Archive

Demir Kyrgyz International Bank CJSC

Financial Statements and
Independent Auditor's Report
for the year ended 31 December 2021

Demir Kyrgyz International Bank CJSC

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Statement Of Management's Responsibilities For The Preparation And Approval Of Financial Statements For The Year Ended 31 December 2021

Management is responsible for the preparation of the financial statements that present fairly the financial position of Demir Kyrgyz International Bank ("the Bank") as of 31 December 2021, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the Kyrgyz Republic legislation and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2021 were approved by the Management on 28 March 2022 and signed on its behalf by:

Mr. Sevki Sarilar General Manager	Mrs. Zulfiya Djakipova Chief Accountant
28 March 2022 Bishkek, Kyrgyz Republic	28 March 2022 Bishkek, Kyrgyz Republic

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Demir Kyrgyz International Bank CJSC

Opinion

We have audited the financial statements of Demir Kyrgyz International Bank CJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2021, the statement of profit and loss and other comprehensive income, statements of changes in equity and statement of cash flows for 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kanyshai Sadyrbekova
Engagement Leader
Managing Director
LLC Deloitte & Touche
Qualified Auditor of the Kyrgyz Republic
Qualification certificate №0151, Series A
dated 1 June 2012

28 March 2022
Bishkek, Kyrgyz Republic

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021
(in thousands of Kyrgyz Som)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Interest income	5, 30	1,372,971	1,265,971
Interest expense	5, 30	(324,922)	(330,809)
Net interest income before allowance for expected credit losses on interest bearing assets	5	**1,048,049**	**935,162**
Allowance for expected credit losses on interest bearing assets	6, 30	(10,666)	(67,999)
Net interest income		**1,037,382**	**867,163**
Fee and commission income	8	738,805	497,356
Fee and commission expense	8, 30	(385,986)	(292,325)
Net fee and commission income	8	**352,819**	**205,031**
Net foreign exchange gain	9	355,156	401,903
Other operating income		61,815	17,445
Operating income		**1,807,173**	**1,491,542**
Recovery of provision / (provision) for other assets	7, 30	10,828	(30,659)
Impairment losses on loan commitments and financial guarantees	24, 28	(14,638)	(1,870)
Personnel expenses	10, 30	(672,546)	(580,638)
Other operating expenses	11, 30	(552,335)	(449,996)
Profit before income tax		**578,482**	**428,379**
Income tax expense	12	(59,649)	(39,321)
Profit for the year		**518,833**	**389,058**
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (investment securities at FVOCI):			
Losses arising during the period		(217)	(78)
Recoveries credit losses recognised in profit or loss		(101)	(1,234)
Other comprehensive loss, net of income tax		(318)	(1,312)
Total comprehensive income for the year		**518,515**	**387,746**

On behalf of the Management:

Mr Sevki Sarilar
General Manager

28 March 2022
Bishkek, Kyrgyz Republic

Zulfiya Djakipova
Chief Accountant

28 March 2022
Bishkek, Kyrgyz Republic

The notes on pages 10-94 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2021
(in thousands of Kyrgyz Som)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	13, 30	12,384,660	10,622,268
Loans and advances to banks	14	3,512,926	3,805,105
Loans to customers	15, 30	12,712,007	10,000,049
- Loans to corporate customers		10,757,430	8,582,341
- Loans to retail customers		1,954,577	1,417,708
Investment securities at amortized cost	16	210,431	202,148
Investment securities at FVOCI		-	74,171
Property, equipment and intangible assets	17	493,244	416,955
Right-of-use assets	18, 30	167,320	72,448
Other assets	19, 30	915,859	559,161
Total assets		**30,396,447**	**25,752,305**
LIABILITIES			
Due to banks	20	177,045	17,107
Current accounts and deposits from customers	21, 30	25,645,589	21,489,003
- Current accounts and deposits from corporate customers	21	10,324,625	7,979,750
- Current accounts and deposits from retail customers	21	15,320,964	13,509,253
Other borrowed funds	22	532,447	894,599
Lease liabilities	23, 30	170,532	97,773
Other liabilities	24, 30	270,375	171,879
Total liabilities		**26,795,988**	**22,670,361**
EQUITY			
Share capital	25	2,000,000	600,000
Share premium		1	1
Revaluation reserve for financial instruments at fair value through other comprehensive income		-	318
Retained earnings		1,600,458	2,481,625
Total equity		**3,600,459**	**3,081,944**
Total liabilities and equity		**30,396,447**	**25,752,305**

On behalf of the Management:

Mr. Sevki Sarilar
General Manager

28 March 2022
Bishkek, Kyrgyz Republic

Mrs. Zulfiya Djakipova
Chief Accountant

28 March 2022
Bishkek, Kyrgyz Republic

The notes on pages 10-94 form an integral part of these financial statements.

Demir Kyrgyz International Bank CJSC

Statement of Cash Flows
for the year ended 31 December 2021
(in thousands of Kyrgyz Som)

	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,383,071	1,194,530
Interest payments	(302,531)	(300,786)
Fee and commission receipts	738,805	495,012
Fee and commission payments	(385,986)	(292,325)
Net receipts from foreign exchange	349,197	358,906
Other receipts	62,349	17,678
Personnel expenses	(618,900)	(586,474)
Other operating expenses	(341,388)	(220,194)
Cash inflow from operating activities before changes in operating assets and liabilities	**884,617**	**666,347**
Decrease / (Increase) in operating assets		
Loans and advances to banks	379,446	(772,178)
Loans to customers	(2,658,482)	(446,457)
Other assets	(339,917)	118,048
Increase / (Decrease) in operating liabilities		
Due to banks	160,140	(8,681)
Current accounts and deposits from customers	3,855,532	83,989
Other liabilities	(20,339)	(54,587)
Net cash from / (used in) operating activities before income tax paid	**2,260,997**	**(413,519)**
Income tax paid	(33,811)	(47,057)
Net cash inflow / (outflow) from operating activities after taxation	**2,227,186**	**(460,576)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities at amortised cost	-	(162,269)
Repayment of investment securities at amortised cost	(6,232)	69,837
Purchases of investment securities at FVOCIa	-	(69,655)
Repayment of investment securities at FVOCI	73,954	239,751
Purchases of property and equipment and intangible assets	(218,815)	(130,669)
Net cash used in investing activities	**(151,093)**	**(53,005)**

Statement of Cash Flows (continued)
for the year ended 31 December 2021
(in thousands of Kyrgyz Som)

	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of other borrowed funds	-	385,797
Repayments of other borrowed funds	(362,291)	(325,421)
Repayment of lease liabilities	(75,315)	(81,046)
Net cash used in financing activities	**(437,606)**	**(20,670)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,638,487**	**(534,251)**
Effect of changes in exchange rates on cash and cash equivalents	123,695	974,858
CASH AND CASH EQUIVALENTS as at the beginning of the year	10,622,268	10,178,197
Effect of changes in ECL on cash and cash equivalents	210	3,464
CASH AND CASH EQUIVALENTS as at the end of the year	**12,384,660**	**10,622,268**

On behalf of the Management:

Mr. Sevki Sardar
General Manager

28 March 2022
Bishkek, Kyrgyz Republic

Mrs. Zulfiya Djakipova
Chief Accountant

28 March 2022
Bishkek, Kyrgyz Republic

The notes on pages 10-94 form an integral part of these financial statements.

Demir Kyrgyz International Bank CJSC

Statement of Changes in Equity
for the year ended 31 December 2022
(in thousands of Kyrgyz Som)

	Notes	Share capital	Share premium	Revaluation reserve for financial instruments at fair value through other comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2020		600,000	1	1,630	2,092,567	2,694,198
Profit for the year		-	-	-	389,058	389,058
Other comprehensive loss		-	-	(1,312)	-	(1,312)
Total comprehensive income for the year		-	-	**(1,312)**	**389,058**	**387,746**
Balance as at 31 December 2020	25	**600,000**	**1**	**318**	**2,481,625**	**3,081,944**
Profit for the year		-	-	-	518,833	518,833
Other comprehensive loss		-	-	(318)	-	(318)
Total comprehensive income for the year		-	-	**(318)**	**518,833**	**518,515**
Shares issue		1,400,000	-	-	(1,400,000)	-
Balance as at 31 December 2021		**2,000,000**	**1**	-	**1,600,458**	**3,600,459**

On behalf of the Management:

Mr Sevki Sarilar
General Manager

28 March 2022
Bishkek, Kyrgyz Republic

Mrs. Zulfiya Djakipova
Chief Accountant

28 March 2022
Bishkek, Kyrgyz Republic

The notes on pages 10-94 form an integral part of these financial statements.

(in thousands of Kyrgyz Som)

1. General information

(a) Principal activities

Demir Kyrgyz International Bank CJSC (hereinafter - the "Bank") was established in the Kyrgyz Republic as a closed joint-stock company on 2 May 1997. The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, processing services, cash and settlement operations and transactions with securities and foreign exchange. The activities of the Bank are regulated by the National Bank of the Kyrgyz Republic (hereinafter - "NBKR"). The Bank has a general banking license # 035 issued on 11 March 1999, which was renewed on 22 June 2017. The Bank is a member of the state deposit insurance system in the Kyrgyz Republic.

The Bank's registered office is 245, Chui Avenue, Bishkek, 720001, the Kyrgyz Republic.

The Bank has fourteen branches and twenty-two outlets. The majority of the assets and liabilities are located in the Kyrgyz Republic.

(b) Shareholders

The table below shows shareholders structure as at 31 December 2021 and 2020:

Shareholders	2021 %	2020 %
Mr. Halit Cingillioglu	92.5	92.5
HCBG Holding B.V.	7.5	7.5
Total	**100.0**	**100.0**

As at 31 December 2021 and 2020, the Bank is ultimately controlled by Mr. Halit Cingillioglu.

(c) Operating environment

Emerging markets such as Kyrgyz Republic are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kyrgyz Republic continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kyrgyz Republic is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. The impact of further economic and political developments on future operations and financial position of the Bank might be significant.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

(in thousands of Kyrgyz Som)

In 2021, the Government of the Kyrgyz Republic continued to take measures aimed at preventing spread of the COVID-19 and its impact, mainly by encouraging population towards vaccination, which helped to smooth subsequent pandemic waves amid the appearance of new strains of the virus. The authorities did not introduce lockdown measures in response to new COVID-19 waves.

Gross Domestic Product demonstrated a growth of 3.6% as compared to 8.4% decrease in 2020 highlighting the steady recovery of the Kyrgyz economy. However, the inflation remained high due to unrecovered supply chains, which negatively affects the purchasing power of the population. This leaves many people highly exposed to the economic consequences of the pandemic. Eventually, the demand for loans from the private sector is still lower against the pre-pandemic environment.

Political situation in the country also stabilised considering the referendum on changes to the Constitution and the parliamentary elections, which were confirmed as being transparent by international observers.
The impact of these and further developments on future operations and financial position of the Bank at this stage is difficult to determine.

2. New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Bank effective 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform (Phase 2)*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions*

The above standards and interpretations were reviewed by the Bank's management, but did not have a significant effect on the financial statements of the Bank.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bankhas not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
IFRS 17 "Insurance contracts"	1 January 2023
Amendments to IFRS 17 "Insurance contracts"	1 January 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).	1 January 2023
Amendments to IAS 8 – "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023
Annual Improvements to IFRS Standards 2018-2020:	
Amendments to IFRS 3 – "Reference to the Conceptual Framework"	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Revenue Before Intended Use	1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – "Loss-making Contracts – Completion Value"	1 January 2022
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

3. Basis of preparation

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared assuming that the Bank is a going concern and will continue operation for the foreseeable future.

Management believes that the Bank will be able to continue as going concern.

(a) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

(b) Functional and presentation currency

The functional currency of the Bank is the Kyrgyz Som ("KGS") as, being the national currency of the Kyrgyz Republic; it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KGS is also the presentation currency for the purposes of these financial statements. Financial information presented in KGS is rounded to the nearest thousand.

Exchange rates for the currencies in which the Bank transacts were as follows:

	31December 2021	31December 2020
Closing exchange rates – KGS		
1 U.S. Dollar ("USD")	84.7586	82.6498
1 Euro	95.7857	101.3204

4. Significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items 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 at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 4(d)(iv).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost.

