international organisations		4 113 775	2 185 211
Loans to customers		(130 029)	(757 482)
Non-current assets held for sale		174 363	6 148
Non-monetary gold and gold reserves		(128 781 523)	(24 327 409)
Other assets		6 033	1 685 358
Increase/(decrease) in operating liabilities			
Banknotes and coins in circulation		58 381 427	5 237 824
Derivative financial liabilities		(40 650)	15 539
Amounts due to banks and other financial institutions		17 703 094	14 866 769
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic		(10 253 070)	(1 818 849)
Amounts due to customers		825 949	24 050
Debt securities issued		15 876 062	5 393 968
Other liabilities		49 064	(11 791)
Cash flows from operating activities		**12 383 350**	**17 234 171**
Income tax paid		(46 428)	(19 184)
Net cash from operating activities		**12 336 922**	**17 214 987**

The notes on pages 17 - 98 form an integral part of these separate financial statements.

Consolidated statement of cash flows for the year ended 31 december 2022 (continued)

(in thousands of soms)

	Note	2022	2021
Cash flows from investing activities			
Cash proceeds on consolidation of a subsidiary		-	9 433
Purchase of property and equipment and intangible assets		(274 086)	(303 627)
Proceeds from disposal of property, plant and equipment		64	3 653
Purchase of investment securities at amortised cost		(5 696 301)	(6 685 050)
Proceeds from redemption of investment securities at amortised cost		3 130 764	802 960
Interest received on investment securities at amortised cost		999 690	280 868
Dividends received		22 176	10 358
Net cash used in investing activities		**(1 817 693)**	**(5 881 405)**
Cash flows from financing activities			
Proceeds from SDR allocations by the IMF	23	-	20 424 704
Proceeds from other borrowed funds		181 371	-
Redemption of other borrowed funds		-	(321 667)
Lease payments	14	(87 249)	(74 726)
Dividends paid		(22 822)	(3 484)
Net cash from financing activities		**71 300**	**20 024 827**
Net increase in cash and cash equivalents		**10 590 529**	**31 358 409**
Effect of expected credit losses on cash and cash equivalents		(203 408)	(6 128)
Effect of changes in foreign exchange rates on cash and cash equivalents		(3 297 167)	1 738 880
Cash and cash equivalents, beginning		**86 542 410**	**53 451 249**
Cash and cash equivalents, ending	7	**93 632 364**	**86 542 410**
Non-cash transactions			
Transfer of liabilities to the IMF in respect of SDR allocations to the Ministry of Finance of the Kyrgyz Republic	23	(12 219 462)	-

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14 April 2023
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The notes on pages 17 - 98 form an integral part of these separate financial statements.

Consolidated statement of changes in equity for the year ended 31 december 2022

(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 25*)	-	-	-	-	(8 273 258)	(8 273 258)	-	(8 273 258)
Increase in charter capital (*Note 25*)	2 000 000	(2 000 000)	-	-	-	-	-	-
Transfer to obligatory reserve (*Note 25*)	-	919 251	-	-	(919 251)	-	-	-
Dividends paid 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**

The notes on pages 17 - 98 form an integral part of these separate financial statements.

CONTENT

CONTENT

Consolidated statement of changes in equity for the year ended 31 december 2022 (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 2021	**2 000 000**	**7 476 561**	**53 572 573**	**16 666**	**6 909 129**	**69 974 929**	**751 983**	**70 726 912**
Profit for the year	-	-	-	-	13 577 775	13 577 775	17 663	13 595 438
Other comprehensive income								
Net loss from investment securities at fair value through other comprehensive income	-	-	-	(118 983)	-	(118 983)	(195)	(119 178)
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	5 122 030	-	-	5 122 030	-	5 122 030
Net gain on foreign currencies and gold transactions transferred to profit or loss	-	-	(14 545 597)	-	-	(14 545 597)	-	(14 545 597)
Total comprehensive income for the year	**-**	**-**	**(9 423 567)**	**(118 983)**	**13 577 775**	**4 035 225**	**17 468**	**4 052 693**
Transactions recorded directly in equity								
Distribution of prior year profit to the State budget (*Note 25*)	-	-	-	-	(7 636 330)	(7 636 330)	-	(7 636 330)
Transfer to obligatory reserve (*Note 25*)		848 481	-	-	(848 481)	-	-	-
Dividends paid (*Note 25*)	-	-	-	-	(3 484)	(3 484)	-	(3 484)
Transfer of provision for depreciation of property and equipment	-	-	-	-	(2 101)	(2 101)	-	(2 101)
Total amounts of transactions recorded directly in equity	**-**	**848 481**	**-**	**-**	**(8 490 396)**	**(7 641 915)**	**-**	**(7 641 915)**
Adjustment resulting from change in non-controlling interests in subsidiaries	-	-	-	-	1 545	1 545	1 545	3 090
As at 31 December 2021	**2 000 000**	**8 325 042**	**44 149 006**	**(102 317)**	**11 998 053**	**66 369 784**	**770 996**	**67 140 780**

Chokoev Z.L.
Acting Chairman of the National Bank
14 April 2023
Bishkek, the Kyrgyz Republic

Abylgazieva A.B.
Chief Accountant
14 April 2023
Bishkek, the Kyrgyz Republic

The notes on pages 17 - 98 form an integral part of these separate financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 2022 and 2021, the National Bank has 5 regional departments and one representative office operating throughout the Kyrgyz Republic.

As at 31 December 2022 and 2021, the total number of the National Bank's employees is 702 and 753, 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 2022**	**31 December 2021**	**Activity**
OJSC Keremet Bank	97,45	97,45	Banking services
OJSC Guarantee Fund	91,22	91,22	Guarantee issue services
CJSC Kyrgyz Collection	100,00	100,00	Valuables transportation services

As at 31 December 2022 and 2021, the Group also owns an investment in an associate CJSC Interbank Processing Center (49,42% of shares).

On 30 April 2022, retained earnings of previous years of Interbank Processing Center CJSC ("IPC CJSC") in the amount of KGS 263 520 thousand 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.

These consolidated financial statements were approved by the Management Board of the National Bank on 14 April 2023.

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.

In 2022, the economy of the Kyrgyz Republic was under the influence of foreign economic conditions related to geopolitical tension in the world, acceleration of global inflation, volatility of world prices in the commodity markets and changes in the nature of foreign trade operations.

The National Bank in cooperation with the Cabinet of Ministers of the Kyrgyz Republic took active measures to ensure price and macroeconomic stability. The National Bank implemented the measures aimed at maintaining stability in the banking and financial systems of the country.

The National Bank stays committed to a free-floating currency exchange rate and retains the right to perform currency interventions under conditions of excessive volatility to ensure the stability of the financial system.

The Group also considers negative development scenarios and is ready to adapt its operational plans accordingly. The Group continues to monitor the situation closely and will respond to mitigate the impact of negative events and circumstances as they occur.

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

(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.

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

2 BASIS OF PREPARATION (CONTINUED)

(a) General (continued)

- 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.
- Financial liabilities to the International Monetary Fund ("IMF") in respect of Special Drawing Rights ("SDR") allocations are derecognised if SDR assets are transferred to another Governmental entity by decision of the Cabinet of Ministers of the Kyrgyz Republic;
- The National Bank classifies cash flows from investment securities at fair value through other comprehensive income as cash flows from operating activities in 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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Accounting for gold (continued)

(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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions (continued)

Foreign exchange rates

Foreign exchange rates used by the Group in preparing the consolidated financial statements as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
US dollar/som	85,6800	84,7586
Euro/som	91,4377	95,7857
Special drawing rights/som	114,0271	118,6705
Canadian dollar/som	63,3025	66,0967
Australian dollar/som	58,2453	61,3829
Great British pound sterling/som	103,2958	113,6214
Chinese renminbi/som	12,3147	13,3134
Russian rouble/som	1,1763	1,1409
Troy ounce of gold/som	155 282,1480	153 061,3178

(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 and its subsidiaries. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

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.

(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").

CONTENT

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

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 an asset to obtain the contractual cash flows'.

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

- Nostro accounts with foreign banks and international financial institutions (Note 7);
- 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* ("IFRS 13").

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 7*);
- loans to banks and international organisations (*Note 8*);
- loans to customers (*Note 9*);
- investment securities at amortised cost (*Note 11*); and
- accounts receivable (*Note 1*7).

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

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* (“IFRS 13”).

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

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.

(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 7*);
- loans to banks and international organisations (*Note 8*);
- loans to customers (*Note 9*);
- investment securities at fair value through other comprehensive income (*Note 10*);
- investment securities amortised cost (*Note 11*);
- other financial assets (*Note 17*) and
- financial guarantees issued (*Note 31*).

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, where

ECL – expected credit losses

EAD – exposure at default;

LGD – loss given default

PD – probability of default

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

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.

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).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

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.

Measurement of expected credit losses for loans to customers

Loans to customers are assets with fixed or determinable payments that arise when the Group provides funds to borrowers directly and without intending to sell receivables.

Loans with a fixed maturity granted by the Group are initially recognised at fair value plus transaction costs incurred. In cases when the fair value of the funds provided differs from the fair value of the loan, for example, when a loan is issued at below market rates, the difference between the fair value of the funds provided and the fair value of the loan is recognised as a loss upon initial recognition of the loan and is included in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income as a loss on assets placed at below-market rates. The subsequent measurement of the carrying value of the loans is made using the effective interest method. Loans that do not have a fixed maturity are accounted for using the effective interest method, based on the expected maturity.

Approach to determining significant increase in credit risk.

Indicators of significant increase in credit risk for loans to customers that have the same risk weights in determining a significant increase in credit risk are:

- assets overdue for 31-90 days inclusive;
- a restructured loan at the time of restructuring and till the end of recovery period;
- identified fraud on the part of the borrower;
- borrower's involvement in legal proceedings;
- loss of work (actual and expected inability of the borrower to repay debt).

In this case the rehabilitation period is a period after two restructurings of a loan, which consists of two stages:

- Stage 1: 12-month period from the date of restructuring, excluding a grace period according to the loan repayment schedule; in this case, if loan repayment is overdue for 1 day and more, the count of the 1st period starts anew;
- Stage 2. 24-month period after expiry of Stage 1.

Upon expiry of Stage 2 a loan is considered to be "recovered".

Indicators of impairment of loans to customers.

The Group treats a loan as defaulted and therefore classifies it into stage 3 (credit impaired loans) for the calculation of expected credit losses, if there are the following indications:

- the borrower is past due more than 90 days on any material credit obligation to the Group;
- the borrower is unlikely to pay its credit obligations to the Group in full, without sale of collateral, regardless of any past due amount or the number of overdue days;
- a restructured loan before the expiry of the recovery period with 31 and more days past;
- bankruptcy status;
- death of the borrower.

The definition of default is appropriately adapted to reflect the different characteristics of different types of assets. Overdrafts are considered overdue if a customer has breached the established credit limit or has been notified of a limit that is lower than the current amount of debt.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

Measurement of expected credit losses for loans to customers (continued)

Calculation of expected credit losses on loans to customers.

PD represents the likelihood that a borrower will not fulfil its financial obligations during the next 12 months or during the remaining term.

Lifetime PD is calculated by applying the maturity date to the current 12-month probability of default. The repayment history shows how default portfolios evolve from initial recognition over the life of a loan. The repayment history is based on historical data and is assumed to be the same for all assets within the portfolio and credit rating range. This is confirmed by historical analysis.

LGD is determined based on factors that influence recovery after default. They depend on the type of loan:

- for secured loans, they are primarily based on the type of collateral and the current value of the collateral, historical discounts to market/carrying amount due to forced sales, period of foreclosure and observable restoration costs;
- for unsecured loans, default losses are usually set at 100%.

EAD is the assessment of risk at the date of default in the future, taking into account expected changes in risk after the reporting date, including repayment of principal and interest.

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.

(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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

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

- 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(h) Investment in an associate

Investment in an associate of the Group 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 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) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed 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.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their residual value at the time of such classification and fair value less costs to sell.

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Taxation (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

CONTENT

4 APPLICATION OF NEW AND REVISED IFRS

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 2022 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Amendments to IAS 16 Lease - Property, Plant and Equipment: Proceeds before Intended Use;
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – a subsidiary adopting International Financial Reporting Standards for the first time;
- IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities.

These standards, interpretations and amendments had no impact on the Group’s consolidated financial statements.

Standards, amendments and interpretations issued but 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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

4 APPLICATION OF NEW AND REVISED IFRS (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- separate the insurance coverage component and apply IFRS 17 to it;
- apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

These amendments are not expected to have a significant impact on the Group' consolidated financial statements.

Amendments to IAS 1 — Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- disclosures.

These amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the possible impact the amendments will have on current liabilities and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between a change in an accounting estimate and a change in an accounting policy and corrections of errors. Also, the clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted as long as this fact is disclosed.

These amendments are not expected to have a significant impact on the Group' consolidated financial statements.

4 APPLICATION OF NEW AND REVISED IFRS (CONTINUED)

Standards issued but not yet effective (continued)

Accounting Policies Disclosures - Amendments to IAS 1 and IFRS Practice Statement. 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant accounting policies” with a requirement to disclose their “material accounting policy information”, and by adding guidance on how entities should apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, there is no mandatory effective date for the amendments.

The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements going forward..

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

On 22 September 2022, the IASB issued an amendment to IFRS 16 *Lease Liability in a Sale and Leaseback*. The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. These amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

The initial measurement of a lease liability arising from a leaseback transaction may result in seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A to IFRS 16. The seller-lessee will need to develop and apply accounting policy that results in information that is current and reliable in accordance with IAS 8.

Amendments to IFRS 16 are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. The seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which the entity first applies IFRS 16.

These amendments are not expected to have a significant impact on the Group’ consolidated financial statements.

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 27*.

Fair value of Social Mortgage Loans

The Group's management believe that Social Mortgage Loans product of Keremet Bank OJSC has a distinct nature and represents a separate segment of the mortgage lending market. The fair value of loans issued under the terms of the Social Mortgage loan is the transaction price.

6 GOLD

	31 December 2022	31 December 2021
Gold		
Gold in deposits with foreign banks and in bullion	81 833 825	50 159 119
	81 833 825	**50 159 119**

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

Concentration of gold on deposits in foreign banks

As at 31 December 2022 and 2021 the Group placed gold on deposits with foreign banks with a credit rating of AA- assigned by Fitch Ratings Inc.

As at 31 December 2022 and 2021 the Group had no gold balances on deposits with foreign banks exceeding 10% of equity.

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

	31 December 2022	31 December 2021
Accounts and deposits with foreign banks		
- rated at AAA	32 271 115	23 063 873
- rated from A- to AA+	7 756 526	8 516 959
- rated from B- to BBB+	1 125 612	1 649 988
- rated from C to CCC	24 335	-
- rated from B- to BBB+	6 852	-
- not rated	1 378 234	22 622
Nostro accounts with foreign banks included in cash equivalents	**42 562 674**	**33 253 442**
Allowance for expected credit losses	(209 600)	(6 192)
Total nostro accounts with foreign banks	**42 353 074**	**33 247 250**
Term deposits with foreign banks		
- rated from AA- to AA+	10 258 510	15 940 100
- rated from A- to A+	12 593 166	11 072 756
- rated from B- to BBB+	110 931	3 137
- not rated	2 085 107	2 367 627
Total term deposits with foreign banks	**25 047 714**	**29 383 620**
Allowance for expected credit losses	(12 009)	(8 853)
	25 035 705	**29 374 767**
Accounts and deposits with international financial institutions		
Account with the International Monetary Fund (IMF)	19 682 157	31 796 843
Accounts with the Bank for International Settlements (BIS)		
- Term deposit with BIS	4 336 363	18 364 935
- Nostro accounts with BIS	11 318 843	16 530 835
Total accounts and deposits with international financial institutions	**35 337 363**	**66 692 613**
Allowance for expected credit losses	(5)	(5)
	35 337 358	**66 692 608**
Cash on hand in foreign currencies	20 278 295	4 967 487
Cash on hand, amounts due from banks and other financial institutions	**123 004 432**	**134 282 112**

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

Concentration of amounts due from banks and other financial institutions

As at 31 December 2022, the Group has accounts with five banks and other financial institutions rated from A to AAA (31 December 2021: five banks and other financial institutions rated from AA- to AAA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KGS 83 908 266 thousand (at 31 December 2021: KGS 106 401 908 thousand).