Interest on financial assets measured at FVOCI are presented separately.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost.

(c) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 4(b)).

Other fee and commission income – including account servicing fees, sales commission – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

Performance obligations and revenue recognition policies

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
Banking service	The Bank provides banking services to retail and corporate customers, including account management, cash and settlement transactions, foreign currency transactions and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate customers. Transaction-based fees for interchange, foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

(d) Financial assets and financial liabilities

i.Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see Note 4(d)(ii)) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iii. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset;
- other fees are included in profit or loss as part of the gain or loss on derecognition.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Bank analogizes to the guidance on the derecognition of financial liabilities.

The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification: Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 4(d)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method. (see Note 4(b)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Bank performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment 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 interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iv.Impairment

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 4(d)(iii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3' 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit impaired.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on interest bearing assets' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

v.Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

vi.Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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.

(e) Cash and cash equivalents

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

(f) Loans to customers

' Loans to customers' caption in the statement of financial position include:

- Loans to customers measured at amortised cost (see Note 4(d)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(g) Investments securities

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

- debt investment securities measured at amortised cost (see Note 4(d)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI (see Note 4(d)(i)).

(h) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 4(e)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognises a loss allowance (see Note 4(d) (iv))

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

(i) Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation is charged to 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 and constructions	50 years;
Computers and office equipment	3-5 years;
Vehicles	5 years;
Leasehold Improvements	lower of useful life or rent period.

(j) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range up to 3 to 5 years.

(k) Impairment of non-financial assets

At the end of each reporting period, the Bank reviews the carrying amounts of its non-financial assets (property, equipment, intangible assets, foreclosed assets, etc.) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, 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. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only 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.

(l) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value.
Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Deposits and other borrowed funds

Deposits and other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(n) Provision

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

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

(iii) Revaluation reserve of investment securities at FVOCI

Revaluation reserve of investment securities at FVOCI comprises changes in fair value of investment securities at FVOCI.

(p) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is 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 is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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

A deferred tax asset is 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.

(q) Critical accounting judgements and key sources of estimation uncertainty

Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

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

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

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

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

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due, except for financial assets other than loans to customers, including cash equivalents, loans and advances to banks, investment securities for which a backstop of 1 day past due is applied.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	• Payment record – this includes overdue status as well as a range of variables about payment ratios
• Data from credit reference agencies, press articles, changes in external credit ratings	• Utilisation of the granted limit • Requests for and granting of forbearance
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Existing and forecast changes in business, financial and economic conditions
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

To assess PD for investments securities, cash equivalents, loans and advances to banks, the Bank uses an estimate of Moody's default study separately for each counterparty.

In the absence of external ratings, the Bank based on observation and expert analysis, assigns the following credit ratings:

- Equivalent to external ratings of the controlling structure, but not higher than the sovereign credit rating in which the main operational activity is conducted (if any);
- Credit ratings of a related or similar organisation with similar signs of credit impairment (credit risk level, method of repayment, loan term and interest rate, geographic similarity, sector, etc.).
- A sovereign credit rating adjusted downwards by at least 2 notches, depending on the results of the conducted creditworthiness study of the financial institution, as well as financial risks, industry and competitive position.

Determining whether credit risk has increased significantly

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

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

The presence of more than one criteria below is sufficient to change classification reflecting significant increase in credit risk:

- Significant deterioration of the financial condition of the counterparty.
- Significant deterioration of the competitive position of the counterparty in its industry.
- Significant delays in realization of investments projects (construction or other sector) of more than 6 month which resulted in deterioration of financial performance of the borrower;
- Significant decrease in the value of the financial instruments in the active market from the date of initial recognition of the instrument.
- Involvement of the counterparty in litigation for the amount of the claim exceeding 20% of its assets.
- Decrease in the market value of collateral by more than 50%, external or internal factors that may lead to a complete or partial loss of collateral;
- Systematic breach of prudential standards set by the regulator.
- Implementation of the direct banking supervision procedure by the NBKR in regard to the counterparty.
- Violation of the law, problems with government bodies; refusal to provide financial statements for a period of more than 6 months; avoidance of contacts with the Bank.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, except for financial assets other than loans to customers, including cash equivalents, loans and advances to banks, investment securities for which a backstop of 1 day past due is applied. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime ECL measurements (stage 2).

Definition of default

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

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

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

- qualitative – e.g. breaches of covenant, liquidation, withdrawal or suspension of a license, catastrophic events, as a result of which the activities of the counterparty were suspended, event of cross-default on other obligations of the counterparty;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; financial institutions rated D and RD at the reporting date; and
- based on data developed internally and obtained from external sources.

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

IFRS 9 COVID-19 relief measures

The Bank defines whether the COVID-19 pandemic is having an impact on a significant increase in the credit risk of borrowers. The Bank has temporarily redefined the indicators of "default" and "significant increase in credit risk" (SICR), thus adjusting the probability of default given the pandemic effect.

The Bank also applies macroeconomic forecasts that consider the impact of COVID-19 that is available without bearing undue cost or effort.

In this regard, the Bank performs following adjustments.

Collective assessment.

According to the revised methodology of the Bank, all loans forborne due to the COVID-19 pandemic and which previously used to have a low credit risk are not considered as credit-impaired loans.
The Bank considered the following criteria:

1. Loan remains in category 1 (stage 1) under the following conditions:

- - Customer had no delay for payments (or had delay not more than 7 days) before COVID-19 pandemic and applied to the Bank with application for deferring of payments for a total period of not more than 12 months (for Corporate clients) and not more than 6 months for SME and retail clients;

2. Loan is transferred to category 3 (stage 2) under the following conditions:

- - Customer had any delay for payments (8-30 days) before COVID-19 pandemic and applied to the Bank with application for deferring of payments for a total period not more than 12 months (for Corporate clients) and not more than 6 months for SME and retail clients;
- - Customer had no delay for payments (not more than 7 days) before COVID-19 pandemic, but applied to the Bank with application for deferring of payments for more than 12 months (for Corporate clients) and for more than 6 months for SME and retail clients.

3. Loan is transferred to category 5 (stage 3) under the following conditions:

- - Customer was in PDL list (more than 30 days delay) before COVID-19 pandemic and applied to the Bank with application for deferring of payments and made no payments during COVID-19 outbreak. But the loan can be transferred to category 4 (stage 2) if the client makes partial repayments (principal or interest).

Thus, loans modified and overdue due to the COVID-19 pandemic and passed the criteria described above are not considered as default loans or loans with significant increase in credit risk.

Individual assessment.

The Bank monitors credit impaired corporate borrowers in order to determine SICR factors via analysis of their projected cash flow, financial performance and business prospects taking into account economy sector adversely suffered from the pandemic, where corporate borrowers operate.

The monitoring of corporate borrowers is performed via following measures:

- Review of the potential solvency of the borrower. The Bank compares the customer's discounted projected cash flows until the end of the loan term with the loan outstanding balance at the reporting date.
- Review of historical solvency. The Bank checks the borrower's loan repayment discipline and restructuring history, if any.
- Review of the business activity. The Bank conducts a general review of the borrower's source of income for the presence of high risk factors.
- Review the change in the market value of the security of the borrower.

(in thousands of Kyrgyz Som)

If the borrowers financial performance, its business, loan repayment discipline and other factors had not indicated SICR factors prior to the pandemic, then the COVID-19 related loan contract modifications with deferral period up to 12 month, delayed loan repayments and temporary deterioration of financial performance shall not be considered as SICR factors.

These assumptions are considered as temporary relief measures and they will be ceased to be effective by decision of the Bank Management Board.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a basic case, which is the median scenario and two less likely scenarios, one optimistic and one pessimistic. Followings are probability of occurring of different scenarios for loan portfolio segments:

	Basic	Optimistic	Pessimistic
Corporate loans	67%	17%	17%
SME loans	74%	12%	14%
Mortgage loans	79%	10%	12%
Credit cards	71%	24%	5%
Secured consumer loans	70%	7%	22%
Unsecured consumer loans	71%	24%	5%

The basis scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies in the country where the Bank operates, such as the National Statistic Committee and the Ministry of Economy of the Kyrgyz Republic, and selected private sector and academic forecasters. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

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

(in thousands of Kyrgyz Som)

The economic scenarios used for loan portfolio as at 31 December 2021 included the following key indicators for the Kyrgyz Republic for the years ending 31 December 2021 through 2023.

Segment	Macroeconomic variables	2022	2023	2024
Corporate loans	Remittances	Base -0.4%	Base 4.1%	Base 4.0%
		Upside 17.7%	Upside 3.5%	Upside 3.4%
		Downside -18.4%	Downside 5.0%	Downside 4.9%
SME loans	Import	Base -29.1%	Base 6.3%	Base 6.0%
		Upside -33.7%	Upside 6.8%	Upside 6.3%
		Downside -24.5%	Downside 5.9%	Downside 5.6%
Mortgage loans	External turnover	Base -13.0%	Base 5.0%	Base 5.4%
		Upside 4.3%	Upside 4.2%	Upside 4.5%
		Downside -30.3%	Downside 6.2%	Downside 6.6%
Secured consumer loans	USD rate	Base 19.6%	Base 4.3%	Base 3.6%
		Upside 12.0%	Upside 4.6%	Upside 3.8%
		Downside 27.2%	Downside 4.1%	Downside 3.4%
Credit cards, Unsecured consumer loans	Unemployment level	Base -0.5%	Base 0.0%	Base 0.1%
		Upside -0.8%	Upside 0.0%	Upside 0.1%
		Downside -0.2%	Downside 0.0%	Downside 0.1%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 2011 to 2021 years.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 4.

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

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

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

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

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

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

- instrument type;
- customer type;
- currency type.

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are cash and cash equivalents, investment securities and loans and advances to banks. External benchmark information used for PD and LGD is taken from Moody's corporate default and recovery rates table.

(in thousands of Kyrgyz Som)

5. Net interest income

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income calculated using the effective interest method		
Loans to customers	1,250,958	1,079,759
Loans and advances to banks	76,826	100,889
Cash and cash equivalents	28,296	60,459
Investment securities at amortised cost	16,571	16,137
Total interest income calculated using effective interest method	**1,372,651**	**1,257,244**
Investment securities at FVOCI	320	8,727
Total interest income	**1,372,971**	**1,265,971**
Interest expense		
Current accounts and deposits from customers	(239,796)	(231,364)
Due to banks and other borrowed funds	(69,427)	(82,901)
Lease liability	(10,275)	(15,892)
Other interest expenses	(5,424)	(652)
Total interest expense	**(324,922)**	**(330,809)**
Net interest income before allowance for expected credit losses on interest bearing assets	**1,048,049**	**935,162**

6. Allowance for expected credit losses on interest bearing assets

	Year ended 31 December 2021	Year ended 31 December 2020
Loans to customers	(15,519)	(84,021)
Loans and advances to banks	2,494	15,655
Investment securities at amortised cost and FVTOCI	2,152	(2,173)
Cash and cash equivalents	207	2,540
Total allowance for expected credit losses on interest bearing assets	**(10,666)**	**(67,999)**

7. Impairment losses and reserves on other assets

	Year ended 31 December 2021	Year ended 31 December 2020
Other financial assets	(10,444)	(3,641)
Other non-financial assets	21,272	(27,018)
Total recoveries/(impairment) losses and reserves on other assets	**10,828**	**(30,659)**

(in thousands of Kyrgyz Som)

8. Fee and commission income and expense

	Year ended 31 December 2021	Year ended 31 December 2020
Fee and commission income:		
Plastic card service	383,647	249,908
Settlement	137,541	100,305
Cash operations	110,184	73,231
Account opening and maintenance	37,702	30,898
Guarantee and letter of credit issuance	25,253	19,989
Factoring	11,871	3,389
Processing	8,141	4,518
Other	24,466	15,118
Total fee and commission income	**738,805**	**497,356**
Fee and commission expense:		
Plastic card service	(346,456)	(264,301)
Settlement	(31,815)	(21,219)
Cash operations	(1,553)	(2,218)
Other	(6,162)	(4,587)
Total fee and commission expense	**(385,986)**	**(292,325)**

9. Net foreign exchange gain

	Year ended 31 December 2021	Year ended 31 December 2020
Realised gain on foreign exchange transactions	349,197	358,906
Unrealised gain from revaluation of monetary assets and liabilities	5,959	42,997
Total Net foreign exchange gain	**355,156**	**401,903**

10. Personnel expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Employee compensation	585,823	513,712
Payroll related taxes	86,723	66,926
Total personnel expenses	**672,546**	**580,638**

(in thousands of Kyrgyz Som)

11. Other operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation and amortisation	213,030	192,506
Repairs and maintenance	73,471	60,685
Deposit insurance	44,612	40,508
Professional services	42,877	23,481
Security	27,569	26,026
Communication and information services	26,898	23,632
Advertising and marketing	24,700	7,637
Representation and corporate events	19,423	10,444
Card operation expenses	13,440	9,836
Insurance	12,548	8,405
Rent	7,494	8,666
Utilities	6,909	5,598
Office supplies	2,949	2,595
Charity and sponsorship	2,550	8,510
Travel expenses	2,290	1,963
Taxes other than on income	1,695	1,234
Staff trainings	1,429	1,564
Other	28,451	16,706
Total Other operating expenses	**552,335**	**449,996**

12. Income tax expense

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax expense	50,299	43,871
Deferred income tax expense/(benefit) relating to origination and reversal of temporary differences	9,350	(4,550)
Total income tax expense	**59,649**	**39,321**

In 2021 and 2020, the applicable tax rate for current and deferred tax is 10%.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2021 and 2020 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

(in thousands of Kyrgyz Som)

According to the Tax Code of the Kyrgyz Republic for the computation of taxable profit, the Bank is entitled to deduct impairment reserves for loans to customers and foreclosed assets from the aggregated annual income, accrued in accordance with NBKR "Regulation on classification of assets and accruals of provision for covering potential losses" #9504 registered in Ministry of Justice of the Kyrgyz Republic dated 15 June 2017. Amount of loan loss provisions in financial statements is formed in accordance with the requirements of IFRS.

Reconciliation of effective tax rate for the year ended 31 December:

	Year ended 31 December 2021	%	Year ended 31 December 2020	%
Profit before income tax	**578,482**	**100.0**	**428,379**	**100.0**
Income tax at the applicable tax rate	57,848	10.0	42,838	10.0
Change in estimate	(52)	0.0	(5,381)	(1.3)
Non-deductible expenses	1,853	0.3	1,864	0.4
Total income tax expense	**59,649**	**10.3**	**39,321**	**9.2**

Movements in deferred tax (asset)/liability during the year ended 31 December 2021 and 2020 are presented as follows:

	31 December 2020	Recognised in the statement of profit and loss	31 December 2021
Property and equipment	4,283	884	5,167
Other assets	(1,094)	(369)	(1,463)
Loans to customers	7,510	4,907	12,417
Foreclosed assets	5,729	4,249	9,978
Lease liability	-	(321)	(321)
	16,428	**9,350**	**25,778**

	31 December 2019	Recognised in the statement of profit and loss	31 December 2020
Property and equipment	5,094	(811)	4,283
Other assets	(540)	(554)	(1,094)
Loans to customers	6,021	1,489	7,510
Foreclosed assets	10,403	(4,674)	5,729
	20,978	**(4,550)**	**16,428**

(in thousands of Kyrgyz Som)

13. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	2,377,642	2,394,667
Nostro accounts with the NBKR		
- rated B	1,996,884	1,823,994
Less: loss allowance	(327)	(299)
	1,996,557	**1,823,695**
Nostro accounts with other banks:		
- rated from AA- to AA+	2,073,138	266,026
- rated from A- to A+	20,924	378,710
- rated BBB- to BBB+	220,769	318,351
- rated from BB- to BB+	710,863	523,442
- rated from B- to B+	791,850	624,933
	3,817,544	**2,111,462**
Less: loss allowance	(177)	(152)
Total nostro accounts with other banks	**3,817,367**	**2,111,310**
Term deposit with the NBKR		
- rated B	-	150,011
Less: loss allowance	-	(33)
Net Term deposit with the NBKR - rated B	**-**	**149,978**
Term deposit with other banks:		
- rated AAA	-	139,126
- rated from AA- to AA+	4,153,203	-
- rated from A- to A+	-	3,553,946
- rated from B- to B+	39,945	-
Total term deposits with other banks	**4,193,148**	**3,693,072**
Less: loss allowance	(54)	(18)
Total term deposit with other banks	**4,193,094**	**3,693,054**
Notes of the National Bank of the Kyrgyz Republic	-	429,410
Less: loss allowance	-	(262)
	-	**429,148**
- Securities sold under agreement to repurchase	-	20 420
Less: loss allowance	-	(4)
- Securities sold under agreement to repurchase	**-**	**20 416**
Total cash and cash equivalents	**12,384,660**	**10,622,268**

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

On 31 December 2021, the Bank did not have a short-term deposit at the NBKR.

(in thousands of Kyrgyz Som)

As at 31 December 2021, the Bank has four banks (31 December 2020: three banks), other than NBKR, whose balances individually exceed 10% of equity. The gross value of these balances as at 31 December 2021 is KGS 7,354,044 thousand 2020: KGS 4,744,704 thousand).
As at 31 December 2021, the Bank has one bank (31 December 2020: one bank), other than NBKR, whose balance individually exceed 10% of total maximum risk exposure. The gross value of these balances as at 31 December 2021 is KGS 4,667,977 thousand (31 December 2020: KGS 3,932,637 thousand).

For fulfilling reserve requirements in accordance with the National Bank, amount of cash on corresponding accounts on a daily basis should be at least 70% of the required reserves of the Bank as at 31 December 2021 and 31 December 2020 accordingly. As at 31 December 2021 and 2020, balances with the NBKR include KGS 1,696,136 thousand and KGS 1,522,814 thousand, respectively, comprising obligatory reserves in the NBKR. The Bank's ability to withdraw from such accounts is not restricted by the Kyrgyz legislation.

The following table shows reconciliations from opening and closing balances of the loss allowance on cash and cash equivalents.

2021	**Stage 1**	**Stage 2**	**Total**
Cash and cash equivalents			
Balance at 1 January	703	65	768
Net remeasurement of loss allowance	(268)	5	(263)
New financial assets originated or purchased	56	-	56
Foreign exchange and other movements	(2)	(1)	(3)
Balance at 31 December	**489**	**69**	**558**

2020	**Stage 1**	**Stage 2**	**Total**
Cash and cash equivalents			
Balance at 1 January	2,249	1,029	3,278
Net remeasurement of loss allowance	(1,885)	(977)	(2,862)
New financial assets originated or purchased	322	-	322
Foreign exchange and other movements	17	13	30
Balance at 31 December	703	65	**768**

(in thousands of Kyrgyz Som)

14. Loans and advances to banks

	31 December 2021	31 December 2020
Loans and advances to banks		
- rated from AA- to AA+	82,457	80,365
- rated from A- to A+	8,845	8,624
- rated BBB	509	496
- rated from B+ to B-	3,435,471	3,732,227
	3,527,282	**3,821,712**
Less – Loss allowance	(14,356)	(16,607)
Total loans and advances to banks	**3,512,926**	**3,805,105**

As at 31 December 2021 and 2020, loans and advances to banks included accrued interest of KGS 23,074 thousand and KGS 20,953 thousands, respectively.

As at 31 December 2021, the Bank has five bank accounts (31 December 2020: six bank accounts), whose balances exceed 10% of the Bank's equity. The gross value of these balances as at 31 December 2021 is KGS 2,731,606 thousand (31 December 2020: KGS 2,821,509 thousand).

As at 31 December 2021 and 2020, part of funds for the amount of KGS 191,571 and KGS 202,641 thousand respectively included into loans and advances to banks are pledged as collateral deposit for the borrowing from National Bank of the Kyrgyz Republic with maturity till end of May 2022 and May 2021 (Note 22). These funds are placed at the National Bank of the Kyrgyz Republic at 0%.

15. Loans to customers

As at 31 December 2021, the total loans and advances to customers balance is comprised of 85% corporate and SME customers at amortized cost, and 15% retail customers at amortised cost (31 December 2020: 86% and 14%).

(in thousands of Kyrgyz Som)

Loans to customers comprise:

	31 December 2021	31 December 2020
Loans to corporate customers		
Loans to Corporates	9,466,215	7,650,804
Loans to SME	1,543,542	1,169,767
Total loans corporate customers	**11,009,757**	**8,820,571**
Loans retail customers		
Mortgage loans	950,002	703,161
Consumer loans	851,440	594,665
Credit cards	245,407	200,715
Total loans to retail customers	**2,046,849**	**1,498,541**
Gross loans to customers	**13,056,606**	**10,319,112**
Loss allowance	(344,599)	(319,063)
Net loans to customers	**12,712,007**	**10,000,049**

The analysis of changes for loan expected credit losses is presented in the table below:

	Loans to Corporates	Loans to SME	Mortgage loans	Consumer loans	Credit cards	Total
As at 1 January 2019	**130,345**	**32,951**	**11,475**	**4,292**	**17,602**	**196,665**
Provision charge	31,558	53,054	22,909	21,512	37,843	166,876
Repayment of loans	(27,895)	(14,273)	(6,720)	(4,629)	(29,338)	(82,855)
Foreign exchange and other movements	28,009	4,481	2,857	1,330	1,700	38,377
As at 31 December 2020	**162,017**	**76,213**	**30,521**	**22,505**	**27,807**	**319,063**
Provision charge	46,784	789	17,788	9,721	5,599	80,681
Bad debt written-off	-	-	-	(3)	-	(3)
Repayment of loans	(17,298)	(24,689)	(10,017)	(9,837)	(3,321)	(65,162)
Foreign exchange and other movements	8,154	357	(31)	185	1,355	10,020
As at 31 December 2021	**199,657**	**52,670**	**38,261**	**22,571**	**31,440**	**344,599**

(in thousands of Kyrgyz Som)

The table below summarises an analysis of loans to customers by type of impairment:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2021 Total
	Unimpaired financial assets		Impaired financial assets				
	Gross amount of assets	Amount of allowance for impairment losses	Gross amount of assets	Amount of allowance for impairment losses	Gross amount of assets	Amount of allowance for impairment losses	
Loans to customers	5,266,077	(16, 557)	1,868,959	(30,508)	5,921,570	(297, 534)	12,712, 007

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2020 Total
	Unimpaired financial assets		Impaired financial assets				
	Gross amount of assets	Amount of allowance for impairment losses	Gross amount of assets	Amount of allowance for impairment losses	Gross amount of assets	Amount of allowance for impairment losses	
Loans to customers	2,068,160	(2,117)	2,410,966	(74,746)	5,839,986	(242,200)	10,000,049

As at 31 December 2021 loans totaling KGS 7,135,036 thousand that were individually assessed (as at 31 December 2020: KGS 4,479,126) and collateralised by pledge of real estate, equipment, motor vehicles, inventories, and secured by EBRD guarantees.

For other disclosures on loans to customers, see note 26.

As at 31 December 2021 and 2020, loans to customers included accrued interest of KGS 130,148 thousand and KGS 143,087 thousand, respectively.

As at 31 December 2021 and 2020, loans to customers, which were restructured during 2021 and 2020 respectively, that otherwise would be overdue or impaired are presented as follows:

	2021	2020
Gross loans to customers	2,059,577	5,229,479
Impairment allowance	(29,886)	(86,796)
Net loans to customers	**2,029,691**	**5,142,683**

As at 31 December 2021 loans to customers in the outstanding amount of KGS 17,249 thousand (2020: 32,487) are pledged as collateral for the borrowing from Russian-Kyrgyz Development Fund (Note 22).

(in thousands of Kyrgyz Som)

As at 31 December 2021 the Bank has four borrowers or groups of connected borrowers (31 December 2020: 7) whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2021 is KGS 2,217,582 thousand (31 December 2020: KGS 2,610,272 thousand).