The credit ratings are presented by reference to the credit ratings of Fitch Rating Inc. ("Fitch") credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in *Note 27*.

Cash and cash equivalents

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

	31 December 2022	31 December 2021
Nostro accounts with foreign banks included in cash equivalents	42 353 074	33 247 250
Account with the IMF	19 682 154	31 796 841
Nostro account with BIS	11 318 841	16 530 832
Cash on hand in foreign currencies	20 278 295	4 967 487
Cash and cash equivalents in the consolidated statement of cash flows	**93 632 364**	**86 542 410**

Cash equivalents are not overdue.

8 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS

	31 December 2022	31 December 2021
Loans issued to international organisations		
- not rated	2 526 768	2 750 682
Loans issued to resident commercial banks		
- rated at B	-	441 565
- not rated	153 244	1 938 796
Loans issued to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic		
- not rated	-	1 676 727
Total loans to banks and international organisations before allowance for expected credit losses	**2 680 012**	**6 807 770**
Allowance for expected credit losses	(153 244)	(558 930)
Loans to banks and international organisations	**2 526 768**	**6 248 840**

Interest received during the 2022 year on loans issued to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic was KGS 34 648 thousand (2021: KGS 99 196 thousand).

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 27*.

Analysis of collateral

The following table provides information on collateral securing loans issued to resident commercial banks and international organisations as at 31 December 2022 and 2021, excluding the effect of overcollateralisation.

8 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS (CONTINUED)

Analysis of collateral (continued)

	31 December 2022	% of loan portfolio	31 December 2021	% of loan portfolio
Deposits in foreign currencies	2 526 768	100	3 543 478	57
Loans to customers	-	-	1 665 520	27
State securities	-	-	895 297	14
Unsecured	-	-	144 545	2
	2 526 768	**100**	**6 248 840**	**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.

Concentration of loans to banks and international organisations

As at 31 December 2022 and 2021 the Group did not have loans issued to banks and international organisations whose balances exceed 10% of total equity.

9 LOANS TO CUSTOMERS

Loans to customers provided by Keremet Bank OJSC as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Loans to legal entities		
Corporate loans	2 354 265	2 806 778
Small and medium business	2 266 436	1 798 024
Total loans to legal entities	**4 620 701**	**4 604 802**
Loans to individuals		
Mortgage loans	2 398 752	2 423 941
Consumer loans	470 394	293 840
Total loans to individuals	**2 869 146**	**2 717 781**
Net investment in finance leases	**253 193**	**379 370**
Loans to customers before allowance for expected credit losses	**7 743 040**	**7 701 953**
Allowance for expected credit losses	(1 249 269)	(1 362 588)
Loans to customers	**6 493 771**	**6 339 365**

Loans to customers were recognised at fair value as at the date of acquisition of control by the National Bank over its subsidiary Keremet Bank OJSC.

In 2019, OJSC Keremet Bank introduced a new loan product Social Mortgage aimed at supporting public sector employees in acquiring their own housing at affordable interest rates. The product provides financing to public sector employees who meet the criteria established by Keremet Bank OJSC. The priority in financing is given to employees engaged in the public sector - education, science, healthcare, social protection, culture, art, information and communication, physical education and sports, budgetary institutions (state bodies, local self-government bodies and institutions funded from the republican or local budget). As at 31 December 2022 the gross carrying amount of these loans was KGS 1 882 324 thousand (31 December 2021: KGS 2 030 695 thousand).

9 LOANS TO CUSTOMERS (CONTINUED)

Social mortgage is provided for the purchase of residential real estate to individuals - social workers aged 21 years and up to 65 years (at the time of full repayment of the loan) for up to 15 years at 6.0-11.0% per annum in the amount of KGS 350 thousand to KGS 3 000 thousand.- Management believe that this loan product has a distinct nature and represents a separate segment of the mortgage lending market. As a result, loans provided under the terms of the Social Mortgage loan product were issued as part of a normal transaction and, as such, the consideration given is considered to represent fair value as at the date of recognition.

The components of net investments in finance lease as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Finance lease receivables:		
Less than 1 year	144 843	232 534
From 1 to 2 years	96 609	123 871
From 2 to 3 years	30 397	85 309
From 2 to 4 years	11 407	5 597
From 4 to 5 years	5 060	2 704
More than 5 years	1 882	2 543
Minimum lease payments	**290 198**	**452 558**
Less: unearned future finance income	(37 005)	(73 188)
Net investments in financial lease	**253 193**	**379 370**
Net investments in financial lease analysed as:		
Current	130 678	179 977
Non-current	122 515	199 393

The table below provides the analysis of carrying amount of loans to customers by types of collateral:

	31 December 2022	31 December 2021
Loans secured by real estate and related rights	5 890 250	6 118 899
Loans secured by other collateral	79 981	62 692
Loans secured by vehicles	4 506	4 382
Loans secured by deposits and cash	57 625	1 087
Unsecured loans	461 409	152 305
Loans to customers	**6 493 771**	**6 339 365**

The value of collateral used in calculating the allowance for expected credit losses for Stage 3 loans to customers as at 31 December 2022 and 2021 is as follows

	31 December 2022	31 December 2021
Small and medium business	3 140 060	1 961 932
Corporate loans	471 582	425 342
Mortgage loans	23 576	19 651
Consumer loans	6 027	11 484
	3 641 245	**2 418 409**

The amounts in the table above are limited by the carrying amount of loans and do not necessarily represent the fair value of collateral. Estimates of the market value of collateral are based on the assessment of collateral as at the date of issue of loans. As a rule, they are not updated unless loans are assessed as individually impaired.

9 LOANS TO CUSTOMERS (CONTINUED)

The table below provides the analysis of carrying amount of loans to customers by sectors of the economy:

	31 December 2022	31 December 2021
Analysis by sector:		
Trade	3 218 538	2 769 569
Mortgage loans	2 290 354	2 803 311
Industry and production	473 076	523 922
Consumer sector	445 368	250 451
Agriculture	158 228	162 666
Transport	120 452	127 726
Construction	110 361	250 536
Communication	14 392	2 721
Social services	14 352	24 463
Other	897 919	786 588
	7 743 040	**7 701 953**
Allowance for expected credit losses	(1 249 269)	(1 362 588)
Loans to customers	**6 493 771**	**6 339 365**

	31 December 2022		
	Loans to customers before allowance for expected credit losses	Allowance for expected credit losses	Loans to customers
Not overdue	**6 257 769**	**(96 803)**	**6 160 966**
Overdue:			
- up to 30 days	265 230	(88 727)	176 503
- from 31 to 60 days	19 383	(10 908)	8 475
- from 61 to 90 days	16 191	(5 296)	10 895
- from 91 to 180 days	19 712	(5 708)	14 004
- from 181 to 360 days	1 164 755	(1 041 827)	122 928
Total overdue	**1 485 271**	**(1 152 466)**	**332 805**
	7 743 040	**(1 249 269)**	**6 493 771**

	31 December 2021		
	Loans to customers before allowance for expected credit losses	Allowance for expected credit losses	Loans to customers
Not overdue	**6 604 218**	**(670 113)**	**5 934 105**
Overdue:			
- up to 30 days	152 471	(20 025)	132 446
- from 31 to 60 days	35 965	(3 758)	32 207
- from 61 to 90 days	7 663	(2 934)	4 729
- from 91 to 180 days	29 451	(8 852)	20 599
- from 181 to 360 days	872 185	(656 906)	215 279
Total overdue	**1 097 735**	**(692 475)**	**405 260**
	7 701 953	**(1 362 588)**	**6 339 365**

Movement in the allowance for expected credit losses is disclosed in *Note 27*.

10 INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Debt securities at fair value through other comprehensive income		
Government securities		
Treasury bonds of the government of Canada with AA+ credit rating	5 053 240	1 390 414
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic without a credit rating	691 406	880 336
Total government securities	**5 744 646**	**2 270 750**
Debt securities of international financial institutions without a credit rating	31 628 731	35 973 583
Agency securities with credit rating AAA	1 685 967	34 238 192
Investment securities at fair value through other comprehensive income	**39 059 344**	**72 482 525**

As at 31 December 2022 and 2021 investment securities at fair value through other comprehensive income are not overdue.

As at 31 December 2022, the Group had one counterparty (31 December 2021: four counterparties), whose balance exceeded 10% of the Group's equity. As at 31 December 2022, the credit risk exposure in respect of this counterparty amounted to KGS 27 209 612 thousand (31 December 2021: KGS 66 619 321 thousand).

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 27*.

11 INVESTMENT SECURITIES AT AMORTISED COST

	31 December 2022	31 December 2021
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic with B- credit rating	11 494 467	9 167 177
Allowance for expected credit losses	(145 904)	(67 813)
Investment securities at amortised cost	**11 348 563**	**9 099 364**

Movement in the allowance for expected credit losses is disclosed in *Note 27*.

12 INVESTMENT IN AN ASSOCIATE

The movement of investment in an associate is as follows:

	Carrying amount
31 December 2020	**501 860**
Disposals	(220 000)
Share of profit of an associate	62 722
31 December 2021	**344 582**
Share of profit of an associate	113 684
31 December 2022	**458 266**

Investment in an associate	**Activity**	**Share of ownership, %**	**31 December 2022**	**Ownership, %**	**31 December 2021**
CJSC Interbank Process Center	Processing services	49,42	458 266	49,42	344 582
			458 266		**344 582**

12 INVESTMENT IN AN ASSOCIATE (CONTINUED)

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 KGS 263 520 thousand 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 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**

CONTENT

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 2021	**196 280**	**881 257**	**502 696**	**793 585**	**81 187**	**450 528**	**2 905 533**
Additions	9 852	24 129	100 991	25 633	71 926	217 714	450 245
Disposals	-	(219)	(50 072)	(80 117)	(17 663)	(42 472)	(190 543)
Transfers	-	223 984	5 589	2 278	-	(232 372)	(521)
Reclassification	-	(8 873)	-	-	-	-	(8 873)
At 31 December 2021	**206 132**	**1 120 278**	**559 204**	**741 379**	**135 450**	**393 398**	**3 155 841**
Depreciation							
At 1 January 2021	**-**	**(126 900)**	**(100 285)**	**(396 074)**	**(38 724)**	**-**	**(661 983)**
Charge for the year	-	(48 099)	(97 098)	(124 024)	(41 902)	-	(311 123)
Disposals	-	219	49 730	80 111	15 845	-	145 905
At 31 December 2021	**-**	**(174 780)**	**(147 653)**	**(439 987)**	**(64 781)**	**-**	**(827 201)**
Carrying amount							
At 31 December 2021	**206 132**	**945 498**	**411 551**	**301 392**	**70 669**	**393 398**	**2 328 640**

14 RIGHT-OF-USE ASSETS

	Buildings and other property	Equipment	Total
Cost			
At 1 January 2022	**214 349**	**69 850**	**284 199**
Additions	80 845	-	80 845
Disposals	(195 562)	(1 394)	(196 956)
At 31 December 2022	**99 632**	**68 456**	**168 088**
Depreciation			
At 1 January 2022	**(158 880)**	**(18 693)**	**(177 573)**
Charge for the year	(51 971)	(8 687)	(60 658)
Disposals	195 440	606	196 046
At 31 December 2022	**(15 411)**	**(26 774)**	**(42 185)**
Net book value			
At 1 January 2022	**55 469**	**51 157**	**106 626**
At 31 December 2022	**84 221**	**41 682**	**125 903**

In 2022 amendments were made to the lease contract of the head office of OJSC Keremet Bank, in particular a fine for early termination in the amount of USD 1 000 thousand was excluded from the terms of the agreement and monthly lease payments were reduced from USD 60,5 thousand to USD 54,45 thousand.

Lease liabilities:

	31 December 2022	31 December 2021
Maturity analysis:		
Year 1	66 490	89 790
Year 2	62 409	26 249
Year 3	2 275	19 690
Year 4	-	522
Total minimum lease payments	**131 174**	**136 251**
Less interest expense	(3 353)	(7 694)
Total	**127 821**	**128 557**
By type:		
Current	64 127	84 502
Non-current	63 694	44 055

The total cash outflow for lease in 2022 included in the consolidated statement of cash flows is KGS 105 310 thousand (in 2021:KGS 91 252 thousand), including operating activities - KGS 18 061 thousand (2021: KGS 16 526 thousand) and financing activities - KGS 87 249 thousand (in 2021: KGS 74 726 thousand).

15 NON-CURRENT ASSETS HELD FOR SALE

	31 December 2022	31 December 2021
Non-residential premises	234 726	348 498
Houses	188 592	203 563
Apartments	89 686	115 793
Land	14 136	14 136
Other	5 427	5 426
	532 567	**687 416**

Non-current assets held for sale consist of collateral accepted by the Group to repay loans to customers and unused buildings of the branches of OJSC Keremet Bank that have ceased operations and for which sale decisions were made.

The Group estimates fair values less cost to sell of non-current assets held for sale based on prices of analogues in the market applying negotiation, location and condition discounts.

16 NON-MONETARY GOLD AND GOLD RESERVES

	31 December 2022	31 December 2021
Gold reserves	129 853 589	33 341 168
Non-monetary gold	4 111 136	2 072 429
	133 964 725	**35 413 597**

During 2022, the Group conducted operations to purchase 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.

17 OTHER ASSETS

	31 December 2022	31 December 2021
Accounts receivable	846 601	758 270
Allowance for expected credit losses	(200 882)	(176 217)
Total other financial assets	**645 719**	**582 053**
Inventory	746 770	1 211 031
Advances paid	144 249	2 578 093
Numismatic items	80 738	82 630
Other	13 301	27 036
Total other non-financial assets	**985 058**	**3 898 790**
Other assets	**1 630 777**	**4 480 843**

Movement in the allowance for expected credit losses is disclosed in *Note 27*.

As at 31 December 2021 advances paid comprise prepayment of a part of the current year profit to the budget of the Kyrgyz Republic in the amount of KGS 2 500 000 thousand.

18 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2022 and 2021, banknotes and coins in circulation comprise:

	31 December 2022	31 December 2021
Banknotes and coins in circulation	202 397 440	143 416 858
Less banknotes and coins on hand in national currency	(4 461 502)	(3 862 346)
	197 935 938	**139 554 512**

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.

19 AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Accounts of commercial banks	33 357 408	27 689 700
Accounts of commercial banks and financial institutions owned by the Cabinet of Ministers of the Kyrgyz Republic	17 773 593	5 597 729
Accounts of other financial institutions	5 717 604	5 822 863
	56 848 605	**39 110 292**

As at 31 December 2022, the Group had four commercial bank account balances individually in excess of 10% of equity (as at 31 December 2021: commercial banks had no balances that individually exceeded 10 percent of equity). The gross value of balances in the accounts of these banks as at 31 December 2022 is KGS 32 342 616 thousand (as at 31 December 2021: KGS 13 265 015 thousand).