The table below summarizes carrying value of loans to customers analyzed by type of collateral obtained by the Bank:

	31 December 2021	31 December 2020
Loans collateralised by pledge of real estate	10,637,901	8,505,717
Loans collateralised by cash and EBRD guarantees	628,034	573,548
Unsecured loans	613,770	457,203
Loans collateralised by pledge of motor vehicles	337,131	247,184
Loans collateralised by pledge of equipment	212,375	145,733
Other collateral*	627,395	389,727
Gross loans to customers	**13,056,606**	**10,319,112**
Less: allowance for expected credit losses	(344,599)	(319,063)
Total loans to customers	**12,712,007**	**10,000,049**

*Other collateral includes commodity and other personal property, corporate and individual guarantees

Repossessed collateral

During the year ended 31 December 2021, the Bank obtained certain assets by taking possession of collateral for loans to customers with a gross carrying amount of KGS 6,302 thousand (2020: KGS 1,487 thousand). As at 31 December 2021 and 2020, the repossessed collaterals comprise:

	31 December 2021	31 December 2020
Total repossessed collateral, net	167,557	216,712

The Bank's policy is to sell these assets as soon as it is practicable.

An analysis of the Bank's credit risk concentrations per sector is provided below.

Analysis by sector:	31 December 2021	31 December 2020
Trade	4,529,156	2,858,245
Services	2,914,313	3,304,931
Manufacturing	2,168,078	1,385,894
Loans to individuals	2,046,849	1,498,541
Construction	1,080,281	1,202,872
Other	317,929	68,629
Gross loans to customers	**13,056,606**	**10,319,112**
Less: loss allowance	(344,599)	(319,063)
Total loans to customers	**12,712,007**	**10,000,049**

(in thousands of Kyrgyz Som)

16. Investment securities at amortized cost

	WAIR	31 December 2021	WAIR	31 December 2020
Investment securities at amortised cost				
Treasury Bonds of the Ministry of Finance of the Kyrgyz Republic	8.4%	212,371	8.4%	206,139
Less: loss allowance		(1,940)		(3,991)
Total investment securities at amortized cost		**210,431**		**202,148**

As at 31 December 2021 Investment securities at amortized cost include three year treasury bonds of the Ministry of Finance of the Kyrgyz Republic denominated in KGS with a maturity during 2022-2023. Part of these securities for the amount of KGS 11,813 thousand are pledged as collateral for the borrowing from Russian-Kyrgyz Development Fund (Note 22).

As at 31 December 2020 Investment securities at amortized cost include three year treasury bonds of the Ministry of Finance of the Kyrgyz Republic denominated in KGS with a maturity during 2022-2023. Part of these securities for the amount of KGS 11,813 thousand are pledged as collateral for the borrowing from Russian-Kyrgyz Development Fund (Note 22).

(a) Credit quality of investment securities

	31 December 2021		31 December 2020	
Investment securities at amortised cost	Stage 1	Total	Stage 1	Total
Rated B	212,371	212,371	206,139	206,139
Loss allowance	(1,940)	(1,940)	(3,991)	(3,991)
Carrying amount	**210,431**	**210,431**	**202,148**	**202,148**

(b) Analysis of movements in the credit loss allowance

The following table shows reconciliations from opening and closing balances of the loss allowance on investment securities.

	31 December 2021		31 December 2020	
	Stage 1	Total	Stage 1	Total
Investment securities at amortised cost				
Balance at 1 January	3,991	3,991	789	789
Net remeasurement of loss allowance	(2,051)	(2,051)	(98)	(98)
New financial assets originated or purchased	-	-	3,300	3,300
Balance at 31 December	**1,940**	**1,940**	**3,991**	**3,991**

(in thousands of Kyrgyz Som)

17. Property, equipment and intangible assets

	Buildings and constructions	Computers and office equipment	Vehicles	Leasehold improvements	Construction in progress and equipment for installation	Intangible assets	Total
At cost							
1 January 2020	**128,387**	**323,066**	**12,283**	**66,445**	**23,032**	**165,735**	**718,948**
Additions	-	62,715	9,661	8,970	1,994	56,572	139,912
Disposals	(36)	(93,941)	-	(9,111)	(987)	(16,189)	(120,264)
Transfers	-	46	-	1,572	(1,618)	-	-
31 December 2020	**128,351**	**291,886**	**21,944**	**67,876**	**22,421**	**206,118**	**738,596**
Additions	751	103,257	8,374	316	5,085	107,032	224,815
Disposals	-	(65,279)	(2,100)	(10,142)	(171)	(38,197)	(115,889)
Transfers	-	-	-	1,950	(1,950)	-	-
31 December 2021	**129,102**	**329,864**	**28,218**	**60,000**	**25,385**	**274,953**	**847,522**
Accumulated depreciation							
1 January 2020	**33,435**	**167,544**	**3,890**	**36,442**	-	**72,107**	**313,418**
Depreciation charge	2,845	68,910	2,618	12,476	-	40,503	127,352
Disposals	(36)	(93,793)	-	(9,111)	-	(16,189)	(119,129)
31 December 2020	**36,244**	**142,661**	**6,508**	**39,807**	-	**96,421**	**321,641**
Depreciation charge	2,893	72,282	5,630	12,443	-	54,745	147,993
Disposals	-	(64,917)	(2,100)	(10,142)	-	(38,197)	(115,356)
31 December 2021	**39,137**	**150,026**	**10,038**	**42,108**	-	**112,969**	**354,278**
Net book value							
As at 31 December 2021	**89,965**	**179,838**	**18,180**	**17,892**	**25,385**	**161,984**	**493,244**
31 December 2020	**92,107**	**149,225**	**15,436**	**28,069**	**22,421**	**109,697**	**416,955**

There are no capitalised borrowing costs related to the acquisition or construction of property, equipment and intangible assets during 2021 and 2020.

There are no fully amortised property, equipment and intangible assets as at 31 December 2021 and 2020. All fully amortised property, equipment and intangible assets are written off to off-balance.

(in thousands of Kyrgyz Som)

18. Right-of-use assets

The Bank leases office premises. The leases period vary from 2 to 10 years, with an option to renew the lease after that date in the most of agreements. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Bank is restricted from entering into any sub-lease arrangements.

Information about leases for which the Bank is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented below.

	Year ended 31 December 2021	Year ended 31 December 2020
	Buildings	**Buildings**
Cost		
Balance at 1 January	193,093	164,637
Modifications	152,282	-
Additions	7,627	34,178
Disposals	(76,659)	(5,722)
Balance at 31 December	**276,343**	**193,093**
Depreciation and amortisation		
Balance at 1 January	120,645	55,491
Depreciation for the year	65,037	65,154
Disposals	(76,659)	-
Balance at 31 December	**109,023**	**120,645**
Carrying amount		
At 31 December	**167,320**	**72,448**

During 2021 the Bank has 1 new agreement (2020: 1 agreements) recognized under IFRS 16. Also during 2021 the Bank has 1 agreements (2020: 2) under IFRS 16 written-off due to termination of lease agreement and change of location of archive premises.

The maturity analysis of lease liabilities is presented in Note 23.

(in thousands of Kyrgyz Som)

(i) Amounts recognised in profit or loss

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation expense on right-of-use assets	(65,037)	(65,154)
Interest expense on lease liabilities	(10,275)	(15,892)
Expense relating to short-term leases	(7,494)	(8,666)

The total cash outflow for leases amount to KGS 75,315 thousand (2020: KGS 81,046 thousand).

19. Other assets

	31 December 2021	31 December 2020
Money transfer receivables	512,896	150,454
Other receivables	68,046	47,802
Less: loss allowance	(22,490)	(12,006)
Total other financial assets	**558,452**	**186,250**
Foreclosed property	167,557	216,712
Materials and supplies	124,339	93,136
Prepayments	52,803	50,242
Other advances	5,529	8,343
Taxes other than income tax	7,179	4,478
Total other non-financial assets	**357,407**	**372,911**
Total other assets	**915,859**	**559,161**

Movements in the loss allowance for the year ended 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Balance at the beginning of the year	12,006	7,898
Charge for the year (Note 7)	10,444	3,641
Write-offs	(12)	(87)
Effect of foreign currency translation	52	554
Balance at the end of the year	**22,490**	**12,006**

(in thousands of Kyrgyz Som)

20. Due to banks

	31 December 2021	31 December 2020
Due to banks		
- rated AAA	171,169	12,563
- rated below B+	61	74
- not rated	5,815	4,470
Total due to banks	**177,045**	**17,107**

As ar 31 December 2021 and 2020, the Bank does not have deposits and balances from banks or financial institutions, whose balances exceed 10% of equity.

21. Current accounts and deposits from customers

	31 December 2021	31 December 2020
Current accounts and deposits from corporate customers		
- Current accounts and demand deposits	10,073,326	7,814,714
- Term deposits	251,299	165,036
Total current accounts and deposits from corporate customers	**10,324,625**	**7,979,750**
Current accounts and deposits from retail customers		
- Current accounts and demand deposits	12,121,542	10,372,254
- Term deposits	3,199,422	3,136,999
Total current accounts and deposits from retail customers	**15,320,964**	**13,509,253**
Total current accounts and deposits from customers	**25,645,589**	**21,489,003**

As at 31 December 2021 and 2020, customer accounts included accrued interest expense of KGS 118,065 thousand and KGS 101,570 thousand, respectively.

As at 31 December 2021, the Bank maintained customer deposit balances of KGS 84,621 thousand (31 December 2020: KGS 442,108 thousand) that serve as collateral for loans and guarantees granted by the Bank.

As at 31 December 2021, the Bank has two customers, whose balances exceed 10% of equity. These balances as at 31 December 2021 are KGS 856,500 thousand (2020: no customers).

(in thousands of Kyrgyz Som)

An analysis of the Bank's risk concentrations per sector is provided below.

	31 December 2021	31 December 2020
Analysis by sector:		
Individuals	15,319,877	13,508,488
Trade	2,709,576	2,127,792
Services	2,058,378	1,937,000
Manufacturing	1,068,290	767,734
Construction	1,042,287	567,916
Geology and Mining	739,556	467,917
Transport and Communication	513,212	318,192
Exterritorial organizations	269,344	272,581
State organizations	208,404	151,299
Electricity, gas and water supply	206,545	100,547
Public funds and charity organizations	103,263	85,253
Tourism	71,615	1,394
Agriculture	43,833	62,636
Culture and art	29,419	22,577
Other	1,261,990	1,097,677
Total current accounts and deposits from customers	**25,645,589**	**21,489,003**

(in thousands of Kyrgyz Som)

22. Other borrowed funds

Counterparty	Currency	Interest rate	Maturity date	31 December 2021	31 December 2020
EBRD - KyrSEFF II-2, 2019	USD	6.55%	21-08-2023	99,246	145,166
EBRD - Kyrseff II, 2019, C3	KGS	11.05%	11-12-2023	92,966	139,450
EBRD - KyrSEFF II-2, 2019	KGS	10.78%	19-06-2023	60,087	100,203
EBRD - KyrSEFF II, 2016 (C-2)	KGS	10.93%	31-10-2022	26,426	52,852
EBRD - Kyrseff II, 2019, C1	KGS	11.12%	11-12-2023	21,343	32,015
EBRD - Kyrseff II, 2019, C2	KGS	11.12%	11-12-2023	21,343	32,015
EBRD - KyrSEFF II, 2016 (C-1)	KGS	10.93%	31-10-2022	16,174	32,347
EBRD - KyrSEFF II, 2016 (A)	KGS	10.6%	01-12-2021	-	29,553
EBRD - KyrSEFF II, 2016 (B)	KGS	10.6%	01-12-2021	-	29,553
EBRD - KyrSEFF II (Tranche B)	KGS	2.2% + 6M Tbills	12-02-2021	-	22,273
				337,585	**615,427**
Ministry of Finance, KfW	KGS	4.75%	13-06-2025	18,385	23,886
Ministry of Finance, KfW	KGS	4.75%	13-06-2025	7,934	10,289
Ministry of Finance, KfW	KGS	4.50%	13-06-2025	16,150	20,911
Ministry of Finance, KfW	KGS	4.25%	13-06-2025	31,815	41,052
				74,284	**96,138**
Russian-Kyrgyz Development Fund	USD	1%	26-10-2023	7,548	11,042
Russian-Kyrgyz Development Fund	USD	1%	16-07-2024	11,322	14,720
Russian-Kyrgyz Development Fund	USD	1%	29-07-2024	11,322	14,720
				30,192	**40,482**
State Mortgage Company	KGS	3%	20-11-2028	2,347	2,608
State Mortgage Company	KGS	4%	05-05-2028	2,244	2,514
State Mortgage Company	KGS	6%	13-08-2027	1,904	2,157
State Mortgage Company	KGS	4%	21-02-2028	1,923	2,161
State Mortgage Company	KGS	3%	08-12-2028	1,172	1,301
State Mortgage Company	KGS	4%	17-05-2027	701	807
State Mortgage Company	KGS	4%	11-05-2028	-	815
State Mortgage Company	KGS	3%	04-12-2028	538	597
State Mortgage Company	KGS	3%	01-02-2029	2,114	2,324
State Mortgage Company	KGS	3%	03-05-2029	603	664
State Mortgage Company	KGS	3%	07-05-2029	1,047	1,152
State Mortgage Company	KGS	5%	03-05-2029	1,369	1,493
State Mortgage Company	KGS	3%	21-05-2029	1,189	1,310
State Mortgage Company	KGS	3%	21-05-2029	1,489	1,679
State Mortgage Company	KGS	4%	04-06-2029	459	503
State Mortgage Company	KGS	3%	14-06-2029	1,424	1,569
State Mortgage Company	KGS	2%	12-12-2029	888	972
State Mortgage Company	KGS	2%	21-10-2030	958	1,037
State Mortgage Company	KGS	2%	06-10-2028	1,175	1,310
				23,544	**26,973**
National Bank of the Kyrgyz Republic	KGS	5%	30-05-2022	**66,842**	**115,579**
Total other borrowed funds				**532,447**	**894,599**