Interest paid during the 2022 year on amounts due to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic was KGS 620 581 thousand (in 2021: KGS 77 957 thousand).

20 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 2022	31 December 2021
In national currency	30 270 363	21 256 608
In foreign currency	1 538 339	1 474 118
	31 808 702	**22 730 726**

21 AMOUNTS DUE TO CUSTOMERS

Amounts due to customers of OJSC Keremet Bank as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Legal entities		
Current/settlement accounts	1 488 781	845 416
Term deposits	168 412	287 463
Total accounts of legal entities	**1 657 193**	**1 132 879**
Individuals		
Current/settlement accounts	1 597 576	845 165
Term deposits	2 013 466	2 424 816
Total accounts of individuals	**3 611 042**	**3 269 981**
Amounts due to customers	**5 268 235**	**4 402 860**

As at 31 December 2022 and 2021, deposits from customers totalling KGS 8 384 thousand and KGS 15 747 thousand, respectively, were held as security under loans and credit lines related to contingent obligations issued by OJSC Keremet Bank.

As at 31 December 2022 and 2021 deposits from customers totalling KGS 8 664 thousand and KGS 40 463 thousand, respectively, were held as security against guarantees issued by OJSC Keremet Bank.

As at 31 December 2022 and 2021, there are no customer account balances that individually exceed 10 percent of equity.

In addition to the amounts disclosed in Note 35, deposits of State-owned entities amounting to KGS 233 961 thousand are included in customer accounts (at 31 December 2021: KGS 501 464 thousand).

Interest paid during 2022 on accounts of State-owned entities was KGS 20 179 thousand (in 2021: KGS 31 735 thousand).

As at 31 December 2022 and 2021, accrued interest on customer accounts amounted to KGS 26 838 thousand and KGS 22 698 thousand, respectively.

	31 December 2022	31 December 2021
Analysis by sectors of economy/customer types:		
Individuals	3 611 042	3 270 677
Trade	515 392	109 265
Construction	260 569	165 810
Mining and metallurgy	216 985	285 353
State entities	205 093	5 333
Healthcare	71 509	92 344
Transport and communications	58 248	50 986
Financial organisations	45 499	82 572
Agriculture	22 766	28 519
Education	22 241	20 133
Charity and labour unions	14 548	10 719
Consulting services	8 645	7 140
Real estate	5 853	2 811
Energy	807	92 162
Other	209 038	179 036
Amounts due to customers	**5 268 235**	**4 402 860**

22 DEBT SECURITIES ISSUED

As at 31 December 2022 and 2021 debt securities issued include securities with the following maturities and carrying amounts:

	31 December 2022	31 December 2021
Notes of the National Bank with 28 days maturity	14 560 227	11 413 591
Notes of the National Bank with 14 days maturity	12 056 287	6 986 580
Notes of the National Bank with 91 days maturity	7 543 234	-
	34 159 748	**18 400 171**

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. The amount of debt securities issued to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic as at 31 December 2022 is KGS 17 387 694 thousand (as at 31 December 2021: KGS 3 519 443 thousand).

23 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	31 December 2022	31 December 2021
Liabilities to the IMF in respect of SDR allocations	16 171 080	30 258 833

Special Drawing Rights (SDR) allocation is a distribution of SDR amounts to IMF members by decision of the IMF. A general SDR allocation became effective 28 August 2009. 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 33). 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 SDR 84 737 thousand.

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.

23 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 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**

			Non-cash changes		
	1 January 2021	Cash flows from financing activities (i)	Foreign currency exchange rate adjustment	Other changes (ii)	31 December 2021
Liabilities to the IMF in respect of SDR allocations	9 994 865	20 424 704	(161 716)	980	30 258 833
	9 994 865	**20 424 704**	**(161 716)**	**980**	**30 258 833**

(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 in 2021 and changes in accrued interest.

24 OTHER LIABILITIES

	31 December 2022	31 December 2021
Payables	296 289	212 178
Total other financial liabilities	**296 289**	**212 178**
Allowance for expected credit losses from credit related commitments	137 386	123 522
Other	208 077	107 262
Total other non-financial liabilities	**345 463**	**230 784**
Other liabilities	**641 752**	**442 962**

25 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 KGS 2 000 000 thousand at the expense of the obligatory reserve. As at 31 December 2022 the charter capital of the National Bank amounted to KGS 4 000 000 thousand (as at 31 December 2021: charter capital of the National Bank amounted to KGS 2 000 000 thousand).

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 29 June 2022 the profit of the National Bank for 2021 was approved for distribution in the amount of KGS 9 192 509 thousand, of which KGS 8 273 258 thousand was transferred to the republican budget of the Kyrgyz Republic, including advance payment, KGS 919 251 thousand was transferred to the obligatory reserve of the National Bank (in 2021: net profit for 2020 in the amount of KGS 8 484 811 thousand was approved, of which KGS 7 636 330 thousand was transferred to the republican budget of the Kyrgyz Republic, including advance payment, KGS 848 481 thousand 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.

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 KGS 4 000 000 thousand (as at 31 December 2021: KGS 2 000 000 thousand).

26 NET INTEREST (EXPENSE)/INCOME

	2022	2021
Interest income calculated using the effective interest rate method		
Nostro accounts with foreign banks and international financial institutions	1 096 686	68 899
Investment securities at amortised cost	987 184	648 149
Loans to customers	770 044	708 417
Term deposits in foreign banks and international financial institutions	711 563	385 913
Investment securities at fair value through other comprehensive income	440 480	235 958
Loans to banks and international organisations	192 877	349 012
	4 198 834	**2 396 348**
Interest expense		
Debt securities issued	(2 419 795)	(761 285)
Amounts due to banks and other financial institutions	(1 309 282)	(235 936)
Amounts due to customers	(260 931)	(315 219)
Liabilities to the IMF in respect of SDR allocations	(254 963)	(9 362)
Lease liabilities	(6 360)	(17 995)
Other borrowed funds	(7 446)	(13 199)
Other	(59 873)	(67 452)
	(4 318 650)	**(1 420 448)**
Net interest (expense)/income	**(119 816)**	**975 900**

27 REVERSAL OF CREDIT LOSSES/(CREDIT LOSS EXPENSE) AND OTHER IMPAIRMENT AND PROVISIONS

	Cash on hand, due from banks and other financial institutions (Note 7)			Loans to banks and international organisations (Note 8)			Loans to customers (Note 9)				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
ECL allowance 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
(Write-off of assets against provisions)/recovery of losses	-	-	-	-	-	99	-	-	-	62 146	-	-	62 245
Financial assets originated or purchased	207 371	-	-	-	-	(99)	22 451	572	-	-	-	47 881	278 176
Financial assets derecognised, except for write-offs	(2 671)	-	-	(253 419)	(25 790)	-	(31 193)	(37 834)	(438 733)	-	(2 723)	-	(792 363)
Other changes	47	(10)	251	-	-	1 647	(108)	(248)	(178 578)	-	-	-	(176 999)
ECL allowance 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**

In 2022, loans issued to commercial banks-residents of the Kyrgyz Republic, classified in Stage 2 for the purposes of estimating expected credit losses, were repaid in accordance with the contractual terms. The total amount of repayment was KGS 37 249 thousand.

In 2022, amounts due from banks, without a credit rating assigned, located in the Russian Federation and the Republic of Belarus were transferred from Stage 1 to Stage 2 for the purposes of estimating expected credit losses. The total amount of these funds before provision for expected credit losses amounted to KGS 1 353 983 thousand.

CONTENT

27 REVERSAL OF CREDIT LOSSES/(CREDIT LOSS EXPENSE) AND OTHER IMPAIRMENT AND PROVISIONS (CONTINUED)

	Cash on hand, due from banks and other financial institutions (Note 7)			Loans to banks and international organisations (Note 8)			Loans to customers (Note 9)				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
ECL allowance as at 1 January 2021	**8 531**	**54**	**-**	**213 297**	**13 518**	**148 118**	**41 653**	**9 526**	**1 137 770**	**-**	**10 814**	**54 046**	**1 637 327**
Transfer to Stage 1	54	(54)	-	-	-	-	25	(25)	-	-	-	-	-
Transfer to Stage 2	(160)	160	-	(98 052)	98 052	-	(19 806)	39 116	(19 310)	-	-	-	-
Transfer to Stage 3	(407)	-	407	-	-	-	(25 823)	(15 399)	41 222	-	-	-	-
Net changes resulting from changes in credit risk parameters	-	-	-	-	350 701	-	15 165	52 310	50 862	139 900	-	-	608 938
(Write-off of assets against provisions)/recovery of losses	(477)	-	-	-	-	(378)	-	-	-	-	-		(855)
Financial assets originated or purchased	9 528	-	-	14 264	-	-	37 992	-	-	-	58	17 509	79 351
Financial assets derecognised, except for write-offs	(2 638)	-	-	(65 595)	(118 852)	-	(5 737)	(2 120)	-	(139 900)	(10)	(3 742)	(338 594)
Other changes	52	-	-	-	-	3 857	182	55	24 930	-	-	-	29 076
ECL allowance as at 31 December 2021	**14 483**	**160**	**407**	**63 914**	**343 419**	**151 597**	**43 651**	**83 463**	**1 235 474**	**-**	**10 862**	**67 813**	**2 015 243**

27 REVERSAL OF CREDIT LOSSES/(CREDIT LOSS EXPENSE) AND OTHER IMPAIRMENT AND PROVISIONS (CONTINUED)

	Other financial assets (Note 17)				Contingent liabilities (Notes 24, 31)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Total
ECL allowance 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
ECL allowance as at 31 December 2022	**6 978**	**1 125**	**75 465**	**117 314**	**137 386**	**338 268**

	Other assets (Note 17)				Contingent liabilities (Notes 24, 31)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Total
ECL allowance as at 1 January 2021	**7 629**	**-**	**45 766**	**154 089**	**42 824**	**250 308**
Changes in allowance						
Write-off of assets against provisions	-	-	-	(39 969)	-	(39 969)
Financial assets originated or purchased	768	-	6 987	661	86 157	94 573
Financial assets derecognised, except for write-offs	(1 061)	-	-	-	(5 459)	(6 520)
Other changes	-	-	7	1 340	-	1 347
ECL allowance as at 31 December 2021	**7 336**	**-**	**52 760**	**116 121**	**123 522**	**299 739**

28 NET REALISED GAIN ON FOREIGN CURRENCIES AND GOLD TRANSACTIONS

	2022	2021
Realised gain from operations with foreign currencies and gold	11 898 214	14 545 597
Profit from spot transactions with foreign currencies	735 313	508 376
	12 633 527	**15 053 973**

29 OTHER INCOME AND EXPENSES

	2022	2021
Other income		
Income from the sale of bullion and numismatic valuables	766 454	225 550
Other	279 267	374 721
	1 045 721	**600 271**
Other expenses		
Expenses for recognition of the cost of bullion and numismatic valuables	(572 203)	(176 359)
Other	(102 844)	(83 236)
	(675 047)	**(259 595)**

30 ADMINISTRATIVE EXPENSES

	2022	2021
Personnel expenses		
Salary	1 357 372	1 010 918
Payments to the Social fund	229 766	171 072
	1 587 138	**1 181 990**
Other administrative expenses		
Depreciation and amortisation	392 127	433 123
Repair and maintenance	215 054	216 066
Security	99 284	88 773
Professional services	46 297	44 854
Communications and information services	42 730	36 907
Publication and subscription	26 518	29 024
Lease expenses	18 061	16 526
Business trip expenses	20 120	9 271
Staff training	11 354	5 320
Office supplies	10 927	9 785
Expenses for social events	10 578	8 093
Other	47 745	48 000
Administrative expenses	**2 527 933**	**2 127 732**

31 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.

(b) 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 2022 and 2021 management believed that the Group would not incur significant losses as a result of any such claims and accordingly did not recognise contingent liability.

(c) Credit commitments, guarantees and other financial contracts

In the course of its current activity Keremet Bank OJSC provides its clients with financial instruments represented by financial guarantees, and also provides credit lines.

As at 31 December 2022 and 2021, the nominal or contract amounts were:

	31 December 2022	31 December 2021
Credit line commitments	146 081	271 337
Financial guarantees	2 131 613	1 435 323
Allowance for expected credit losses on credit related commitments	(137 386)	(123 522)
Total credit commitments	**2 140 308**	**1 583 138**

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

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

	12-month credit losses
ECL allowance as at 31 December 2020	**42 824**
Net change in allowance	80 698
ECL allowance as at 31 December 2021	**123 522**

31 CONTINGENCIES (CONTINUED)

(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 KGS 200 thousand in the aggregate, including interest on deposits.

32 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 2022 and 2021 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 2022	**31 December 2021**
Current income tax expense	(50 528)	(27 945)
Deferred tax expense due to origination and reversal of temporary differences	(13 423)	18 025
Total income tax expense	**(63 951)**	**(9 920)**

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 2022	**31 December 2021**
Profit before tax	10 058 251	13 605 358
Tax at the statutory tax rate (10%)	(1 005 825)	(1 360 536)
Non-taxable income from operations of the National Bank	1 018 689	1 301 587
Other permanent differences	(76 815)	49 029
Total income tax expense	**(63 951)**	**(9 920)**

As at 31 December 2022, OJSC Keremet Bank has unrecognised tax losses which expires in 2024 and 2025.

32 INCOME TAX (CONTINUED)

Tax losses recognised below were originated in 2022 and expire in 2026.

Deferred tax assets/(liabilities) as at 31 December 2022 and 2021 are as follows:

	31 December 2022	In the consolidated statement of profit or loss	31 December 2021	In the consolidated statement of profit or loss	31 December 2020
Property and equipment	(13 639)	446	(14 085)	5 820	(19 905)
Non-current assets held for sale	(36 450)	1 196	(37 646)	(32 090)	(5 556)
Loans to customers	(2 049)	31 844	(33 893)	(40 732)	6 839
Other financial liabilities	4 672	1 832	2 840	(2 417)	5 257
Cash on hand, amounts due from banks and other financial institutions	2 661	1 274	1 387	711	676
Financial guarantees	-	(366)	366	3 188	(2 822)
Investment securities at amortised cost	-	(3 980)	3 980	3 980	-
Tax loss carry forwards	29 711	(47 710)	77 421	77 421	-
Other assets and liabilities	4 500	2 041	2 459	2 144	315
Net deferred tax (liabilities)/assets	**(10 594)**	**(13 423)**	**2 829**	**18 025**	**(15 196)**

33 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, 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.

In accordance with Investment policy on International Reserve Management of the National Bank (the "Investment policy") approved by the Board on 22 December 2021, 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.

33 RISK MANAGEMENT (CONTINUED)

(a) Risk management policies and procedures (continued)

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 accordingly.

(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.