(in thousands of Kyrgyz Som)

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

	2021	2020
Balance at 1 January	**894,599**	**801,476**
Changes from financing cash flows		
Proceeds from other borrowed funds	-	385,797
Repayment of other borrowed funds	(362,291)	(325,421)
Total changes from financing cash flows	**(362,291)**	**60,376**
The effect of changes in foreign exchange rates	4,518	35,114
Total changes in interest payable	(4,379)	(2,367)
Total non-cash changes	**139**	**32,747**
Balance at 31 December	**532,447**	**894,599**

The Bank has received other borrowed funds from the European Bank for Reconstruction and Development under Energy efficiency program (KyrSEFF), which the Bank has joined in 2013. Purpose of the program is financing of corporate, small and medium enterprises, and also retail customers for energy and water efficiency in various sectors: industry, construction, trade, consumer loans for energy efficiency improvements of residential immovable property. The bank issued loans to borrowers, eligible to participate in the program and to receive the grant from EBRD, with interest rate to retail at 20% p.a and to SME in USD from 13% to 17% p.a and in KGS from 20% p.a to 24% p.a., with maturity not exceeding 5 years.

The Bank has received other borrowed funds from the Russian-Kyrgyz Development Fund on special purpose financing of small and medium enterprises, development of leasing operations and agricultural sector. The bank issued loans to borrowers, eligible to participate in the program, at 5% p.a. with maturity not exceeding 5 years.

As at 31 December, 2021 Investment securities at amortised cost for the amount of KGS 11,813 thousand and loans to customers in the outstanding amount of KGS 17,249 thousand are pledged as collateral for the borrowing from Russian-Kyrgyz Development Fund (Note 15; Note 16).

As at 31 December, 2020 Investment securities at amortized cost for the amount of KGS 11,813 thousand and loans to customers in the outstanding amount of KGS 32,487 thousand are pledged as collateral for the borrowing from Russian-Kyrgyz Development Fund (Note 15; Note 16).

The Bank has received other borrowed funds from the Ministry of Finance jointly with KfW under the Government program ("Agro business and Marketing") on special purpose financing for agricultural sector. According to the agreement between the Ministry of Finance and the Bank, the Bank issues loans to agricultural sector borrowers, eligible to participate in the Program, at 8% p.a. interest rate with the maturity not exceeding 5 years.

The Bank also received other borrowed funds from the State Mortgage Company under the Government Program ("Affordable Housing 2015 to 2020 years") on special purpose financing of mortgage products. According to the agreement between the State Mortgage Company, the Bank issues loans to borrowers, eligible to participate in the program, with the maturity not exceeding 10 years.

(in thousands of Kyrgyz Som)

The Bank has received borrowing from the National Bank of the Kyrgyz Republic under Credit auction on special purpose financing for business entities in order to smooth out the negative economic consequences of the spread of COVID-19. According to the agreement between the National Bank and the Bank, the Bank issues loans to business sector borrowers, eligible to participate in the Program, at interest rate not exceeding 10% p.a. with the maturity not exceeding 4 years. Collateral deposit of KGS 191,571 thousand (2020: KGS 202,641 thousand) is pledged for the borrowing from NBKR (Note 14).

Management of the Bank believes that there are no other financial instruments similar to the other borrowed funds received from Russian-Kyrgyz Development Fund, Ministry of Finance, State Mortgage Company and due to specific nature of clients, these products represent a separate market.

The Bank is obligated to comply with financial covenants in relation to funds and loans from banks and other financial institutions. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. As at 31 December 2021, the Bank was not in compliance with open credit exposure ratio covenant under loan agreement with EBRD and four other covenants under loan agreements with RKDF due to the impact of COVID-19 on the quality of the Bank's assets.
On 1 December 2021 and 20 January 2022 , the Bank obtained a waiver from EBRD to comply with the covenant as at 31 December 2021. The Bank obtained waiver from RKDF on 24 December 2021 and 25 February 2022.

As at 31 December 2020, the Bank was not in compliance with open credit exposure ratio covenant under loan agreement with EBRD and two other covenants under loan agreements with RKDF due to the impact of COVID-19 on the quality of the Bank's assets.

23. Lease liabilities

	31 December 2021	31 December 2020
Maturity analysis:		
Year 1	62,900	57,943
Year 2	58,185	32,365
Year 3	35,786	14,461
Year 4	23,112	5,059
Year 5	9,908	1,147
	189,891	**110,975**
Less: unearned interest	(19,359)	(13,202)
Total lease liabilities	**170,532**	**97,773**
Analysed as:		
Non-current	116,073	47,367
Current	54,459	50,406
Total lease liabilities	**170,532**	**97,773**

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's treasury function.

(in thousands of Kyrgyz Som)

24. Other liabilities

	31 December 2021	31 December 2020
Accrued operating and personnel expenses	118,896	94,705
Other financial liabilities	7,204	7,025
Subsidies received	5,137	1,019
Total other financial liabilities	**131,237**	**102,749**
Other non-financial liabilities	34,428	29,180
Taxes, other than income tax	31,789	7,694
Deferred tax liability	25,778	16,428
Current income tax liability	25,630	9,142
Provision for guarantees and loan commitments	21,513	6,686
Total other non-financial liabilities	**139,138**	**69,130**
Total other liabilities	**270,375**	**171,879**

Movements in the loss allowance of guarantees and loan committement for the years ended 31 December are as follows:

	31 December 2021	31 December 2020
Balance at the beginning of the year	6,686	4,562
Charge of provisions	14,638	1,870
Effect of foreign currency translation	189	254
Balance at the end of the year	**21,513**	**6,686**

25. Share capital and reserves

Issued capital and share premium

The authorised, issued and outstanding share capital comprises 2,000,000 ordinary shares and 600,000 ordinary shares as at 31 December 2021 and 2020, respectively. In 2021, based on decision of the shareholder made on 30 March 2021, the Bank increased ordinary shares by 1,400,000 pieces at their nominal value through the transfer of the amount of KGS 1,400,000 thousand from retained earnings to share capital. All shares have a nominal value of KGS 1,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(in thousands of Kyrgyz Som)

Dividends

The NBKR sets for the Bank individual requirement of capital buffer at the level of not less than 20% as at 31 December 2021 (2020: not less than 20%). The Bank's capital buffer as at 31 December 2021 was 14.43% (2020: 16.20%). According to NBKR Instruction "On establishment of capital adequacy standards for commercial banks of the Kyrgyz Republic" approved by the Resolution No.18/2 dated 21 July 2004 of the Board of the NBKR (last revised on 27 December 2019), banks are not allowed to make decision on dividends distribution, if the capital buffer, calculated by deducting dividends planned for payment, is below the capital buffer limit established by the NBKR. There are no other restrictions and prescriptions for non-compliance with capital buffer requirement. At the reporting date, no dividends were declared (31 December 2020: null) to the shareholders.

Earnings per share

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	31 December 2021	31 December 2020
Net profit attributable to ordinary shareholders	518,833	389,058
Weighted average number of ordinary shares, share	2,000,000	600,000
Earnings per share, in KGS	**259**	**195**

There were no potentially dilutive shares for the year ended 31 December 2021 and 2020.

26. Risk management

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

(a) Risk management policies and procedures

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

In order to assist the Board of Directors of the bank in determining the priority directions of the bank's activities in the area of banking risks and to assist in creating conditions for proper risk management, the Bank established a Risk Management Committee (hereinafter - CRC). Members of the CRC are members of the Board of Directors.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Board of Directors. Credit, market and liquidity risks both at the portfolio and at transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises 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 level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Chief Executive Officer. Market risk limits are approved by the Board based on recommendations of the Risk Management Department and ALCO.

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

(i) Interest rate risk

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

(in thousands of Kyrgyz Som)

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2021 Average effective interest rate, %			2020 Average effective interest rate, %		
	KGS	USD	Other currencies	KGS	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	-	0.14	6.18	3.54	0.05	-
Loans and advances to banks	-	1.47	-	-	1.60	1.27
Loans to customers	13.99	8.22	5.98	13.99	8.29	5.98
Investment securities at amortized cost	8.35	-	-	8.61	-	-
Investment securities at FVTOCI	-	-	-	6.57	-	-
Interest bearing liabilities						
- Term deposits	9.81	1.73	4.17	9.38	1.86	4.10
Other borrowed funds	8.34	5.23	-	8.83	5.32	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
	Profit or loss	Profit or loss
100 bp parallel fall	54,049	51,769
100 bp parallel rise	(54,049)	(51,769)

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

(in thousands of Kyrgyz Som)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2021:

	KGS	USD	Other currencies	Total
ASSETS				
Cash and cash equivalents	3,544,463	7,343,723	1,496,474	12,384,660
Loans and advances to banks	-	3,322,893	190,033	3,512,926
Loans to customers	9,332,942	3,325,179	53,886	12,712,007
Investment securities at amortised cost	210,431	-	-	210,431
Other financial assets	151,344	370,056	37,052	558,452
Total assets	**13,239,180**	**14,361,851**	**1,777,445**	**29,378,476**
LIABILITIES				
Due to banks	161,256	7,750	8,039	177,045
Current accounts and deposits from customers	9,972,467	13,936,693	1,736,429	25,645,589
Other borrowed funds	403,007	129,440	-	532,447
Lease liabilities	85,096	85,436	-	170,532
Other financial liabilities	86,291	37,241	7,705	131,237
Total liabilities	**10,708,117**	**14,196,560**	**1,752,173**	**26,656,850**
Net position as at 31 December 2021	**2,531,063**	**165,291**	**25,272**	**2,721,626**

The following table shows the currency structure of financial assets and liabilities as at 31 December 2020:

	KGS	USD	Other currencies	Total
ASSETS				
Cash and cash equivalents	3,962,122	5,613,408	1,046,738	10,622,268
Loans and advances to banks	-	3,403,137	401,968	3,805,105
Loans to customers	6,726,361	3,213,095	60,593	10,000,049
Investment securities at amortized cost	202,148	-	-	202,148
Investment securities at FVOCI	74,171	-	-	74,171
Other financial assets	95,882	66,349	24,019	186,250
Total assets	**11,060,684**	**12,295,989**	**1,533,318**	**24,889,991**
LIABILITIES				
Due to banks	4,015	6,147	6,945	17,107
Current accounts and deposits from customers	8,194,636	11,824,723	1,469,644	21,489,003
Other borrowed funds	708,952	185,647	-	894,599
Lease Liability	57,238	40,535		97,773
Other financial liabilities	63,541	30,885	8,323	102,749
Total liabilities	**9,028,382**	**12,087,937**	**1,484,912**	**22,601,231**
Net position as at 31 December 2020	**2,032,302**	**208,052**	**48,406**	**2,288,760**

Other foreign currencies mainly comprise EUR.

An appreciation of the USD, as indicated below, against the following currencies at 31 December 2021 and 2020 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net of 10% tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of Kyrgyz Som)

31 December 2021	Profit or loss	Equity
30% appreciation of USD against KGS	44,629	44,629
30% appreciation of other currencies against KGS	6,823	6,823

31 December 2020	Profit or loss	Equity
20% appreciation of USD against KGS	37,449	37,449
20% appreciation of other currencies against KGS	8,713	8,713

A weakening of the USD against the above currencies at 31 December 2021 and 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The tables below analyze information about the significant changes in the gross carrying amount of cash equivalents during the period that contributed to changes in the expected credit loss allowance as well as the movement of the loss allowance during the 2020 and 2021 per class of financial assets:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total
Cash equivalents at amortised cost*			
Gross carrying amount as at 1 January 2020	**8,469,318**	**85,083**	**8,554,401**
New financial assets originated or purchased	4,862,199	-	4,862,199
Financial assets that have been derecognized	(5,293,993)	-	(5,293,993)
Other changes	187,563	(81,801)	105,762
Gross carrying amount as at 31 December 2020	**8,225,087**	**3,282**	**8,228,369**
New financial assets originated or purchased	6,436,590	2,352	6,438,942
Financial assets that have been derecognized	(4,671,623)	-	(4,671,623)
Other changes	11,991	(103)	11,888
Gross carrying amount as at 31 December 2021	**10,002,045**	5,531	**10,007,576**
Loss allowance as at 31 December 2021	**(490)**	**(69)**	**(558)**

*amounts does not include cash on hand balances

(in thousands of Kyrgyz Som)

The tables below analyze information about the significant changes in the gross carrying amount of loans to banks during the period that contributed to changes in the loss allowance as well as the movement of the loss allowance during the 2020 and 2021 per class of financial assets:

	Stage 1 12-month ECL	Total
Loans and advances to banks at amortised cost		
Gross carrying amount as at 1 January 2020	**2,562,379**	**2,562,379**
New financial assets originated or purchased	3,732,227	3,732,227
Financial assets that have been derecognized	(2,487,422)	(2,487,422)
Other changes	14,528	14,528
Gross carrying amount as at 31 December 2020	**3,821,712**	**3,821,712**
New financial assets originated or purchased	3,243,900	3,243,900
Financial assets that have been derecognised	(3,529,586)	(3,529,586)
Other changes	(8,744)	(8,744)
Gross carrying amount as at 31 December 2021	**3,527,282**	**3,527,282**
Loss allowance as at 31 December 2021	**(14,356)**	**(14,356)**

The analysis of changes of the loss allowance on loans and advances to banks is presented in the table below:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total
Loss allowance – Loans and advances to banks at amortised cost			
Loss allowance as at 1 January 2020	**28,162**	-	**28,162**
Changes in the loss allowance			
New financial assets originated or purchased	15,912	-	15,912
Financial assets that have been derecognized	(31,567)	-	(31,567)
Foreign exchange and other movements	4,100	-	4,100
Loss allowance as at 31 December 2020	**16,607**	-	**16,607**
Changes in the loss allowance			
New financial assets originated or purchased	12,816	-	12,816
Financial assets that have been derecognized	(15,310)	-	(15,310)
Foreign exchange and other movements	243	-	243
Loss allowance as at December 2021	**14,356**	-	**14,356**

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements; and
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Credit Department, which is responsible for the loan portfolio and loan products. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The Credit Committee reviews the loan credit application on the basis of submissions by the Credit Department.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by Credit Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Department with regard to credit concentration and market risks.

The Bank classifies the loans to customers into the following categories based on the number of overdue days:

Category 1 – overdue less than 7 days;
Category 2 – overdue from 7 to 30 days;
Category 3 – overdue from 30 to 60 days or high probability that under renegotiated terms due to restructuring, the borrower will be able to meet his obligations;
Category 4 – overdue from 60 to 90 days;
Category 5 – overdue more than 90 days or low probability that under renegotiated terms due to restructuring the borrower will be able to meet his obligations.

Initial classification of the restructured loan by stages is made at the end of the quarter in which the restructuring took place, based on the credit analysis and classification proposed in Credit Proposal.
If the Bank estimates that there is a high probability that restructuring will improve the financial performance of the borrower and he will be able to meet his obligations to the Bank under renegotiated terms, then such loan is classified as Category 3 (Stage 2). Otherwise, the loan is classified into Category 5 (Stage 3).

(in thousands of Kyrgyz Som)

Wherein, a restructured loan is automatically classified into Category 5 (Stage 3) if at least one of the following criteria is met:

- overdue days at the moment of approval of a restructure is 90 days or more (taking into account the approval period of the restructured loan).
- debt service ratio is less than 100%.

The following table provides information on the credit quality of loans to customers as at 31 December 2021 and 31 December 2020.

	31 December 2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loans to customers at amortised cost				
Category 1	10,642,909	-	-	10,642,909
Category 2	52,927	-	-	52,927
Category 3	-	334,433	-	334,433
Category 4	-	677,056	-	677,056
Category 5	-	-	1,349,281	1,349,281
Total loans to customers	**10,695,836**	**1,011,489**	**1,349,281**	**13,056,606**
Loss allowance	(86,347)	(18,110)	(240,142)	(344,599)
Loans to customers net of loss allowance	**10,609,489**	**993,379**	**1,109,139**	**12,712,007**

	31 December 2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loans to customers at amortised cost				
Category 1	7,098,204	-	-	7,098,204
Category 2	207,781	-	-	207,781
Category 3	-	2,006,192	-	2,006,192
Category 4	-	47,035	-	47,035
Category 5	-	-	959,900	959,900
Total loans to customers	**7,305,985**	**2,053,227**	**959,900**	**10,319,112**
Loss allowance	(64,498)	(53,605)	(200,960)	(319,063)
Loans to customers net of loss allowance	**7,241,487**	**1,999,622**	**758,940**	**10,000,049**

(in thousands of Kyrgyz Som)

The tables below analyse information about the significant changes in the gross carrying amount of loans to customers during the period that contributed to changes in the loss allowance as well as the movement of the loss allowance during the 2020 and 2021:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers at amortised cost				
Gross carrying amount as at 1 January 2020	8,448,357	241,283	410,509	9,100,149
Changes in the gross carrying amount				
- Transfer to stage 1	3,810	(3,547)	(263)	-
- Transfer to stage 2	(2,412,983)	2,423,612	(10,629)	-
- Transfer to stage 3	-	(500,066)	500,066	-
New financial assets originated or purchased	3,882,153	-	-	3,882,153
Financial assets that have been derecognized	(2,615,269)	(111,203)	(13,674)	(2,740,146)
Other changes	(83)	3,148	73,891	76,956
Gross carrying amount as at 31 December 2020	**7,305,985**	**2,053,227**	**959,900**	**10,319,112**
Changes in the gross carrying amount				
- Transfer to stage 1	554,143	(552,208)	(1,935)	-
- Transfer to stage 2	(290,301)	523,739	(233,438)	-
- Transfer to stage 3	-	(741,806)	741,806	-
New financial assets originated or purchased	5,819,354	-	-	5,819,354
Financial assets that have been derecognised	(2,693,345)	(268,308)	(70,758)	(3,032,411)
Write-offs		-	(226)	(226)
Other changes	-	(3,155)	(46,068)	(49,223)
Gross carrying amount as at 31 December 2021	**10,695,836**	**1,011,489**	**1,349,281**	**13,056,606**
Loss allowance as at 31 December 2021	**(86,347)**	**(18,110)**	**(240,142)**	**(344,599)**

(in thousands of Kyrgyz Som)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance – Loans and advances to customers at amortized cost				
Loss allowance as at 1 January 2020	**53,167**	**5,002**	**138,496**	**196,665**
Changes in the loss allowance				
- Transfer to stage 1	488	(404)	(84)	-
- Transfer to stage 2	(16,550)	19,038	(2,488)	-
- Transfer to stage 3		(3,888)	3,888	-
- Increases due to change in credit risk	18,158	40,808	86,443	145,409
- Decreases due to change in credit risk	(304)	(1,177)	-	(1,481)
New financial assets originated or purchased	22,948	-	-	22,948
Financial assets that have been derecognized	(13,805)	(6,627)	(62,423)	(82,855)
Foreign exchange and other movements	396	853	37,128	38,377
Loss allowance as at 31 December 2020	**64,498**	**53,605**	**200,960**	**319,063**
Changes in the loss allowance				
- Transfer to stage 1	21,575	(21,009)	(566)	-
- Transfer to stage 2	(2,020)	7,807	(5,787)	-
- Transfer to stage 3	-	(17,146)	17,146	-
- Increases due to change in credit risk	-	10,882	42,228	53,110
- Decreases due to change in credit risk	(18,402)	(2,927)	-	(21,329)
Write-offs	-	-	(3)	(3)
New financial assets originated or purchased	48,900	-	-	48,900
Financial assets that have been derecognized	(28,118)	(13,101)	(23,943)	(65,162)
Foreign exchange and other movements	(86)	(1)	10,107	10,020
Loss allowance as at 31 December 2021	**86,347**	**18,110**	**240,142**	**344,599**

(in thousands of Kyrgyz Som)

The analysis of changes of the loss allowance on loans to customers is presented in the tables below:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance – Loans to corporates				
Loss allowance as at 1 January 2020	**37,440**	**2,234**	**90,671**	**130,345**
Changes in the loss allowance				
- Transfer to stage 2	(12,851)	15,321	(2,470)	-
- Transfer to stage 3		(997)	997	-
- Increases due to change in credit risk	9,775	2,997	11,318	24,090
- Decreases due to change in credit risk	-	(1,173)	-	(1,173)
- Write-offs	-	-	-	-
New financial assets originated or purchased	8,641	-	-	8,641
Financial assets that have been derecognized	(8,903)	(3,428)	(15,564)	(27,895)
Foreign exchange and other movements	485	619	26,905	28,009
Loss allowance as at 31 December 2020	**34,587**	**15,573**	**111,857**	**162,017**
Changes in the loss allowance				
- Transfer to stage 1	5,618	(5,618)	-	-
- Transfer to stage 2	(2)	235	(233)	-
- Transfer to stage 3	-	(6,793)	6,793	-
- Increases due to change in credit risk	-	1,546	19,897	21,443
- Decreases due to change in credit risk	(3,888)	(233)	-	(4,121)
Write-offs	-	-	-	-
New financial assets originated or purchased	29,462	-	-	29,462
Financial assets that have been derecognized	(11,329)	(3,303)	(2,666)	(17,298)
Foreign exchange and other movements	(83)	-	8,237	8,154
Loss allowance as at 31 December 2021	**54,365**	**1,407**	**143,885**	**199,657**

(in thousands of Kyrgyz Som)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance – Loans to SME				
Loss allowance as at 1 January 2020	**8,802**	**1,596**	**22,553**	**32,951**
Changes in the loss allowance				
- Transfer to stage 1	335	(335)	-	-
- Transfer to stage 2	(2,942)	2,942	-	-
- Transfer to stage 3		(1,519)	1,519	-
- Increases due to change in credit risk	874	30,965	16,262	48,101
- Decreases due to change in credit risk	(304)	-	-	(304)
New financial assets originated or purchased	5,257	-	-	5,257
Financial assets that have been derecognized	(1,837)	(2,392)	(10,044)	(14,273)
Foreign exchange and other movements	(89)	234	4,336	4,481
Loss allowance as at 31 December 2020	**10,096**	**31,491**	**34,626**	**76,213**
Changes in the loss allowance				
- Transfer to stage 1	14,592	(14,592)	-	-
- Transfer to stage 2	(25)	3,475	(3,450)	-
- Transfer to stage 3	-	(6,153)	6,153	-
- Increases due to change in credit risk	-	819	8,317	9,136
- Decreases due to change in credit risk	(13,380)	(1,821)	-	(15,201)
New financial assets originated or purchased	6,854	-	-	6,854
Financial assets that have been derecognized	(8,126)	(7,683)	(8,880)	(24,689)
Foreign exchange and other movements	(3)	(1)	361	357
Loss allowance as at 31 December 2021	**10,008**	**5,535**	**37,127**	**52,670**