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2022 and 2021. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

33 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Average interest rates (continued)

	Weighted average effective interest rate, % 31 December 2022	Weighted average effective interest rate, % 31 December 2021
Interest-bearing assets		
Amounts due from banks and other financial institutions		
Nostro accounts		
- USD	4,30	0,05
- EUR	1,97	(0,51)
- CAD	3,92	0,02
- CNY	0,35	1,60
- KRW	0,10	0,10
- CHF	(0,02)	(0,04)
- SDR	2,92	0,08
- AUD	3,10	-
- JPY	(0,04)	-
- GBP	3,45	-
- SGD	2,40	-
- RUB	4,00	-
- KGS	4,90	4,90
Term deposits		
- USD	4,77	0,17
- GBP	3,40	0,10
- AUD	3,32	-
- RUB	-	7,72
- CNY	1,75	2,85
- SGD	3,35	0,08
- KGS	6,88	7,30
Loans to banks and international organisations		
- KGS	4,00	4,71
Loans to customers		
- KGS	14,61	11,20
- USD	14,90	10,85
- RUB	14,12	14,12
Investment securities at fair value through other comprehensive income		
- USD	4,41	0,16
- AUD	2,98	0,13
- CAD	4,20	0,24
- GBP	3,29	0,27
- CNY	0,85	2,90
- KGS	11,82	11,30
Investment securities at amortised cost		
- KGS	11,92	11,23
Interest-bearing liabilities		
Amounts due to banks and other financial institutions		
- KGS	10,11	5,50
- USD	0,34	0,50
- RUB	3,35	5,00
Amounts due to customers		
- KGS	12,19	11,43
- USD	2,32	2,78
- RUB	2,00	1,70
- EUR	1,60	0,78
Debt securities issued		
- KGS	13,77	7,49
Liabilities to the IMF in respect of SDR allocations	2,92	0,08
Lease liabilities		
- KGS	12,70	8,58
- USD	3,20	6,98

33 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 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 2022 and 2021 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2022		31 December 2021	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
100 bp parallel rise	-	(98 939)	-	(55 433)
100 bp parallel fall	-	98 939	-	55 433

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.

33 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 2022 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUR	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**

CONTENT

33 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUR	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
Other borrowed funds	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)**

33 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 2021 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUR	Other currencies	Total 31 December 2021
Non-derivative financial assets											
Cash on hand, amounts due from banks and other financial institutions	2 376 399	74 413 585	3 812 009	2 077 285	899 440	31 796 840	1 150 431	12 234 372	4 121 252	1 400 499	134 282 112
Loans to banks and international organisations	6 248 840	-	-	-	-	-	-	-	-	-	6 248 840
Loans to customers	5 974 608	364 757	-	-	-	-	-	-	-	-	6 339 365
Investment securities at fair value through other comprehensive income	880 336	59 913 082	-	6 081 103	1 300 326	-	2 159 388	2 148 290	-	-	72 482 525
Investment securities at amortised cost	9 099 364	-	-	-	-	-	-	-	-	-	9 099 364
Other financial assets	553 008	1 728	150	-	-	-	-	-	27 167	-	582 053
Total non-derivative financial assets	**25 132 555**	**134 693 152**	**3 812 159**	**8 158 388**	**2 199 766**	**31 796 840**	**3 309 819**	**14 382 662**	**4 148 419**	**1 400 499**	**229 034 259**

CONTENT

CONTENT

33 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Currency risk (continued)

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUR	Other currencies	Total 31 December 2021
Non-derivative financial liabilities											
Banknotes and coins in circulation	139 554 512	-	-	-	-	-	-	-	-	-	139 554 512
Amounts due to banks and other financial institutions	30 777 386	8 138 789	192 050	-	-	-	-	-	2 067	-	39 110 292
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	21 256 608	44 369	1 249 215	-	-	-	-	-	168 066	12 468	22 730 726
Amounts due to customers	3 541 977	823 429	13 751	-	-	-	-	-	23 352	351	4 402 860
Debt securities issued	18 400 171	-	-	-	-	-	-	-	-	-	18 400 171
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	30 258 833	-	-	-	-	30 258 833
Lease liabilities	10 876	117 681	-	-	-	-	-	-	-	-	128 557
Other financial liabilities	191 900	13 669	1 281	-	-	-	-	-	4 866	462	212 178
Total non-derivative financial liabilities	**213 733 430**	**9 137 937**	**1 456 297**	**-**	**-**	**30 258 833**	**-**	**-**	**198 351**	**13 281**	**254 798 129**
Balance sheet position	**(188 600 875)**	**125 555 215**	**2 355 862**	**8 158 388**	**2 199 766**	**1 538 007**	**3 309 819**	**14 382 662**	**3 950 068**	**1 387 218**	**(25 763 870)**
Derivative financial liabilities	496 006	(478 886)	-	-	-	-	-	-	(32 659)	-	(15 539)
Net balance sheet position	**(188 104 869)**	**125 076 329**	**2 355 862**	**8 158 388**	**2 199 766**	**1 538 007**	**3 309 819**	**14 382 662**	**3 917 409**	**1 387 218**	**(25 779 409)**

33 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 2022 and 2021 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 2022		31 December 2021	
	Profit or loss	Other comprehensive income and equity	Profit or loss	Other comprehensive income and equity
20% appreciation of USD against KGS	-	19 846 399	-	25 111 043
20% appreciation of CNY against KGS	-	2 833 783	-	2 876 532
20% appreciation of CAD against KGS	-	1 587 907	-	1 631 678
20% appreciation of GBP against KGS	-	605 921	-	661 964
20% appreciation of EUR against KGS	-	301 817	-	471 172
20% appreciation of AUD against KGS	-	256 324	-	439 953
20% appreciation of RUR against KGS	-	218 348	-	790 014
20% appreciation of other currencies against KGS	-	321 002	-	277 444

Appreciation of the KGS against the above currencies at 31 December 2022 and 2021 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 deposits with foreign banks. As at 31 December 2022 gold is represented by physical gold in storage. 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 2022 and 2021 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.

33 Risk management (continued)

(b) Market risk (continued)

(iii) Other price risks (continued)

	31 December 2022		31 December 2021	
	Profit or loss	Other comprehensive income and equity	Profit or loss	Other comprehensive income and equity
20% appreciation of gold prices in KGS equivalent	-	16 366 765	-	10 031 824
20% depreciation of gold prices in KGS equivalent	-	(16 366 765)	-	(10 031 824)

(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.

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.

CONTENT

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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 maximum exposure to credit risk is generally reflected in the 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 Credit Committee of OJSC Keremet Bank manages and monitors credit risk exposure related to loans to customers and financial credit organisations, and off-balance sheet financial liabilities. The credit risk management report is regularly provided to the Board of Directors and the Management Board of OJSC Keremet Bank.

To reduce the risk of default of the borrower on its obligations, OJSC Keremet Bank accepts as collateral cash, real estate and movable property, as well as guarantees and sureties. At the same time, the market value of the collateral accepted as collateral is reduced by applying discount factors as specified in the internal documents of OJSC Keremet Bank.

To exercise proper control over the fulfilment of obligations assumed by the borrower, OJSC Keremet Bank continuously monitors the performance of individual credit exposures. The monitoring frequency and methods conform to current lending programmes, taking account of the target groups of borrowers.

Off-balance sheet liabilities comprise undrawn credit lines, guarantees or letters of credit. The credit risk related to off-balance financial instruments is determined as the probability of loss due to the inability of the borrower to comply with the terms and conditions of the contract. As for credit risk associated with undrawn credit lines, OJSC Keremet Bank's maximum loss will be equal to the total amount of undrawn credit lines. However, the expected credit losses are less than the total amount of undrawn commitments, as the origination of credit related commitments generally depends on whether clients meet specific creditworthiness criteria. OJSC Keremet Bank applies the same credit policy to account for both commitments and loans to customers presented in the balance sheet, which is based on the use of loan approval procedures, risk limits, and includes ongoing monitoring. OJSC Keremet Bank monitors the maturity of loans as the exposure to credit risk inherent in long-term liabilities is greater than that inherent in short-term liabilities.

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

	31 December 2022	31 December 2021
Financial assets		
Gold in deposits with foreign banks	6 799 869	6 702 618
Amounts due from banks and other financial institutions	102 947 751	129 329 675
Loans to banks and international organisations	2 680 012	6 807 770
Loans to customers	7 743 040	7 701 953
Investment securities at fair value through other comprehensive income, except for investments in equity instruments	39 059 344	72 482 525
Investment securities at amortised cost	11 494 467	9 167 177
Other financial assets	846 601	758 270
Credit related contingencies		
Financial guarantees	2 131 613	1 435 323
Total maximum exposure	**173 702 697**	**234 385 311**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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

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 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 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**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 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 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 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		
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	Purchased or originated credit-impaired financial assets	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**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 2021			
	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	129 317 465	-	-	129 317 465
Credit rating 2: watch	-	10 809	-	10 809
Credit rating 3: impaired	-	-	1 401	1 401
Total gross carrying amount	**129 317 465**	**10 809**	**1 401**	**129 329 675**
Allowance for expected credit losses	(14 483)	(160)	(407)	(15 050)
Carrying amount	**129 302 982**	**10 649**	**994**	**129 314 625**

	31 December 2021			
	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	4 875 663	-	-	4 875 663
Credit rating 2: watch	-	1 780 510	-	1 780 510
Credit rating 3: impaired	-	-	151 597	151 597
Total gross carrying amount	**4 875 663**	**1 780 510**	**151 597**	**6 807 770**
Allowance for expected credit losses	(63 914)	(343 419)	(151 597)	(558 930)
Carrying amount	**4 811 749**	**1 437 091**	**-**	**6 248 840**

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Purchased or originated	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	credit-impaired financial assets	Total
Loans to customers					
Credit rating 1: low or moderate risk	4 462 062	-	-	-	4 462 062
Credit rating 2: watch	-	1 186 084	-	-	1 186 084
Credit rating 3: impaired	-	-	2 053 807	-	2 053 807
Total gross carrying amount	**4 462 062**	**1 186 084**	**2 053 807**	**-**	**7 701 953**
Allowance for expected credit losses	(43 651)	(83 463)	(1 235 474)	-	(1 362 588)
Carrying amount	**4 418 411**	**1 102 621**	**818 333**	**-**	**6 339 365**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 2021			
	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	72 482 525	-	-	72 482 525
Total carrying amount	**72 482 525**	**-**	**-**	**72 482 525**

	31 December 2021			
	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	9 167 177	-	-	9 167 177
Total gross carrying amount	**9 167 177**	**-**	**-**	**9 167 177**
Allowance for expected credit losses	(67 813)	-	-	(67 813)
Carrying amount	**9 099 364**	**-**	**-**	**9 099 364**

	31 December 2021				
	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	588 144	-	-	-	588 144
Credit rating 3: impaired	-	-	54 005	116 121	170 126
Total gross carrying amount	**588 144**	**-**	**54 005**	**116 121**	**758 270**
Allowance for expected credit losses	(7 336)	-	(52 760)	(116 121)	(176 217)
Carrying amount	**580 808**	**-**	**1 245**	**-**	**582 053**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (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:

	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 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 1	1 524 326	(1 524 326)	-	-
Transfer to Stage 2	(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**
ECL allowance as at 31 December 2022	**-**	**-**	**(153 244)**	**(153 244)**

CONTENT

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (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 customers					
Gross carrying amount as at 1 January 2022 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	-	-
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**
ECL allowance as at 31 December 2022	**(26 579)**	**(232 929)**	**(989 761)**	**-**	**(1 249 269)**

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

	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				
Gross carrying amount as at 1 January 2022	**9 167 177**	**-**	**-**	**9 167 177**
Changes in gross carrying amount				
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**
ECL allowance as at 31 December 2022	**(145 904)**	**-**	**-**	**(145 904)**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	credit-impaired financial assets	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	-	-	-
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**
ECL allowance as at 31 December 2022	**(6 978)**	**(1 125)**	**(75 465)**	**(117 314)**	**(200 882)**

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 2021, by classes of assets:

	31 December 2021			
	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 2021	**8 524 035**	**326 137**	**148 118**	**8 998 290**
Changes in gross carrying amount				
Transfer to Stage 2	(2 268 675)	2 268 675	-	-
(Write-off)/recovery of assets against allowance	-	-	(378)	(378)
Financial assets originated or purchased	144 544	-	-	144 544
Financial assets derecognised, except for write-offs	(1 524 241)	(814 302)	-	(2 338 543)
Change in currency rates and other changes	-	-	3 857	3 857
Gross carrying amount as at 31 December 2021	**4 875 663**	**1 780 510**	**151 597**	**6 807 770**
ECL allowance as at 31 December 2021	**(63 914)**	**(343 419)**	**(151 597)**	**(558 930)**

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 2021				
	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 2021	**3 114 524**	**570 642**	**3 262 724**	**-**	**6 947 890**
Changes in gross carrying amount					
Transfer to Stage 1	4 633	(4 633)	-	-	-
Transfer to Stage 2	(288 718)	572 278	(283 560)	-	-
Transfer to Stage 3	(78 866)	(34 817)	113 683	-	-
New financial assets originated or purchased*	2 209 542	-	-	-	2 209 542
Financial assets derecognised, except for write-offs*	(886 136)	(140 289)	(134 739)	(327 728)	(1 488 892)
Change in currency rates and other changes	387 083	222 903	(904 301)	327 728	33 413
Gross carrying amount as at 31 December 2021	**4 462 062**	**1 186 084**	**2 053 807**	**-**	**7 701 953**
ECL allowance as at 31 December 2021	**(43 651)**	**(83 463)**	**(1 235 474)**	**-**	**(1 362 588)**

** The amount includes loans issued and repaid during 2021.*

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	
Investment securities at amortised cost				
Gross carrying amount as at 1 January 2021	**3 021 258**	**-**	**-**	**3 021 258**
Changes in gross carrying amount				
New financial assets originated or purchased	6 753 670	-	-	6 753 670
Financial assets derecognised, except for write-offs	(607 751)	-	-	(607 751)
Gross carrying amount as at 31 December 2021	**9 167 177**	**-**	**-**	**9 167 177**
ECL allowance as at 31 December 2021	**(67 813)**	**-**	**-**	**(67 813)**

CONTENT

33 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 2021				
	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 2021	**422 186**	**-**	**47 011**	**154 089**	**623 286**
Changes in gross carrying amount					
New financial assets originated or purchased	219 584	-	6 987	661	227 232
Financial assets derecognised, except for write-offs	(53 626)	-	-	(39 969)	(93 595)
Other changes	-	-	7	1 340	1 347
Gross carrying amount as at 31 December 2021	**588 144**	**-**	**54 005**	**116 121**	**758 270**
ECL allowance as at 31 December 2021	**(7 336)**	**-**	**(52 760)**	**(116 121)**	**(176 217)**

33 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 2022:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2022 Total
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
Other borrowed funds	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 position	**(281 441 987)**	**44 032 727**	**26 933 964**	**50 737 431**	**(159 737 865)**

33 RISK MANAGEMENT (CONTINUED)

(d) Geographical concentration (continued)

The following table shows the geographical concentration of assets and liabilities at 31 December 2021:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2021 Total
Financial assets					
Cash on hand, amounts due from banks and other financial institutions	7 343 941	31 908 997	28 336 566	66 692 608	134 282 112
Loans to banks and international organisations	6 248 840	-	-	-	6 248 840
Loans to customers	6 339 365	-	-	-	6 339 365
Investment securities at fair value through other comprehensive income	880 336	35 628 606	-	35 973 583	72 482 525
Investment securities at amortised cost	9 099 364	-	-	-	9 099 364
Other financial assets	581 814	-	239	-	582 053
Total financial assets	**30 493 660**	**67 537 603**	**28 336 805**	**102 666 191**	**229 034 259**
Financial liabilities					
Banknotes and coins in circulation	139 554 512	-	-	-	139 554 512
Derivative financial liabilities	15 539	-	-	-	15 539
Amounts due to banks and other financial institutions	38 734 572	903	343 482	31 335	39 110 292
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	-	-	22 730 726
Amounts due to customers	4 037 573	181 886	183 401	-	4 402 860
Debt securities issued	18 400 171	-	-	-	18 400 171
Liabilities to the IMF in respect of SDR allocations	-	-	-	30 258 833	30 258 833
Lease liabilities	128 557	-	-	-	128 557
Other financial liabilities	202 118	3 924	6 136	-	212 178
Total financial liabilities	**223 803 768**	**186 713**	**533 019**	**30 290 168**	**254 813 668**
Net balance sheet position	**(193 310 108)**	**67 350 890**	**27 803 786**	**72 376 023**	**(25 779 409)**

33 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, including the National Bank and Keremet Bank OJSC. 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 and financial obligations of OJSC Keremet Bank in national and foreign currencies.

The 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 and OJSC Keremet Bank against regulatory requirements.

CONTENT

33 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	31 December 2022 Carrying Cost
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
Other borrowed funds	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.

The maturity analysis for credit related commitments 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	31 December 2022 Carrying Cost
Credit line commitments	146 081	-	-	-	-	146 081	-
Financial guarantees	2 131 613	-	-	-	-	2 131 613	-
	2 277 694	**-**	**-**	**-**	**-**	**2 277 694**	**-**

33 RISK MANAGEMENT (CONTINUED)

(e) Liquidity risks (continued)

The maturity analysis for financial liabilities as at 31 December 2021 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	31 December 2021 Carrying amount
Derivative financial liabilities	15 539	-	-	-	-	15 539	15 539
Amounts due to banks and other financial institutions	39 091 609	-	-	-	18 683	39 110 292	39 110 292
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	-	-	-	22 730 726	22 730 726
Amounts due to customers	1 857 119	368 440	518 337	962 207	937 079	4 643 182	4 402 860
Debt securities issued	18 449 330	-	-	-	-	18 449 330	18 400 171
Liabilities to the IMF in respect of SDR allocations	30 256 065	2 768	-	-	-	30 258 833	30 258 833
Lease liabilities	7 390	14 511	22 564	42 926	49 050	136 441	128 557
Other financial liabilities	131 520	5 405	1 645	72 076	1 532	212 178	212 178
	112 539 298	**391 124**	**542 546**	**1 077 209**	**1 006 344**	**115 556 521**	**115 259 156**

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.

The maturity analysis for credit related commitments as at 31 December 2021 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	31 December 2022 Carrying Cost
Credit line commitments	271 337	-	-	-	-	271 337	-
Financial guarantees	1 435 323	-	-	-	-	1 435 323	-
	1 706 660	**-**	**-**	**-**	**-**	**1 706 660**	**-**

CONTENT

33 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	31 December 2022 Total
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 Minsiters 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
Other borrowed funds	-	-	-	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)**

33 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 2021:

	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	31 December 2021 Total
Financial assets							
Cash on hand, amounts due from banks and other financial institutions	109 273 999	18 197 890	5 241 181	1 569 042	-	-	134 282 112
Loans to banks and international organisations	297 905	2 005 848	3 945 087	-	-	-	6 248 840
Loans to customers	278 530	305 122	1 213 166	3 261 181	1 281 366	-	6 339 365
Investment securities at fair value through other comprehensive income	5 574 584	22 056 325	39 054 464	5 789 273	7 879	-	72 482 525
Investment securities at amortised cost	59 559	14 949	154 167	4 892 624	3 978 065	-	9 099 364
Other financial assets	178 726	6 137	29 453	183 139	184 598	-	582 053
	115 663 303	**42 586 271**	**49 637 518**	**15 695 259**	**5 451 908**	**-**	**229 034 259**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	139 554 512	139 554 512
Derivative financial liabilities	15 539	-	-	-	-	-	15 539
Amounts due to banks and other financial institutions	39 091 609	-	-	18 683	-	-	39 110 292
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	-	-	-	-	22 730 726
Amounts due to customers	1 856 475	363 525	1 391 354	791 506	-	-	4 402 860
Debt securities issued	18 400 171	-	-	-	-	-	18 400 171
Liabilities to the IMF in respect of SDR allocations	30 256 065	2 768	-	-	-	-	30 258 833
Lease liabilities	6 651	13 216	61 928	46 762	-	-	128 557
Other financial liabilities	131 520	5 405	73 721	1 532	-	-	212 178
	112 488 756	**384 914**	**1 527 003**	**858 483**	**-**	**139 554 512**	**254 813 668**
Net balance sheet position	**3 174 547**	**42 201 357**	**48 110 515**	**14 836 776**	**5 451 908**	**(139 554 512)**	**(25 779 409)**

CONTENT

34 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 2022 and 2021, the quota of the Kyrgyz Republic amounted to SDR 177 600 thousand.

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 2022	31 December 2021
IMF membership quota	**20 251 132**	**21 078 092**
Securities issued to the IMF	(20 165 024)	(20 988 468)
The IMF current accounts	(58 292)	(64 878)
	(20 223 316)	**(21 053 346)**

35 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 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 2022 and 2021 was KGS 86 343 thousand and KGS 62 159 thousand, 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 2022 and 2021 were KGS 7 043 thousand and KGS 22 711 thousand, 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 2022 and 2021 was KGS 88 thousand and KGS 196 thousand, respectively.

(c) Transactions with other related parties

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
Consolidated statement of financial position		
Investment in an associate	458 266	458 266

35 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:

	Associate	Total
Consolidated statement of profit or loss		
Share of profit of an associate	130 972	130 972
Fee and commission income	100	100
Other income	1 100	1 100
Other expenses	(469)	(469)

As at 31 December 2021, the outstanding balances with related parties, which are not disclosed separately in these consolidated financial statements were as follows:

	Associate	Total
Consolidated statement of financial position		
Investment in an associate	344 582	344 582

Related profit or loss amounts of transactions for the year ended 31 December 2021 with other related parties are as follows:

	Associate	Total
Consolidated statement of profit or loss		
Share of profit of an associate	73 081	73 081
Fee and commission income	160	160
Other income	1 286	1 286
Other expenses	(475)	(475)

36 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 2022:

	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total carrying amount	Fair value
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
Other borrowed funds	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**

36 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 2021:

	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total carrying amount	Fair values
Cash on hand, amounts due from banks and other financial institutions	52 707 188	81 574 924	-	134 282 112	134 282 112
Loans to banks and international organisations	6 248 840	-	-	6 248 840	6 248 840
Loans to customers	6 339 365	-	-	6 339 365	5 490 486
Investment securities at fair value through other comprehensive income	-	72 482 525	-	72 482 525	72 482 525
Investment securities at amortised cost	9 099 364	-	-	9 099 364	9 099 364
Other financial assets	582 053	-	-	582 053	582 053
	74 976 810	**154 057 449**	**-**	**229 034 259**	**228 185 380**
Banknotes and coins in circulation	139 554 512	-	-	139 554 512	139 554 512
Derivative financial liabilities	-	-	15 539	15 539	15 539
Amounts due to banks and other financial institutions	39 110 292	-	-	39 110 292	39 110 292
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	-	22 730 726	22 730 726
Amounts due to customers	4 402 860	-	-	4 402 860	4 329 395
Debt securities issued	18 400 171	-	-	18 400 171	18 400 171
Liabilities to the IMF in respect of SDR allocations	30 258 833	-	-	30 258 833	30 258 833
Lease liabilities	128 557	-	-	128 557	128 557
Other financial liabilities	212 178	-	-	212 178	212 178
	254 798 129	**-**	**15 539**	**254 813 668**	**254 740 203**

36 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.

Valuation techniques and assumptions

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

Assets for which fair value approximates carrying value

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

Financial assets and financial liabilities carried at amortised cost

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

CONTENT

(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.

36 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 2022, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	31 December 2022 Total
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 financial instruments at fair value as at 31 December 2021, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	31 December 2021 Total
Cash on hand, amounts due from banks and other financial institutions	-	81 574 924	-	**81 574 924**
Investment securities at fair value through other comprehensive income	72 482 525	-	-	**72 482 525**
Derivative financial liabilities	-	15 539	-	**15 539**

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	31 December 2022 Total
Cash on hand, amounts due from banks and other financial institutions	-	50 844 267	-	**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**
Other borrowed funds		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**

36 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 2021, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	31 December 2021 Total
Cash on hand, amounts due from banks and other financial institutions	-	52 707 188	-	**52 707 188**
Loans to banks and international organisations	-	6 248 840	-	**6 248 840**
Loans to customers	-	-	5 490 486	**5 490 486**
Investment securities at amortised cost	-	9 099 364	-	**9 099 364**
Other financial assets	-	582 053	-	**582 053**
Banknotes and coins in circulation	-	139 554 512	-	**139 554 512**
Amounts due to banks and other financial institutions	-	39 110 292	-	**39 110 292**
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	-	22 730 726	-	**22 730 726**
Amounts due to customers	-	-	4 329 395	**4 329 395**
Debt securities issued	-	18 400 171	-	**18 400 171**
Liabilities to the IMF in respect of SDR allocations	-	30 258 833	-	**30 258 833**
Lease liabilities	-	128 557	-	**128 557**
Other financial liabilities	-	212 178	-	**212 178**

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2022 and 2021, the Group had not any financial assets and financial liabilities that would had 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.

CHAPTER 8. SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENT

Building a better working world

«Эрнст энд Янг Аудит» ЖЧК
ул. Токтогула, 125/1
Бишкек ш. 720001
Кыргыз Республикасы

ООО «Эрнст энд Янг Аудит»
ул. Токтогула, 125/1
г. Бишкек, 720001
Кыргызская Республика

Ernst & Young Audit LLC
Toktogul Str., 125/1
Bishkek, 720001
Kyrgyz Republic

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 (hereinafter, the "National Bank"), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of profit or loss, the separate statement of comprehensive income, separate statement of changes in equity and 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 31 December 2022 and its financial performance and its 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 (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report. We are independent of the National Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other information included in the Annual Report of the National Bank for 2022

Other information consists of the information included in the Annual Report of the National Bank for 2022, other than the separate financial statements and our auditor's report thereon. 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.

Emphasis 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 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2022.

Responsibilities of management and Audit Committee for the separate financial statements

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 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.

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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, 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.

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- Evaluate the overall presentation, structure and content of the separate financial statement including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Olga Khegay
Auditor

Paul Cohn
General Director
Ernst & Young Audit LLC

Qualification certificate of the auditor:
Series AD No. 0017, registration number
No. 0466 dated 7 August 2019

Qualification certificate of the auditor:
Series A No. 0366, registration number
No. 0446 dated 22 October 2018

Audit license: Series A, No. 0036, registration number No. 0065, issued on 20 February 2010 by the State Service for Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic

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

14 April 2023

A member firm of Ernst & Young Global Limited

Separate statement of financial position as at 31 december 2022

(in thousands of soms)

	Notes	31 December 2022	31 December 2021
ASSETS			
Gold	6	81 833 825	50 159 119
Cash on hand, amounts due from banks and other financial institutions	7	119 522 906	130 658 428
Loans to banks and international organisations	8	2 526 768	6 633 075
Investment securities at fair value through other comprehensive income	9	38 367 938	71 602 189
Investment securities at amortised cost	10	5 007 033	2 955 967
Investments in subsidiaries and an associate	11	11 798 316	10 939 457
Property and equipment	12	2 002 524	1 955 142
Intangible assets		27 559	58 018
Non-monetary gold and gold reserves	13	133 962 227	35 411 153
Other assets	14	1 372 105	4 340 508
Total assets		**396 421 201**	**314 713 056**
LIABILITIES			
Banknotes and coins in circulation	15	198 810 147	139 922 220
Amounts due to banks and other financial institutions	16	58 035 390	39 580 124
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	17	31 808 702	22 730 726
Debt securities issued	18	34 350 617	18 494 284
Liabilities to the IMF in respect of SDR allocations	19	16 171 080	30 258 833
Other liabilities		198 073	158 528
Total liabilities		**339 374 009**	**251 144 715**
EQUITY			
Charter capital	20	4 000 000	2 000 000
Obligatory reserve		7 244 293	8 325 042
Revaluation reserve for foreign currencies and gold		35 858 965	44 149 006
Revaluation reserve for investment securities at fair value through other comprehensive income		(242 955)	(98 216)
Retained earnings		10 186 889	9 192 509
Total equity		**57 047 192**	**63 568 341**
Total liabilities and equity		**396 421 201**	**314 713 056**

Chokoev Z.L.
Acting Chairman of the National Bank
14 April 2023
Bishkek, the Kyrgyz Republic

Abylgazieva A.B.
Chief Accountant
14 April 2023
Bishkek, the Kyrgyz Republic

The accompanying notes on pages 111 to 172 are an integral part of these separate financial statements.

Separate statement of profit or loss for the year ended 31 december 2022

(in thousands of soms)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Interest income calculated using effective interest rate	21	2 552 192	1 121 620
Interest expense	21	(4 096 533)	(1 132 600)
Net interest expense	21	**(1 544 341)**	**(10 980)**
Fee and commission income		89 261	77 840
Fee and commission expense		(38 827)	(31 814)
Net fee and commission income		**50 434**	**46 026**
Reversal of credit losses/(credit loss expense)	22	166 670	(187 423)
Gain/(loss) from reversal of impairment/(impairment) of investments in a subsidiary	11	750 063	(376 140)
Net realised gain on foreign currencies and gold transactions	23	12 247 482	15 005 454
Share of profit of an associate		130 972	73 081
Other income	24	1 101 635	390 727
Net non-interest income		**14 396 822**	**14 905 699**
Operating income		**12 902 915**	**14 940 745**
Expenses on production of banknotes and coins issued into circulations		(609 319)	(434 774)
Administrative expenses	25	(1 532 849)	(1 351 325)
Other expenses	24	(573 858)	(178 696)
Operating expenses		**(2 716 026)**	**(1 964 795)**
Profit for the year		**10 186 889**	**12 975 950**

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Separate statement of comprehensive income for the year ended 31 december 2022

(in thousands of soms)

	Year ended 31 December 2022	Year ended 31 December 2021
Profit for the year	**10 186 889**	**12 975 950**
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	3 608 173	5 122 030
- net realised gain on foreign currencies and gold transactions transferred to profit or loss	(11 898 214)	(14 545 597)
Net loss from changes in fair value of investment securities at fair value through other comprehensive income	(144 739)	(111 477)
Other comprehensive loss for the year	**(8 434 780)**	**(9 535 044)**
Total comprehensive income for the year	**1 752 109**	**3 440 906**

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Separate statement of cash flows for the year ended 31 december 2022

(in thousands of soms)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities			
Interest received		1 988 492	964 106
Interest paid		(3 804 994)	(1 068 087)
Fees and commissions received		89 261	77 840
Fees and commissions paid		(38 827)	(31 814)
Realised gain from dealing in foreign currencies		349 268	459 858
Other income		786 008	313 556
Payroll expenses		(922 640)	(714 950)
Banknotes and coins production expenses		(142 152)	(902 986)
Administrative and other expenses excluding payroll expenses		(921 090)	(479 892)
Cash flows from operating activities before changes in operating assets and liabilities		**(2 616 674)**	**(1 382 369)**
Decrease/increase in operating assets			
Gold		-	35 156 809
Amounts due from banks and other financial institutions		20 914 918	(22 225 948)
Loans to banks and international organisations		4 496 416	2 185 211
Investment securities at fair value through other comprehensive income		35 511 150	2 733 500
Non-monetary gold and gold reserves		(128 781 523)	(24 327 409)
Other assets		3 667	1 741 259
Increase/(decrease) in operating liabilities			
Banknotes and coins in circulation		58 887 928	5 293 058
Amounts due to banks and other financial institutions		18 423 977	10 602 049
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic		(10 253 070)	(1 818 849)
Debt securities issued		15 685 193	5 488 081
Other liabilities		8 906	(2 997)
Net cash from operating activities		**12 280 888**	**13 442 395**

The accompanying notes on pages 111 to 172 are an integral part of these separate financial statements.