(in thousands of Kyrgyz Som)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance – Mortgage Loans				
Loss allowance as at 1 January 2020	**2,907**	**234**	**8,334**	**11,475**
Changes in the loss allowance				
- Transfer to stage 2	(260)	260	-	-
- Transfer to stage 3	-	(372)	372	-
- Increases due to change in credit risk	3,630	5,151	11,031	19,812
- Decreases due to change in credit risk	-	-	-	-
New financial assets originated or purchased	3,097	-	-	3 097
Financial assets that have been derecognized	(1,184)	(122)	(5,414)	(6,720)
Foreign exchange and other movements	1	-	2,856	2,857
Loss allowance as at 31 December 2020	**8,191**	**5,151**	**17,179**	**30,521**
Changes in the loss allowance				
- Transfer to stage 1	555	(555)	-	-
- Transfer to stage 2	(1,264)	3,221	(1,957)	-
- Transfer to stage 3	-	(3,128)	3,128	-
- Increases due to change in credit risk	-	7,463	6,392	13,855
- Decreases due to change in credit risk	(475)	(784)	-	(1,259)
New financial assets originated or purchased	5,192	-	-	5,192
Financial assets that have been derecognized	(2,407)	(1,518)	(6,092)	(10,017)
Foreign exchange and other movements	-	-	(31)	(31)
Loss allowance as at 31 December 2021	**9,792**	**9,850**	**18,619**	**38,261**

(in thousands of Kyrgyz Som)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance – Consumer Loans				
Loss allowance as at 1 January 2020	**1,390**	**295**	**2,607**	**4,292**
Changes in the loss allowance				
- Transfer to stage 2	(158)	158	-	-
- Transfer to stage 3	-	(287)	287	-
- Increases due to change in credit risk	1,693	924	14,089	16,706
New financial assets originated or purchased	4,806	-	-	4,806
Financial assets that have been derecognized	(437)	(402)	(3,790)	(4,629)
Foreign exchange and other movements	-	-	1,330	1,330
Loss allowance as at 31 December 2020	**7,294**	**688**	**14,523**	**22,505**
Changes in the loss allowance				
- Transfer to stage 1	626	(174)	(452)	-
- Transfer to stage 2	(260)	375	(115)	-
- Transfer to stage 3	-	(482)	482	-
- Increases due to change in credit risk	-	543	3,657	4,200
- Decreases due to change in credit risk	(558)	(70)	-	(628)
Write-offs	-	-	(3)	(3)
New financial assets originated or purchased	6,149	-	-	6,149
Financial assets that have been derecognized	(5,022)	(435)	(4,380)	(9,837)
Foreign exchange and other movements	-	-	185	185
Loss allowance as at 31 December 2021	**8,229**	**445**	**13,897**	**22,571**

(in thousands of Kyrgyz Som)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance – Credit cards				
Loss allowance as at 1 January 2020	**2,628**	**643**	**14,331**	**17,602**
Changes in the loss allowance				
- Transfer to stage 1	153	(70)	(83)	-
- Transfer to stage 2	(340)	358	(18)	-
- Transfer to stage 3	-	(710)	710	-
- Increases due to change in credit risk	2,187	768	33,746	36,701
- Decreases due to change in credit risk	-	(4)	-	(4)
New financial assets originated or purchased	1,146	-	-	1,146
Financial assets that have been derecognized	(1,444)	(283)	(27,611)	(29,338)
Foreign exchange and other movements	-	-	1,700	1,700
Loss allowance as at 31 December 2020	**4,330**	**702**	**22,775**	**27,807**
Changes in the loss allowance				
- Transfer to stage 1	184	(70)	(114)	-
- Transfer to stage 2	(469)	501	(32)	-
- Transfer to stage 3	-	(590)	590	-
- Increases due to change in credit risk	-	511	3,965	4,476
- Decreases due to change in credit risk	(101)	(19)	-	(120)
New financial assets originated or purchased	1,243	-	-	1,243
Financial assets that have been derecognized	(1,234)	(162)	(1,925)	(3,321)
Foreign exchange and other movements	-	-	1,355	1,355
Loss allowance as at 31 December 2021	**3,953**	**873**	**26,614**	**31,440**

The tables below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

(in thousands of Kyrgyz Som)

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2021 is as follows:

Loans to Corporates as at 31 December 2021	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	1,999,377	(35,414)	1,963,963	1.8%
Overdue:				
up to 30 days	177,109	(3,509)	173,600	2.0%
31 to 90 days	140	(82)	58	58.6%
91 to 180 days	5,637	(597)	5,040	10.6%
180 to 360 days	11,145	(3,315)	7,830	29.7%
over 360 days	137,771	(109,676)	28,095	79.6%
Total collectively assessed loans	**2,331,179**	**(152,593)**	**2,178,586**	**6.5%**
Individually assessed				
Not past due	5,552,502	(26,156)	5,526,346	0.5%
Overdue:				
up to 30 days	1,168,908	(7,314)	1,161,594	0.6%
31 to 90 days	399,562	-	399,562	0.0%
over 360 days	14,064	(13,594)	470	96.7%
Total individually assessed loans	**7,135,036**	**(47,064)**	**7,087,972**	**0.7%**
Total loans to Corporates	**9,466,215**	**(199,657)**	**9,266,558**	**2.1%**

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2020 is as follows:

Loans to Corporates as at 31 December 2020	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	3,041,848	(20,597)	3,021,251	0.7%
Overdue:				
up to 30 days	51,105	(17,725)	33,380	34.7%
31 to 90 days	7,037	(1,182)	5,855	16.8%
180 to 360 days	3,844	(1,124)	2,720	29.2%
over 360 days	67,844	(44,526)	23,318	65.6%
Total collectively assessed loans	**3,171,678**	**(85,154)**	**3,086,524**	**2.7%**
Individually assessed				
Not past due	3,308,007	(21,222)	3,286,785	0.6%
Overdue:				
up to 30 days	122,860	-	122,860	0.0%
31 to 90 days	805,298	(2,920)	802,378	0.4%
91 to 180 days	190,240	-	190,240	0.0%
over 360 days	52,721	(52,721)	-	100%
Total individually assessed loans	**4,479,126**	**(76,863)**	**4,402,263**	**1.7%**
Total loans to Corporates	**7,650,804**	**(162,017)**	**7,488,787**	**2.1%**

(in thousands of Kyrgyz Som)

Analysis by credit quality of loans to small and medium businesses as at 31 December 2021 is presented as follows:

Loans to SME as at 31 December 2021	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	1,426,153	(13,399)	1,412,754	0.9%
Overdue:				
up to 30 days	9,553	(183)	9,370	1.9%
31 to 90 days	12,687	(2,806)	9,881	22.1%
91 to 180 days	47,303	(8,921)	38,382	18.9%
180 to 360 days	5,716	(2,114)	3,602	37.0%
over 360 days	42,130	(25,247)	16,883	59.9%
Total loans to SME	**1,543,542**	**(52,670)**	**1,490,872**	**3.4%**

Analysis by credit quality of loans to small and medium businesses as at 31 December 2020 is presented as follows:

Loans to SME as at 31 December 2020	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	1,017,000	(33,008)	983,992	3.2%
Overdue:				
up to 30 days	8,287	(806)	7,481	9.7%
31 to 90 days	65,626	(10,547)	55,079	16.1%
91 to 180 days	28,117	(5,811)	22,306	20.7%
180 to 360 days	17,975	(4,997)	12,978	27.8%
over 360 days	32,762	(21,044)	11,718	64.2%
Total loans to SME	**1,169,767**	**(76,213)**	**1,093,554**	**6.5%**

(in thousands of Kyrgyz Som)

Analysis by credit quality of mortgage loans as at 31 December 2021 is presented as follows:

Mortgage loans as at 31 December 2021	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	861,924	(16,276)	845,648	1.9%
Overdue:				
up to 30 days	27,810	(2,926)	24,884	10.5%
31 to 90 days	27,377	(5,220)	22,157	19.1%
91 to 180 days	4,573	(1,106)	3,467	24.2%
180 to 360 days	14,918	(5,081)	9,837	34.1%
over 360 days	13,400	(7,652)	5,748	57.1%
Total mortgage loans	**950,002**	**(38,261)**	**911,741**	**4.0%**

Analysis by credit quality of mortgage loans as at 31 December 2020 is presented as follows:

Mortgage loans as at 31 December 2020	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	637,069	(13,613)	623,456	2.1%
Overdue:				
up to 30 days	25,572	(3,035)	22,537	11.9%
31 to 90 days	12,917	(2,843)	10,074	22.0%
91 to 180 days	7,386	(2,390)	4,996	32.4%
180 to 360 days	7,579	(2,363)	5,216	31.2%
over 360 days	12,638	(6,277)	6,361	49.7%
Total mortgage loans	**703,161**	**(30,521)**	**672,640**	**4.3%**

(in thousands of Kyrgyz Som)

Analysis by credit quality of consumer loans as at 31 December 2021 is presented as follows:

Consumer loans as at 31 December 2021	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	814,785	(9,714)	805,071	1.2%
Overdue:				
up to 30 days	17,999	(1,111)	16,888	6.2%
31 to 90 days	4,884	(965)	3,919	19.8%
91 to 180 days	1,419	(392)	1,027	27.6%
180 to 360 days	1,526	(716)	810	46.9%
over 360 days	10,827	(9,673)	1,154	89.3%
Total consumer loans	**851,440**	**(22,571)**	**828,869**	**2.7%**

Analysis by credit quality of consumer loans as at 31 December 2020 is presented as follows:

Consumer loans as at 31 December 2020	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	548,412	(8,100)	540,312	1.5%
Overdue:				
up to 30 days	28,911	(6,715)	22,196	23.2%
31 to 90 days	4,179	(643)	3,536	15.4%
91 to 180 days	5,240	(1,643)	3,597	31.4%
180 to 360 days	4,666	(2,296)	2,370	49.2%
over 360 days	3,257	(3,108)	149	95.4%
Total consumer loans	**594,665**	**(22,505)**	**572,160**	**3.8%**

(in thousands of Kyrgyz Som)

Analysis by credit quality of credit cards loans as at 31 December 2021 is presented as follows:

Credit cards as at 31 December 2021	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	177,830	(3,779)	174,051	2.1%
Overdue:				
up to 30 days	15,221	(1,197)	14,024	7.9%
31 to 90 days	11,431	(1,148)	10,283	10.0%
91 to 180 days	4,616	(1,074)	3,542	23.3%
180 to 360 days	6,740	(2,219)	4,521	32.9%
over 360 days	29,569	(22,023)	7,546	74.5%
Total credit cards	**245,407**	**(31,440)**	**213,967**	**12.8%**

Analysis by credit quality of credit cards loans as at 31 December 2020 is presented as follows:

Credit cards as at 31 December 2020	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	141,473	(4,141)	137,332	2.9%
Overdue:				
up to 30 days	13,029	(1,077)	11,952	8.3%
31 to 90 days	7,194	(702)	6,492	9.8%
91 to 180 days	5,241	(1,239)	4,002	23.6%
180 to 360 days	11,886	(3,863)	8,023	32.5%
over 360 days	21,892	(16,785)	5,107	76.7%
Total credit cards	**200,715**	**(27,807)**	**172,908**	**13.9%**

Collateral

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

(in thousands of Kyrgyz Som)

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, inventory;
- For retail lending, mortgages over residential properties.

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

Re-appraisal of the collateral takes place if the last appraisal was made more than 12 months ago or if obvious signs of collateral deterioration exists.

The table below shows the maximum exposure to credit risk in the statement of financial position, including derivatives. The maximum risk is presented without taking into account the impact of risk reduction measures, such as the use of netting agreements and collateral agreements.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets and credit related commitments is as follows:

	Maximum exposure	Collateral pledged and guarantees obtained	31 December 2021 Net exposure
Cash equivalents*	10,007,018	-	10,007,018
Loans and advances to banks	3,512,926	-	3,512,926
Loans to customers	12,712,007	(12,098,237)	613,770
Investment securities at amortized cost	210,431	-	210,431
Other financial assets	558,452	-	558,452
Total maximum exposure	**27,000,834**	**(12,098,237)**	**14,902,597**
Loan and credit line commitments	3,554,595	-	3,554,595
Guarantees and letters of credit	656,916	(625,911)	31,005

(in thousands of Kyrgyz Som)

	Maximum exposure	Collateral pledged and guarantees obtained	31 December 2020 Net exposure
Cash equivalents*	8,227,601	-	8,227,601
Loans and advances to banks	3,805,105	-	3,805,105
Loans to customers	10,000,049	(9,542,846)	457,203
Investment securities at amortized cost	202,148	-	202,148
Investment securities at FVOCI	74,171	-	74,171
Other financial assets	186,250	-	186,250
Total maximum exposure	**22,495,324**	**(9,542,846)**	**12,952,478**
Loan and credit line commitments	2,141,169	-	2,141,169
Guarantees and letters of credit	508,249	(499,000)	9,249

*Cash equivalents include nostro accounts and term deposit with NBKR, nostro accounts and term deposits with other banks, Notes of the National Bank of the Kyrgyz Republic with original maturity of less than three months and reverse repurchase agreements up to 3 months securities.