Separate statement of cash flows for the year ended 31 december 2022 (continued)

(in thousands of soms)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from investing activities			
Purchase of shares of subsidiaries		-	(3 000 000)
Purchase of property and equipment and intangible assets		(223 679)	(254 962)
Purchase of investment securities at amortised cost		(2 105 911)	-
Proceeds from redemption of investment securities at amortised cost		-	64 352
Interest received on investment securities at amortised cost		369 732	280 868
Dividends received		262 759	33 962
Net cash used in investing activities		**(1 697 099)**	**(2 875 780)**
Cash flow from financing activities			
Proceeds from SDR allocations by the IMF	19	-	20 424 704
Net cash from financing activities		-	**20 424 704**
Net increase in cash and cash equivalents		**10 583 789**	**30 991 319**
Effect of expected credit losses on cash and cash equivalents		(198 052)	(5 698)
Effect of changes in foreign exchange rates on cash and cash equivalents		(3 332 058)	1 718 492
Cash and cash equivalents beginning		85 281 776	52 577 663
Cash and cash equivalents ending	**7**	**92 335 455**	**85 281 776**
Non-cash transactions			
Transfer of liabilities to the IMF in respect of SDR allocations to the Ministry of Finance of the Kyrgyz Republic	19	(12 219 462)	-

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14 April 2023
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The accompanying notes on pages 111 to 172 are an integral part of these separate financial statements.

Separate statement of changes in equity for the year ended 31 december 2022

(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
As 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 transaction 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 20*)	-	-	-	-	(8 273 258)	(8 273 258)
Increase in charter capital (*Note 20*)	2 000 000	(2 000 000)	-	-	-	-
Transfer to obligatory reserve (*Note 20*)	-	919 251	-	-	(919 251)	-
Total amounts of transactions recorded directly in equity	**2 000 000**	**(1 080 749)**	**-**	**-**	**(9 192 509)**	**(8 273 258)**
As at 31 December 2022	**4 000 000**	**7 244 293**	**35 858 965**	**(242 955)**	**10 186 889**	**57 047 192**

The accompanying notes on pages 111 to 172 are an integral part of these separate financial statements.

CONTENT

Separate statement of changes in equity for the year ended 31 december 2022 (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
As at 1 January 2021	**2 000 000**	**7 476 561**	**53 572 573**	**13 261**	**4 701 370**	**67 763 765**
Profit for the year	-	-	-	-	12 975 950	12 975 950
Other comprehensive income						
Net loss from investment securities at fair value through other comprehensive income	-	-	-	(111 477)	-	(111 477)
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	5 122 030	-	-	5 122 030
Net gain on foreign currencies and gold transactions transferred to profit or loss	-	-	(14 545 597)	-	-	(14 545 597)
Total comprehensive income for the year	**-**	**-**	**(9 423 567)**	**(111 477)**	**12 975 950**	**3 440 906**
Transactions recorded directly in equity						
Distribution of prior year profit to the State budget (*Note 20*)	-	-	-	-	(7 636 330)	(7 636 330)
Transfer to obligatory reserve (*Note 20*)	-	848 481	-	-	(848 481)	-
Total amounts of transactions recorded directly in equity	**-**	**848 481**	**-**	**-**	**(8 484 811)**	**(7 636 330)**
As at 31 December 2021	**2 000 000**	**8 325 042**	**44 149 006**	**(98 216)**	**9 192 509**	**63 568 341**

Chokoev Z.L.
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14 April 2023
Bishkek, the Kyrgyz Republic

Abylgazieva A.B.
Chief Accountant
14 April 2023
Bishkek, the Kyrgyz Republic

The accompanying notes on pages 111 to 172 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 2022 and 2021, the National Bank has 5 regional departments and one representative office operating throughout the Kyrgyz Republic.

As at 31 December 2022 and 2021, the total number of the National Bank's employees is 702 and 753, 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 2022**	**31 December 2021**	**Activity**
OJSC Keremet Bank	97,45	97,45	Banking services
OJSC Guarantee Fund	91,22	91,22	Guarantee issue services
CJSC Kyrgyz Collection	100,00	100,00	Valuable's transportation services

As at 31 December 2022 and 2021, the National Bank also owns an investment in an associate CJSC Interbank Processing Centre (46,71% of shares).

On 30 April 2022, retained earnings of previous years of CJSC Interbank Processing Centre ("IPC CJSC") in the amount of KGS 263 520 thousand were used to increase the charter capital of IPC CJSC by issuing additional common shares in proportion to the shares of shareholders in the charter capital. As a result of the increase in the number of outstanding shares, the share of the National Bank in the charter capital of IPC CJSC did not change.

These separate financial statements were approved by the Management Board of the National Bank on 14 April 2023.

1 GENERAL INFORMATION

(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.

In 2022, the economy of the Kyrgyz Republic was under the influence of foreign economic conditions related to geopolitical tension in the world, acceleration of global inflation, volatility of world prices in the commodity markets and changes in the nature of foreign trade operations.

The National Bank in cooperation with the Cabinet of Ministers of the Kyrgyz Republic took active measures to ensure price and macroeconomic stability. The National Bank implemented the measures aimed at maintaining stability in the banking and financial systems of the country.

The National Bank stays committed to a free-floating currency exchange rate and retains the right to perform currency interventions under conditions of excessive volatility to ensure the stability of the financial system.

The National Bank also considers negative development scenarios and is ready to adapt its operational plans accordingly. The National Bank continues to monitor the situation closely and will respond to mitigate the impact of negative events and circumstances as they occur.

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 ("IFRS") issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee ("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.
- Financial liabilities to the International Monetary Fund ("IMF") in respect of Special Drawing Rights ("SDR") allocations are derecognised if SDR assets are transferred to another Governmental entity by the decision of the Cabinet of Ministers of the Kyrgyz Republic;
- The National Bank classifies cash flows from investment securities measured at fair value through other comprehensive income as cash flows from operating activities in 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 14 April 2023.

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

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 (CONTINUED)

(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.

CONTENT

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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
US dollar/som	85,6800	84,7586
Euro/som	91,4377	95,7857
Special drawing rights/som	114,0271	118,6705
Canadian dollar/som	63,3025	66,0967
Australian dollar/som	58,2453	61,3829
Great British pound sterling/som	103,2958	113,6214
Chinese renminbi/som	12,3147	13,3134
Russian rouble/som	1,1763	1,1409
Troy ounce of gold/som	155 282,1480	153 061,3178

(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.

(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 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.”

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

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

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 (“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 an asset to obtain the contractual cash flows’.

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

- nostro accounts with foreign banks and international financial institutions (*Note 7*)
- investment securities at fair value through other comprehensive income (*Note 9*).

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* (“IFRS 13”).

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

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

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 7*)
- loans to banks and international organisations (*Note 8*)
- investment securities measured at amortised cost (*Note 10*); and
- Accounts receivable (*Note 14*)

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 7*);
- loans to banks and international organisations (*Note 8*);
- investment securities at fair value through other comprehensive income (*Note 9*);
- investment securities measured at amortised cost (*Note 10*);
- accounts receivable (*Note 14*).

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").

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

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

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.

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.

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, 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:

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

(h) 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.

(i) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial liabilities, continued

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.

(j) 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.

(k) 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.

(l) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 (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.

(n) 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.

(o) 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 APPLICATION 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 2022 (unless otherwise specified). The National Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.

These standards, interpretations and amendments had no impact on the National Bank's separate financial statements.

Standards, amendments and interpretations issued but 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 those standards, amendments and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

4 APPLICATION OF NEW AND REVISED IFRS (CONTINUED)

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

These amendments are not expected to have a significant impact on the separate financial statements of the National Bank.

Amendments to IAS 1 — Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The National Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates — Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a significant impact on the separate financial statements of the National Bank.

Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

4 APPLICATION OF NEW AND REVISED IFRS (CONTINUED)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The National Bank is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements going forward.

Lease Liability in a Sale and Leaseback — Amendments to IFRS 16

On 22 September 2022, the IASB issued an amendment to IFRS 16 *Lease Liability in a Sale and Leaseback*. The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. These amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

The initial measurement of a lease liability arising from a leaseback transaction may result in seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A to IFRS 16. The seller-lessee will need to develop and apply accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

Lease Liability in a Sale and Leaseback — Amendments to IFRS 16 (continued)

Amendments to IFRS 16 are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. The seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which the entity first applies IFRS 16.

These amendments are not expected to have a significant impact on the separate financial statements of the National Bank.

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 22*.

Calculation of the impairment allowance for investments in subsidiaries

The National Bank uses cash flow projections based on financial budgets/forecasts over a period longer than five years. The National Bank considers these projections to be reliable.

Cash flow projections over a period longer than five years are estimated by extrapolating the cash flow projections based on financial budgets/forecasts using a steady growth rate for subsequent years.

In measuring the value in use of the investment in the subsidiary, the estimated cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The weighted average market interest rate (WACC) of 17.2% was used as the discount rate as at 31 December 2022.

Changes in the above estimates may have an impact on the provision for impairment, for example, if the discount rate for future cash flows changes by plus/minus one percent, the provision for impairment of investment in the subsidiary as at 31 December 2022 and 2021 will be KGS 152 000 thousand.

6 GOLD

	31 December 2022	31 December 2021
Gold		
Gold in deposits with foreign banks and in bullion	81 833 825	50 159 119
	81 833 825	**50 159 119**

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

Concentration of gold on deposits in foreign banks

As at 31 December 2022 and 2021 the National Bank placed gold on deposits with foreign banks with a credit rating of AA- assigned by Fitch Ratings Inc.

As at 31 December 2022 and 2021 the National Bank had no gold balances on deposits with foreign banks exceeding 10% of equity.

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

	31 December 2022	31 December 2021
Nostro accounts with foreign banks		
- rated at AAA	32 271 115	23 063 873
- rated from A- to AA+	7 708 996	8 516 502
- rated from B to BBB	29 490	958 934
- not rated	1 353 329	-
Total nostro accounts with foreign banks	**41 362 930**	**32 539 309**
Allowance for expected credit losses	(203 760)	(5 708)
	41 159 170	**32 533 601**
Term deposits with foreign banks		
- rated from AA- to AA+	10 258 510	15 940 100
- rated from A- to A+	12 593 166	11 072 756
Total term deposits with foreign banks	**22 851 676**	**27 012 856**
Allowance for expected credit losses	(588)	(1 139)
	22 851 088	**27 011 717**
Accounts and deposits with international financial institutions		
Account with the International Monetary Fund (IMF)	19 682 157	31 796 843
Accounts with the Bank for International Settlements (BIS):		
- Term deposit with BIS	4 336 363	18 364 935
- Nostro accounts with BIS	11 318 843	16 530 835
Total accounts and deposits with international financial institutions	**35 337 363**	**66 692 613**
Allowance for expected credit losses	(5)	(5)
	35 337 358	**66 692 608**
Cash on hand in foreign currencies	20 175 290	4 420 502
Cash on hand, amounts due from banks and other financial institutions	**119 522 906**	**130 658 428**

Concentration of amounts due from banks and other financial institutions

As at 31 December 2022, the National Bank has accounts with five banks and other financial institutions rated from A to AAA (31 December 2021: five banks and other financial institutions rated from AA- to AAA), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2022 is KGS 83 860 736 thousand (at 31 December 2021: KGS 106 401 451 thousand).

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

The credit ratings are presented by reference to the credit ratings of Fitch Ratings Inc. (“Fitch”) credit rating agency or analogues of similar international agencies.

Movement in the allowance for expected credit losses is disclosed in *Note 22*.

Cash and cash equivalents

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

	31 December 2022	31 December 2021
Nostro accounts with foreign banks	41 159 170	32 533 601
Account with the IMF	19 682 154	31 796 841
Nostro accounts with BIS	11 318 841	16 530 832
Cash on hand in foreign currencies	20 175 290	4 420 502
Cash and cash equivalents in the separate statement of cash flows	**92 335 455**	**85 281 776**

Cash equivalents are not overdue.

8 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS

	31 December 2022	31 December 2021
Loans issued to international organisations		
- not rated	2 526 768	2 750 682
Loans issued to resident commercial banks		
- rated at B	-	441 565
- not rated	153 244	2 323 031
Loans issued to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic		
- not rated	-	1 676 727
Total loans to banks and international organisations before allowance for expected credit losses	**2 680 012**	**7 192 005**
Allowance for expected credit losses	(153 244)	(558 930)
Loans to banks and international organisations	**2 526 768**	**6 633 075**

Interest received during the 2022 year on loans issued to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic was KGS 34 648 thousand (2021: KGS 99 196 thousand).

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 22*.

8 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS (CONTINUED)

Analysis of collateral

The following table provides information on collateral securing loans issued to resident commercial banks and international organisations as at 31 December 2022 and 2021, excluding the effect of overcollateralisation.

	31 December 2022	% of loan portfolio	31 December 2021	% of loan portfolio
Deposits in foreign currencies	2 526 768	100	3 543 478	54
Loans to customers	-	-	1 665 520	25
State securities	-	-	1 279 532	19
Unsecured	-	-	144 545	2
	2 526 768	**100**	**6 633 075**	**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.

Concentration of loans to banks and international organisations

As at 31 December 2022 and 2021 the National Bank did not have loans issued to banks and international organisations whose balances exceeded 10% of total equity.

9 INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Debt securities		
Government securities		
Treasury bonds of the government of Canada with AA+ credit rating	5 053 240	1 390 414
Total government securities	**5 053 240**	**1 390 414**
Debt securities of international financial institutions without a credit rating	31 628 731	35 973 583
Agency securities with AAA credit rating	1 685 967	34 238 192
Total debt securities	**38 367 938**	**71 602 189**

As at 31 December 2022 and 2021 investment securities measured at fair through other comprehensive income are not overdue.

As at 31 December 2022, the National Bank had one counterparty (31 December 2021: four counterparties), whose balance exceeded 10% of equity. As at 31 December 2022, the credit risk exposure in respect of this counterparty amounted to KGS 27 209 612 thousand (31 December 2021: KGS 66 619 321 thousand).

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 22*.

10 INVESTMENT SECURITIES AT AMORTISED COST

	31 December 2022	31 December 2021
Treasury bonds of the Ministry of Finance of the Kyrgyz Republic with B- credit rating	5 104 038	3 010 634
Allowance for expected credit losses	(97 005)	(54 667)
	5 007 033	**2 955 967**

Movement in the allowance for expected credit losses is disclosed in *Note 22*.

11 INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

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

	Subsidiaries	Associate	Carrying amount
31 December 2020	**7 981 133**	**271 742**	**8 252 875**
Purchases of shares of subsidiaries	3 000 000	-	3 000 000
Share of profit of an associate	-	62 722	62 722
Impairment loss on investment in a subsidiary	(376 140)	-	(376 140)
31 December 2021	**10 604 993**	**334 464**	**10 939 457**
Share of profit of an associate	-	108 796	108 796
Reversal of impairment loss on investment in a subsidiary	750 063	-	750 063
31 December 2022	**11 355 056**	**443 260**	**11 798 316**

Investments in subsidiaries and an associate	Activity	Share of ownership, %	31 December 2022	Share of ownership, %	31 December 2021
OJSC Keremet Bank	Bank services	97,45	4 585 056	97,45	3 834 993
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	443 260	46,71	334 464
			11 798 316		**10 939 457**

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 KGS 263 520 thousand 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 2022, the National Bank recovered losses from impairment of investment in a subsidiary in the amount of KGS 750 063 thousand (as at 31 December 2021: recognised losses from impairment of investment in a subsidiary in the amount of KGS 376 140 thousand).

11 INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE (CONTINUED)

On 10 November 2021, the National Bank purchased shares of the seventh issue of Guarantee Fund OJSC in the amount of KGS 2 500 000 thousand in order to support business entities and facilitate further development of their activities by increasing access to financial resources amid the need to mitigate the negative effects of the COVID-19 pandemic. As the result of the seventh issue of shares of Guarantee Fund JSC, the share of the National Bank in the charter capital amounted to 91.22 percent.

On 8 December 2021, the National Bank decided to increase the charter capital of Kyrgyz Cash Collection CJSC through the third issue of shares in the amount of KGS 500 000 thousand in order to support the material and technical base of Kyrgyz Cash Collection CJSC for implementation of state and social missions, including the organisation of uninterrupted services for backing ATMs and delivery of cash to the regions of the republic. According to the results of the third issue of shares, the charter capital of Kyrgyz Cash Collection CJSC amounted to KGS 720 000 thousand. The share of the National Bank in the charter capital of Kyrgyz Cash Collection CJSC is 100 percent.

12 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 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**

CONTENT

CONTENT

12 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 2021	**195 158**	**715 068**	**587 093**	**697 278**	**75 349**	**450 010**	**2 719 956**
Additions	5 092	2 635	71 538	16 056	15 144	189 308	299 773
Disposals	-	-	(48 439)	(78 817)	(11 098)	(16 599)	(154 953)
Transfers	-	224 019	5 511	77	-	(229 607)	-
At 31 December 2021	**200 250**	**941 722**	**615 703**	**634 594**	**79 395**	**393 112**	**2 864 776**
Depreciation							
At 1 January 2021	**-**	**(145 877)**	**(229 968)**	**(408 559)**	**(40 540)**	**-**	**(824 944)**
Charge for the year	-	(33 450)	(83 787)	(94 453)	(11 354)	-	(223 044)
Disposals	-		48 444	78 811	11 099	-	138 354
At 31 December 2021	**-**	**(179 327)**	**(265 311)**	**(424 201)**	**(40 795)**	**-**	**(909 634)**
Carrying amount							
At 31 December 2021	**200 250**	**762 395**	**350 392**	**210 393**	**38 600**	**393 112**	**1 955 142**

13 NON-MONETARY GOLD AND GOLD RESERVES

	31 December 2022	31 December 2021
Gold reserves	129 853 589	33 341 168
Non-monetary gold	4 108 638	2 069 985
	133 962 227	**35 411 153**

During 2022, the National Bank conducted operations to purchase 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.

14 OTHER ASSETS

	31 December 2022	31 December 2021
Accounts receivable	490 263	535 943
Allowance for expected credit losses	(51 872)	(50 933)
Other financial assets	**438 391**	**485 010**
Inventory	723 773	1 190 279
Advances paid	121 278	2 570 060
Numismatic items	80 738	82 630
Other	7 925	12 529
Other non-financial assets	**933 714**	**3 855 498**
	1 372 105	**4 340 508**

Movement in the allowance for expected credit losses is disclosed in *Note 22*.

As at 31 December 2021 advances paid comprise prepayment of a part of 2021 profit to the budget of the Kyrgyz Republic in the amount of KGS 2 500 000 thousand.

15 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2022 and 2021, banknotes and coins in circulation comprise:

	31 December 2022	31 December 2021
Banknotes and coins in circulation	203 271 649	143 784 566
Less: banknotes and coins on hand in national currency	(4 461 502)	(3 862 346)
	198 810 147	**139 922 220**

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.

16 AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Accounts of commercial banks	34 669 420	28 204 265
Accounts of commercial banks and financial institutions owned by the Cabinet of Ministers of the Kyrgyz Republic	17 773 593	5 597 729
Accounts of other financial institutions	5 592 377	5 778 130
	58 035 390	**39 580 124**

As at 31 December 2022, the National Bank had four commercial bank account balances individually in excess of 10% of total equity (as at 31 December 2021: one commercial bank).

The gross value of balances in the accounts of these banks as at 31 December 2022 is KGS 32 342 616 thousand (as at 31 December 2021: KGS 13 265 015 thousand).

Interest paid during the year on amounts due to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic was KGS 620 581 thousand (2021: KGS 77 957 thousand).

17 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 2022	31 December 2021
In national currency	30 270 363	21 256 608
In foreign currency	1 538 339	1 474 118
	31 808 702	**22 730 726**

18 DEBT SECURITIES ISSUED

As at 31 December 2022 and 2021 debt securities issued include securities with the following maturities and carrying amounts:

	31 December 2022	31 December 2021
Notes of the National Bank with maturity of 28 days	14 751 096	11 507 704
Notes of the National Bank with maturity of 14 days	12 056 287	6 986 580
Notes of the National Bank with maturity of 91 days	7 543 234	-
	34 350 617	**18 494 284**

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.

The amount of debt securities issued to commercial banks owned by the Cabinet of Ministers of the Kyrgyz Republic as at 31 December 2022 is KGS 17 387 694 thousand (as at 31 December 2021: KGS 3 519 443 thousand).

19 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	31 December 2022	31 December 2021
Liabilities to the IMF in respect of SDR allocations	16 171 080	30 258 833

SDR allocation is a distribution of SDR amounts to IMF members by decision of the IMF. A general SDR allocation became effective 28 August 2009. 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 27). 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 SDR 84 737 thousand. 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.

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 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**

			Non-cash changes		
	1 January 2021	Cash flows from financing activities (i)	Foreign currency exchange rate adjustment	Other changes (ii)	31 December 2021
Liabilities to the IMF in respect of SDR allocations	9 994 865	20 424 704	(161 716)	980	30 258 833
	9 994 865	**20 424 704**	**(161 716)**	**980**	**30 258 833**

(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 in 2021 and changes in accrued interest.

20 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 KGS 2 000 000 thousand at the expense of the obligatory reserve of the National Bank. As at 31 December 2022 the charter capital of the National Bank amounted to KGS 4 000 000 thousand (as at 31 December 2021: charter capital of the National Bank amounted to KGS 2 000 000 thousand).

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 29 June 2022 the profit of the National Bank for 2021 was approved for distribution in the amount of KGS 9 192 509 thousand, of which KGS 8 273 258 thousand was transferred to the republican budget of the Kyrgyz Republic, including advance payment, KGS 919 251 thousand was transferred to the obligatory reserve of the National Bank (in 2021: net profit for 2020 in the amount of KGS 8 484 811 thousand was approved, of which KGS 7 636 330 thousand was transferred to the republican budget of the Kyrgyz Republic, including advance payment, KGS 848 481 thousand 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.

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 KGS 4 000 000 thousand (as at 31 December 2021: KGS 2 000 000 thousand).

21 NET INTEREST EXPENSE

	2022	2021
Interest income calculated using effective interest rate		
Nostro accounts with foreign banks and international financial institutions	1 094 129	68 899
Term deposits in foreign banks and international financial institutions	550 893	198 688
Investment securities at amortised cost	357 226	334 596
Investment securities at fair value through other comprehensive income	352 335	151 027
Loans to banks and international organisations	197 609	368 410
	2 552 192	**1 121 620**
Interest expense		
Debt securities issued	(2 445 722)	(802 796)
Amounts due to banks and other financial institutions	(1 335 975)	(252 991)
Liabilities to the IMF in respect of SDR allocations	(254 963)	(9 362)
Other	(59 873)	(67 451)
	(4 096 533)	(1 132 600)
	(1 544 341)	**(10 980)**

22 REVERSAL OF CREDIT LOSSES/(CREDIT LOSS EXPENSE)

Movement of allowance for expected credit losses on financial assets is presented below:

	Cash on hand, amounts due from banks and other financial institutions (Note 7)			Loans to banks and international organisations (Note 8)			Investments in securities at fair value through other comprehensive income		Investment securities measured at amortised cost (Note 10)	Other financial assets (Note 14)			
	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
ECL allowance 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)
(Write-off of assets against provisions)/ recovery of losses	-	-	-	-	-	99	-	-	-	-	-	-	99
Financial assets originated or purchased	198 900	-	-	-	-	(99)	3	-	43 178	1 152	-	448	243 582
Financial assets derecognised, except for write-offs	(1 394)	(5)	-	(253 419)	(25 790)	-	(9)	-		(455)	-	(508)	(281 580)
Change in currency rates and other changes	-	-	-	-	-	1 647	-	-	-	-	-	10	1 657
ECL allowance as at 31 December 2022	**4 095**	**200 258**	**-**	**-**	**-**	**153 244**	**3**	**-**	**97 005**	**6 538**	**1 125**	**44 209**	**506 477**

In 2022, loans issued to commercial banks-residents of the Kyrgyz Republic, classified as Stage 2 for the purposes of estimating expected credit losses, were repaid in accordance with the contractual terms. The total amount of repayment was KGS 37 249 thousand.

In 2022, amounts due from banks, without a credit rating assigned, located in the Russian Federation and the Republic of Belarus were transferred from Stage 1 to Stage 2 for the purposes of estimating expected credit losses. The total amount of these funds before provision for expected credit losses amounted to KGS 1 353 983 thousand.

22 REVERSAL OF CREDIT LOSSES/(CREDIT LOSS EXPENSE) (CONTINUED)

Movement of allowance for expected credit losses on financial assets is presented below:

	Cash on hand, amounts due from banks and other financial institutions (Note 7)			Loans to banks and international organisations (Note 8)			Investments in securities at fair value through other comprehensive income		Investments in securities measured at amortised cost (Note 10)	Other financial assets (Note 14)		
	Stage 1	*Stage 2*	*Stage 3*	*Stage 1*	*Stage 2*	*Stage 3*	*Stage 1*	*Stage 2*	*Stage 1*	*Stage 1*	*Stage 3*	*Total*
ECL allowance as at 1 January 2021	**1 769**	**-**	**-**	**213 297**	**13 518**	**148 118**	**11**	**-**	**54 046**	**7 391**	**41 953**	**480 103**
Transfer to Stage 2	(160)	160	-	(98 052)	98 052	-	-	-	-	-	-	-
Net changes resulting from changes in credit risk parameters	-	-	-	-	350 701	-	-	-	-	-	-	350 701
(Write-off of assets against provisions)/recovery of losses	-	-	-	-	-	(378)	-	-	-	-	-	(378)
Financial assets originated or purchased	6 685	-	-	14 264	-	-	8	-	4 364	554	1 851	27 726
Financial assets derecognised, except for write-offs	(1 602)	-	-	(65 595)	(118 852)	-	(10)	-	(3 743)	(823)	-	(190 625)
Change in currency rates and other changes	-	-	-	-	-	3 857	-	-	-	-	7	3 864
ECL allowance as at 31 December 2021	**6 692**	**160**	**-**	**63 914**	**343 419**	**151 597**	**9**	**-**	**54 667**	**7 122**	**43 811**	**671 391**

CONTENT

23 NET REALISED GAIN ON FOREIGN CURRENCIES AND GOLD TRANSACTIONS

	2022	2021
Realised gain from operations with foreign currencies and gold	11 898 214	14 545 597
Profit from spot transactions with foreign currencies	349 268	459 857
	12 247 482	**15 005 454**

24 OTHER INCOME AND EXPENSES

	2022	2021
Other income		
Income from the sale of bullion and numismatic valuables	766 454	225 550
Income from investments in subsidiaries	240 583	23 604
Other	94 598	141 573
	1 101 635	**390 727**
Other expenses		
Expenses for recognition of the cost of bullion and numismatic valuables	(572 203)	(176 359)
Other	(1 655)	(2 337)
	(573 858)	**(178 696)**

25 ADMINISTRATIVE EXPENSES

	2022	2021
Personnel expenses		
Salary	809 534	648 300
Payments to the Social fund	138 209	110 946
	947 743	**759 246**
Other administrative expenses		
Depreciation and amortisation	244 123	293 583
Repair and maintenance	140 317	121 835
Security	61 400	56 179
Communications and information services	35 485	30 485
Professional services	19 885	26 652
Publication and subscription	17 228	14 923
Business trip expenses	13 326	5 865
Staff training	10 112	3 904
Expenses for social events	7 517	7 281
Office supplies	6 171	5 840
Other	29 542	25 532
Total administrative expenses	**1 532 849**	**1 351 325**

26 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 22 December 2021, 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.

26 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(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 2022 and 2021. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

	Weighted averageeffective interest rate, % 31 December 2022	Weighted averageeffective interest rate, % 31 December 2021
Interest-bearing assets		
Amounts due from banks and other financial institutions		
Nostro accounts		
- USD	4,30	0,05
- EUR	1,97	(0,51)
- CAD	3,92	0,02
- GBP	3,45	-
- RUB	4,00	-
- CNY	0,35	1,60
- SGD	2,40	-
- KRW	0,10	0,10
- CHF	(0,02)	(0,04)
- SDR	2,92	0,08
- AUD	3,10	-
- JPY	(0,04)	-
- NOK	-	0,01
Term deposits		
- USD	4,77	0,17
- GBP	3,40	0,10
- AUD	3,32	-
- SGD	3,35	0,08
- CNY	1,75	2,85
- CAD	-	0,21
- RUB	-	7,72
Loans to banks and international organisations		
- KGS	4,00	4,71
Investment securities at fair value through other comprehensive income		
- USD	4,41	0,16
- AUD	2,98	0,13
- CAD	4,20	0,24
- GBP	3,29	0,27
- CNY	0,85	2,90
Investment securities at amortised cost		
- KGS	13,51	11,21
Interest-bearing liabilities		
Amounts due to banks and other financial institutions		
- KGS	10,00	5,50
Debt securities issued		
- KGS	13,77	7,49
Liabilities to the IMF in respect of SDR allocations	2,92	0,08

26 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 2022 and 2021 and a simplified scenario of a 100 basis points (bps) symmetrical fall or rise in all yield curves is as follows:

	31 December 2022		31 December 2021	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
100 bps parallel rise	-	(85 939)	-	(55 433)
100 bps parallel fall	-	85 939	-	55 433

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.

CONTENT

26 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	RUR	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 of 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)**

26 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 2021 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUR	Other currencies	Total 31 December 2021
Financial assets											
Cash on hand, amounts due from banks and other financial institutions	-	73 214 659	3 797 046	2 077 285	899 440	31 796 840	1 150 344	12 233 915	4 089 077	1 399 822	130 658 428
Loans to banks and international organisations	6 633 075	-	-	-	-	-	-	-	-	-	6 633 075
Investment securities at fair value through other comprehensive income	-	59 913 082	-	6 081 103	1 300 326	-	2 159 388	2 148 290	-	-	71 602 189
Investment securities at amortised cost	2 955 967	-	-	-	-	-	-	-	-	-	2 955 967
Other financial assets	485 010	-	-	-	-	-	-	-	-	-	485 010
Total financial assets	**10 074 052**	**133 127 741**	**3 797 046**	**8 158 388**	**2 199 766**	**31 796 840**	**3 309 732**	**14 382 205**	**4 089 077**	**1 399 822**	**212 334 669**
Financial liabilities											
Banknotes and coins in circulation	139 922 220	-		-	-	-	-	-	-	-	139 922 220
Amounts due to banks and other financial institutions	31 267 622	8 120 931	191 571	-	-	-	-	-	-	-	39 580 124
Amounts due to the Cabinet Ministers of the Kyrgyz Republic	21 256 608	44 369	1 249 215	-	-	-	-	-	168 066	12 468	22 730 726
Debt securities issued	18 494 284	-		-	-	-	-	-	-	-	18 494 284
Liabilities to the IMF in respect of SDR allocations	-	-		-	-	30 258 833	-	-	-	-	30 258 833
Other financial liabilities	143 923	1 442	1 086	-	-	-	-	-	-	462	146 913
Total financial liabilities	**211 084 657**	**8 166 742**	**1 441 872**	**-**	**-**	**30 258 833**	**-**	**-**	**168 066**	**12 930**	**251 133 100**
Net balance sheet position	**(201 010 605)**	**124 960 999**	**2 355 174**	**8 158 388**	**2 199 766**	**1 538 007**	**3 309 732**	**14 382 205**	**3 921 011**	**1 386 892**	**(38 798 431)**

CONTENT

26 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 2022 and 2021 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 2022		31 December 2021	
	Profit or loss	**Other comprehensive income and equity**	**Profit or loss**	**Other comprehensive income and equity**
20% appreciation of USD against KGS	-	19 820 653	-	24 992 200
20% appreciation of CNY against KGS	-	2 832 524	-	2 876 441
20% appreciation of CAD against KGS	-	1 587 907	-	1 631 678
20% appreciation of GBP against KGS	-	605 918	-	661 946
20% appreciation of EUR against KGS	-	289 098	-	471 035
20% appreciation of AUD against KGS	-	256 324	-	439 953
20% appreciation of RUR against KGS	-	205 797	-	784 202
20% appreciation of other currencies against KGS	-	320 854	-	277 378

Appreciation of the KGS against the above currencies at 31 December 2022 and 2021 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.

As at 31 December 2022 the National Bank was exposed to price risk of gold in deposits with foreign banks. As at 31 December 2022 gold is represented by physical gold in storage and gold on deposit. 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 2022 and 2021 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.

26 RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(iii) Other price risks (continued)

	31 December 2022		31 December 2021	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
20% appreciation of gold prices in KGS equivalent	-	16 366 765	-	10 031 824
20% depreciation of gold prices in KGS equivalent	-	(16 366 765)	-	(10 031 824)

(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.

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 maximum exposure to credit risk is generally reflected in the 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.

CONTENT

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk, continued

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

	31 December 2022	31 December 2021
Financial assets		
Gold in deposits with foreign banks	6 799 869	6 702 618
Amounts due from banks and other financial institutions	99 551 969	126 244 778
Loans to banks and international organisations	2 680 012	7 192 005
Investment securities at fair value through other comprehensive income	38 367 938	71 602 189
Investment securities at amortised cost	5 104 038	3 010 634
Other financial assets	490 263	535 943
Total maximum exposure	**152 994 089**	**215 288 167**

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
1	Low or moderate risk
2	Watch
3	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 2022			
	Stage 1 12-month credit losses	Stage 2 Lifetime credit losses	Stage 3 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**

	31 December 2022			
	Stage 1 12-month credit losses	Stage 2 Lifetime credit losses	Stage 3 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**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	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	38 367 938	-	-	38 367 938
Total carrying amount	**38 367 938**	**-**	**-**	**38 367 938**

	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
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**

	31 December 2021			
	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	126 233 969	-	-	126 233 969
Credit rating 2: Watch	-	10 809	-	10 809
Total gross carrying amount	**126 233 969**	**10 809**	**-**	**126 244 778**
Allowance for expected credit losses	(6 692)	(160)	-	(6 852)
Carrying amount	**126 227277**	**10 649**	**-**	**126 237 926**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Purchased or originated	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	credit-impaired financial assets	Total
Loans to banks and international organisations					
Credit rating 1: Low or moderate risk	4 875 663	-	-	-	4 875 663
Credit rating 2: Watch	-	1 780 510	-	-	1 780 510
Credit rating 3: impaired	-	-	151 597	384 235	535 832
Total gross carrying amount	**4 875 663**	**1 780 510**	**151 597**	**384 235**	**7 192 005**
Allowance for expected credit losses	(63 914)	(343 419)	(151 597)	-	(558 930)
Carrying amount	**4 811 749**	**1 437 091**	**-**	**384 235**	**6 633 075**

	31 December 2021			
	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	71 602 189	-	-	71 602 189
Total carrying amount	**71 602 189**	**-**	**-**	**71 602 189**

	31 December 2021			
	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	3 010 634	-	-	3 010 634
Total gross carrying amount	**3 010 634**	**-**	**-**	**3 010 634**
Allowance for expected credit losses	(54 667)	-	-	(54 667)
Carrying amount	**2 955 967**	**-**	**-**	**2 955 967**

	31 December 2021			
	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	490 887	-	-	490 887
Credit rating 3: Impaired	-	-	45 056	45 056
Total gross carrying amount	**490 887**	**-**	**45 056**	**535 943**
Allowance for expected credit losses	(7 122)	-	(43 811)	(50 933)
Carrying amount	**483 765**	**-**	**1 245**	**485 010**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (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 2022, by classes of assets:

	2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated	
	12-month credit losses	Lifetime credit losses	Lifetime credit losses	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**
ECL allowance as at 31 December 2022	**-**	**-**	**(153 244)**	**-**	**(153 244)**

	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**
ECL allowance as at 31 December 2022	**(97 005)**	**-**	**-**	**(97 005)**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (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**
ECL allowance as at 31 December 2022	**(6 538)**	**(1 125)**	**(44 209)**	**(51 872)**

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 2021, by classes of assets:

	2021				
	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 banks and international organisations					
Gross carrying amount as at 1 January 2021	**8 524 035**	**326 137**	**148 118**	**384 235**	**9 382 525**
Changes in gross carrying amount					
Transfer to Stage 2	(2 268 675)	2 268 675	-	-	-
(Write-off)/recovery of assets against allowance	-	-	(378)	-	(378)
Financial assets originated or purchased	144 544	-	-	-	144 544
Financial assets derecognised, except for write-offs	(1 524 241)	(814 302)	-	-	(2 338 543)
Change in currency rates and other changes	-	-	3 857	-	3 857
Gross carrying amount as at 31 December 2021	**4 875 663**	**1 780 510**	**151 597**	**384 235**	**7 192 005**
ECL allowance as at 31 December 2021	**(63 914)**	**(343 419)**	**(151 597)**	**-**	**(558 930)**

26 RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Internal credit risk ratings (continued)

	2021			
	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 2021	**3 021 258**	**-**	**-**	**3 021 258**
Changes in gross carrying amount				
Financial assets originated or purchased	164 094	-	-	164 094
Financial assets derecognised, except for write-offs	(174 718)	-	-	(174 718)
Gross carrying amount as at 31 December 2021	**3 010 634**	**-**	**-**	**3 010 634**
ECL allowance as at 31 December 2021	**(54 667)**	**-**	**-**	**(54 667)**

	2021			
	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 2021	**405 329**	**-**	**43 198**	**448 527**
Changes in gross carrying amount				
Financial assets originated or purchased	122 908	-	1 851	124 759
Financial assets derecognised, except for write-offs	(37 350)	-	-	(37 350)
Change in currency rates and other changes	-	-	7	7
Gross carrying amount as at 31 December 2021	**490 887**	**-**	**45 056**	**535 943**
ECL allowance as at 31 December 2021	**(7 122)**	**-**	**(43 811)**	**(50 933)**

26 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 2022:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2022 Total
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 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	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)**

26 RISK MANAGEMENT (CONTINUED)

(d) Geographical concentration (continued)

The following table shows the geographical concentration of assets and liabilities at 31 December 2021:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2021 Total
Financial assets					
Cash on hand, amounts due from banks and other financial institutions	4 420 502	31 908 997	27 636 322	66 692 607	130 658 428
Loans to banks and international organisations	6 633 075	-	-	-	6 633 075
Investment securities at fair value through other comprehensive income	-	35 628 606	-	35 973 583	71 602 189
Investment securities at amortised cost	2 955 967	-	-	-	2 955 967
Other financial assets	485 010	-	-	-	485 010
Total financial assets	**14 494 554**	**67 537 603**	**27 636 322**	**102 666 190**	**212 334 669**
Financial liabilities					
Banknotes and coins in circulation	139 922 220	-	-	-	139 922 220
Amounts due to banks and other financial institutions	39 220 342	-	328 447	31 335	39 580 124
Amounts due to the Government of the Kyrgyz Republic	22 730 726	-	-	-	22 730 726
Debt securities issued	18 494 284	-	-	-	18 494 284
Liabilities to the IMF in respect of SDR allocations	-	-	-	30 258 833	30 258 833
Other financial liabilities	143 145	3 761	7	-	146 913
Total financial liabilities	**220 510 717**	**3 761**	**328 454**	**30 290 168**	**251 133 100**
Net balance sheet position	**(206 016 163)**	**67 533 842**	**27 307 868**	**72 376 022**	**(38 798 431)**

26 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.

26 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 value
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.

The maturity analysis for financial liabilities as at 31 December 2021 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	31 December 2021 Carrying amount
Due to banks and other financial institutions	39 580 124	-	-	-	-	39 580 124	39 580 124
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	-	-	-	22 730 726	22 730 726
Debt securities issued	18 543 770	-	-	-	-	18 543 770	18 494 284
Liabilities to the IMF in respect of SDR allocations	30 256 065	2 768	-	-	-	30 258 833	30 258 833
Other financial liabilities	76 427	4 715	1 645	62 594	1 532	146 913	146 913
	111 187 112	**7 483**	**1 645**	**62 594**	**1 532**	**111 260 366**	**111 210 880**

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

CONTENT

26 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	31 December 2022 Total
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 position	**(25 011 126)**	**36 056 826**	**7 317 583**	**4 161 553**	**2 786 635**	**(198 810 147)**	**(173 498 676)**

26 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	31 December 2021 Total
Financial assets							
Cash on hand, amounts due from banks and other financial institutions	107 885 736	18 177 887	4 594 805	-	-	-	130 658 428
Loans to banks and international organisations	299 499	2 388 489	3 945 087	-	-	-	6 633 075
Investment securities at fair value through other comprehensive income	5 570 157	22 050 796	38 874 541	5 106 695	-	-	71 602 189
Investment securities at amortised cost	-	-	20 339	-	2 935 628	-	2 955 967
Other financial assets	83 055	5 745	28 473	183 139	184 598	-	485 010
	113 838 447	**42 622 917**	**47 463 245**	**5 289 834**	**3 120 226**	**-**	**212 334 669**
Financial liabilities							
Banknotes and coins in circulation	-	-	-	-	-	139 922 220	139 922 220
Amounts due to banks and other financial institutions	39 580 124	-	-	-	-	-	39 580 124
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	-	-	-	-	22 730 726
Debt securities issued	18 494 284	-	-	-	-	-	18 494 284
Liabilities to the IMF in respect of SDR allocations	30 256 065	2 768	-	-	-	-	30 258 833
Other financial liabilities	76 427	4 715	64 239	1 532	-	-	146 913
	111 137 626	**7 483**	**64 239**	**1 532**	**-**	**139 922 220**	**251 133 100**
Net balance sheet position	**2 700 821**	**42 615 434**	**47 399 006**	**5 288 302**	**3 120 226**	**(139 922 220)**	**(38 798 431)**

CONTENT

27 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.

28 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 2022 and 2021, the quota of the Kyrgyz Republic amounted to SDR 177 600 thousand.

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:

	31 December 2022	31 December 2021
IMF membership quota	**20 251 132**	**21 078 092**
Securities issued to the IMF	(20 165 024)	(20 988 468)
The IMF current accounts	(58 292)	(64 878)
	(20 223 316)	**(21 053 346)**

29 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 2022 and 2021 was KGS 31 992 thousand and KGS 30 936 thousand, 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 2022 and 2021 were KGS 7 043 thousand and KGS 15 552 thousand, 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 2022 and 2021 was KGS 88 thousand and KGS 152 thousand, respectively.

(c) Transactions with other related parties

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	31 December 2022 Total
Separate statement of financial position				
Investments in subsidiaries and an associate	11 355 056	-	443 260	11 798 316
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

During 2021, the following related party transactions were entered into that are not separately disclosed in these separate financial statements:

	Subsidiaries	Average interest rate, %	Associate	31 December 2021 Total
Separate statement of financial position				
Loans to banks and international organisations	384 235	5.00	-	384 235
Investments in subsidiaries and an associate	10 604 993	-	334 464	10 939 457
Amounts due to banks and other financial institutions	514 565	5.50	-	514 565
Debt securities issued	94 113	7.66	-	94 113

29 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	Year ended 31 December 2022 Total
Separate statement of profit or loss			
Share of profit of an 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
Reversal 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)

The relevant gains and losses on transactions with other related parties for the year ended 31 December 2021 were as follows:

	Subsidiaries	Associate	Year ended 31 December 2021 Total
Separate statement of profit or loss			
Share of profit of an associate	-	73 081	73 081
Interest income	19 399	-	19 399
Fee and commission income	3 306	160	3 466
Other income	23 861	1 286	25 147
Impairment loss on investment in a subsidiary	(376 140)	-	(376 140)
Interest expense	(60 819)	-	(60 819)
Other expenses	(7 939)	(475)	(8 414)

30 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 2022:

	Measured at amortised cost	Measured at fair value through other comprehensive income	Total carrying amount	Fair value
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**

30 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 2021:

	Measured at amortised cost	Measured at fair value through other comprehensive income	31 December 2021 Total carrying amount	31 December 2021 Fair value
Cash on hand, amounts due from banks and other financial institutions	49 797 155	80 861 273	130 658 428	130 658 428
Loans to banks and international organisations	6 633 075	-	6 633 075	6 633 075
Investment securities at fair value through other comprehensive income	-	71 602 189	71 602 189	71 602 189
Investment securities at amortised cost	2 955 967	-	2 955 967	2 955 967
Other financial assets	485 010	-	485 010	485 010
	59 871 207	**152 463 462**	**212 334 669**	**212 334 669**
Banknotes and coins in circulation	139 922 220	-	139 922 220	139 922 220
Amounts due to banks and other financial institutions	39 580 124	-	39 580 124	39 580 124
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	22 730 726	-	22 730 726	22 730 726
Debt securities issued	18 494 284	-	18 494 284	18 494 284
Liabilities to the IMF in respect of SDR allocations	30 258 833	-	30 258 833	30 258 833
Other financial liabilities	146 913	-	146 913	146 913
	251 133 100	**-**	**251 133 100**	**251 133 100**

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.

Valuation techniques and assumptions

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

Assets for which fair value approximates carrying value

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

30 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUE (CONTINUED)

(a) Accounting classifications and fair value (continued)

Financial assets and financial liabilities carried at amortised cost

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

(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 2022, by levels in the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**31 December 2022 Total**
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**

The table below analyses financial instruments measured at fair value as at 31 December 2021, by levels in the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**31 December 2021 Total**
Cash on hand, amounts due from banks and other financial institutions	-	80 861 273	-	**80 861 273**
Investments in securities at fair value through other comprehensive income	71 602 189	-	-	**71 602 189**

30 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 2022, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	31 December 2022 Total
Cash on hand, amounts due from banks and other financial institutions	-	47 362 741	-	**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**

The table below analyses financial instruments not measured at fair value as at 31 December 2021, by levels in the fair value hierarchy:

	Level 1	Level 2	Level 3	31 December 2021 Total
Cash on hand, amounts due from banks and other financial institutions	-	49 797 155	-	**49 797 155**
Loans to banks and international organisations	-	6 633 075	-	**6 633 075**
Investment securities at amortised cost	-	2 955 967	-	**2 955 967**
Other financial assets	-	485 010	-	**485 010**
Banknotes and coins in circulation	-	139 922 220	-	**139 922 220**
Amounts due to banks and other financial institutions	-	39 580 124	-	**39 580 124**
Amounts due to the Cabinet of Ministers of the Kyrgyz Republic	-	22 730 726	-	**22 730 726**
Debt securities issued	-	18 494 284	-	**18 494 284**
Liabilities to the IMF in respect of SDR allocations	-	30 258 833	-	**30 258 833**
Other financial liabilities	-	146 913	-	**146 913**

31 OFFSETTING

As at 31 December 2022 and 2021, 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.