Collateral generally is not held against investments securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Bank receives and accepts collateral in the form of cash in respect of the following transactions:
- loans to banks and other financial institutions and borrowers.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements but do not meet the criteria for offsetting as at 31 December 2021:

			Amounts that were not offset in the statement of financial position		
Financial Assets/Liabilities	**Total recognized financial assets / financial liabilities**	**Net financial assets / financial liabilities in the statement of financial position**	**Financial Instruments**	**Cash collateral received**	**Net Amount**
31 December 2021					
Loans to Customers	40,111	40,111	-	(40,111)	-
Total Financial Assets	**40,111**	**40,111**	**-**	**(40,111)**	**-**
Current accounts and Deposits	33,647	33,647	(40,111)	-	(6,464)
Total Financial Liabilities	**33,647**	**33,647**	**(40,111)**	-	**(6,464)**

(in thousands of Kyrgyz Som)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements but do not meet the criteria for offsetting as at 31 December 2020:

Financial Assets/Liabilities	Total recognized financial assets / financial liabilities	Net financial assets / financial liabilities in the statement of financial position	Amounts that were not offset in the statement of financial position		Net Amount
			Financial Instruments	Cash collateral received	
31 December 2020					
Loans to Customers	357,139	357,139	-	(357,139)	-
Total Financial Assets	**357,139**	**357,139**	-	**(357,139)**	-
Current accounts and Deposits	379,721	379,721	(357,139)	-	22,582
Total Financial Liabilities	**379,721**	**379,721**	**(357,139)**	-	**22,582**

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

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

The liquidity management policy requires:

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

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

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

(in thousands of Kyrgyz Som)

The maturity analysis for financial instruments as at 31 December 2021 is as follows:

	Weigh-ted average effective interest rate	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	31 December 2021
Cash and cash equivalents	0.19%	4,193,094	-	-	-	-	-	4,193,094
Loans and advances to banks	1.47%	1,112,250	1,105,282	1,013,552	-	91,300		3,322,384
Loans to customers	12.44%	2,225,450	57,702	2,794 ,699	3,771,619	3,460,217	402,320	12,712,007
Investments in securities at amortized cost	8.35%	7,238	101,511	29,442	72,240	-	-	210,431
Total interest bearing assets		**7,538,032**	**1,264,495**	**3,837,693**	**3,843,859**	**3,551,517**	**402,320**	**20,437,916**
Cash and cash equivalents		8,191,566	-	-	-	-	-	8,191,566
Loans and advances to banks		-	-	190,033	-	509	-	190,542
Other financial assets		558,452	-	-	-	-	-	558,452
Total non-interest bearing assets		**8,750,018**	-	**190,033**	-	**509**	-	**8,940,560**
TOTAL FINANCIAL ASSETS		**16,288,050**	**1,264,495**	**4,027,726**	**3,843,859**	**3,552,026**	**402,320**	**29,378,476**
Due to banks	0.00%	177,045	-	-	-	-	-	177,045
Current accounts and deposits from customers	6.78%	199,656	405,449	1,986,940	856,224	2,451	-	3,450,720
Other borrowed funds	7.52%	8,764	24,670	260,402	204,327	26,528	7,756	532,447
Total interest bearing liabilities		**385,465**	**430,119**	**2,247,342**	**1,060,551**	**28,979**	**7,756**	**4,160,212**
Current accounts and deposits from customers		22,194,869	-	-	-	-	-	22,194,869
Other liabilities		46,977	-	84,260	-	-	-	131,237
Total non-interest bearing liabilities		**22,241,846**	-	**84,260**	-	-	-	**22,326,106**
TOTAL FINANCIAL LIABILITIES		**22,627,311**	**430,119**	**2,331,602**	**1,060,551**	**28,979**	**7,756**	**26,486,318**
LIQUIDITY GAP		**(6,339,261)**	**834,376**	**1,696,124**	**2,783,308**	**3,523,047**	**394,564**	**2,892,158**
Interest sensitivity gap		**7,152,567**	**834,376**	**1,590,351**	**2,783,308**	**3,522,538**	**394,564**	**16,277,704**
Cumulative interest sensitivity gap		**7,152,567**	**7,986,943**	**9,577,294**	**12,360,602**	**15,883,140**	**16,277,704**	
Cumulative interest sensitivity gap as a percentage of total assets		**24%**	**26%**	**32%**	**41%**	**52%**	**54%**	

(in thousands of Kyrgyz Som)

The maturity analysis for financial instruments as at 31 December 2020 is as follows:

	Weigh-ted average effective interest rate	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	31 December 2020
Cash and cash equivalents	0.65%	4,262,786	29,811	-	-	-	-	4,292,597
Loans and advances to banks	1.58%	586,302	1,491,570	1,436,736	-	88,988	-	3,603,596
Loans to customers	12.12%	1,420,523	1,636,772	628,280	2,042,684	4,097,153	174,637	10,000,049
Investments in securities at amortized cost	8.61%	-	-	-	202,148	-	-	202,148
Investments in securities at FVOCI	6.57%	61,928	12,243	-	-	-	-	74,171
Total interest bearing assets		**6,331,539**	**3,170,396**	**2,065,016**	**2,244,832**	**4,186,141**	**174,637**	**18,172,561**
Cash and cash equivalents		6,329,671	-	-	-	-	-	6,329,671
Loans and advances to banks		-	-	201,013	-	496	-	201,509
Other financial assets		186,250	-	-	-	-	-	186,250
Total non-interest bearing assets		**6,515,921**	-	**201,013**	-	**496**	-	**6,717,430**
TOTAL FINANCIAL ASSETS		**12,847,460**	**3,170,396**	**2,266,029**	**2,244,832**	**4,186,637**	**174,637**	**24,889,991**
Due to banks	0.02%	17,107	-	-	-	-	-	17,107
Current accounts and deposits from customers	6.45%	266,354	363,183	1,692,721	979,584	193	-	3,302,035
Other borrowed funds	8.03%	49,768	45,268	359,245	380,337	48,098	11,883	894,599
Total interest bearing liabilities		**333,229**	**408,451**	**2,051,966**	**1,359,921**	**48,291**	**11,883**	**4,213,741**
Current accounts and deposits from customers		18,186 968	-	-	-	-	-	18,186,968
Other liabilities		40,042	-	62,707	-	-	-	102,749
Total non-interest bearing liabilities		**18,227,010**	-	**62,707**	-	-	-	**18,289,717**
TOTAL FINANCIAL LIABILITIES		**18,560,239**	**408,451**	**2,114,673**	**1,359,921**	**48,291**	**11,883**	**22,503,458**
LIQUIDITY GAP		**(5,712,779)**	**2,761,945**	**151,356**	**884,911**	**4,138,346**	**162,754**	**2,386,533**
Interest sensitivity gap		**5,998,310**	**2,761,945**	**13,050**	**884,911**	**4,137,850**	**162,754**	**13,958,820**
Cumulative interest sensitivity gap		**5,998,310**	**8,760,255**	**8,773,305**	**9,658,216**	**13,796,066**	**13,958,820**	
Cumulative interest sensitivity gap as a percentage of total assets		**24%**	**35%**	**35%**	**39%**	**55%**	**56%**	

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

As at 31 December 2021 and 2020 current liabilities of the Bank exceeded current assets by KGS 3,808,761 thousand and by KGS 2,799,478 thousand, respectively. Negative liquidity gap is mainly attributable to balances of customers' current accounts, which are included in amounts due in less than one month in the liquidity disclosure. However, management believes that in spite of the available early withdrawal option and the fact that substantial portion of customers' accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the experience of the Bank indicates that these customers accounts provide a long-term and stable source of funding.

The Bank also has committed lines of credit in amount of approximately KGS 478,900 thousand as at 31 December 2021 that can be assessed to meet liquidity needs.

However, management believes that in spite of this early withdrawal option and the fact that substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customers accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms because past experience indicates that cash flows will differ from contractual terms.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Based on stress testing results and historical data on diversified and stable funding base, as well as portfolio of longer maturity highly liquid assets easily convertible to cash, such as investment securities, loans and advances to banks, Management estimates that the Bank has sufficient liquidity to cover negative liquidity gap up to 1 month, without incurring unacceptable losses or risking damage to the Banks's reputation.

(in thousands of Kyrgyz Som)

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2021:

	Weighted average effective interest rate	Demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	No maturity	Total
Non-derivative liabilities									
Due to banks	0.00%	177,045	-	-	-	-	-	-	177,045
Current accounts and deposits from customers	6.78%	22,533,806	409,294	2,067,340	953,283	3,294	-	-	25,967,017
Other borrowed funds	7.52%	16,692	28,475	283,599	215,046	27,903	8,041	-	579,756
Other financial liabilities		46,977	-	84,260	-	-	-	-	131,237
Total financial liabilities		**22,774,520**	**437,769**	**2,435,199**	**1,168,329**	**31,197**	**8,041**	**-**	**26,855,055**

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2020:

	Weighted average effective interest rate	Demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	No maturity	Total
Non-derivative liabilities									
Due to banks	0.02%	17,107	-	-	-	-	-	-	17,107
Current accounts and deposits from customers	6.45%	18,469,639	391,912	1,740,118	979,609	193	-	-	21,581,471
Other borrowed funds	8.03%	55,421	55,969	385,763	390,004	52,902	11,867	-	951,926
Other financial liabilities		40,042	-	62,707	-	-	-	-	102,749
Total financial liabilities		**18,582,209**	**447,881**	**2,188,588**	**1,369,613**	**53,095**	**11,867**	**-**	**22,653,253**

(in thousands of Kyrgyz Som)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

(f) Country risk

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

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

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

	Kyrgyz Republic	Other CIS countries	Other non-OECD countries	OECD countries	Total 31 December 2021
ASSETS					
Cash and cash equivalents	4,374,199	1,107,581	68,623	6,834,257	12,384,660
Loans and advances to banks	190,033	-	255,082	3,067,811	3,512,926
Loans to customers	12,711,994	-	-	13	12,712,007
Investments in securities at amortized cost	210,431	-	-	-	210,431
Other financial assets	558,452	-	-	-	558,452
Total assets	**18,045,109**	**1,107,581**	**323,705**	**9,902,081**	**29,378,476**
LIABILITIES					
Due to banks	5,815	61	-	171,169	177,045
Current accounts and deposits from customers	25,290,089	8,220	170,846	176,434	25,645,589
Other borrowed funds	164,670	30,192	-	337,585	532,447
Lease liabilities	170,532	-	-	-	170,532
Other financial liabilities	95,594	9,020	-	26,623	131,237
Total liabilities	**25,726,700**	**47,493**	**170,846**	**711,811**	**26,656,850**
Net position	**(7,681,591)**	**1,060,088**	**152,859**	**9,190,270**	**2,721,626**

(in thousands of Kyrgyz Som)

	Kyrgyz Republic	Other CIS countries	Other non-OECD countries	OECD countries	Total 31 December 2020
ASSETS					
Cash and cash equivalents	4,817,905	966,304	71	4,837,988	10,622,268
Loans and advances to banks	201,013	863,692	249,144	2,491,256	3,805,105
Loans to customers	9,999,998	-	-	51	10,000,049
Investments in securities at amortized cost	202,148	-	-	-	202,148
Investments in securities at FVOCI	74,171	-	-	-	74,171
Other financial assets	186,250	-	-	-	186,250
Total assets	**15,481,485**	**1,829,996**	**249,215**	**7,329,295**	**24,889,991**
LIABILITIES					
Due to banks	4,470	74	-	12,563	17,107
Current accounts and deposits from customers	21,193,474	21,035	36,058	238,436	21,489,003
Other borrowed funds	238,691	40,481	-	615,427	894,599
Lease liabilities	97,773	-	-	-	97,773
Other financial liabilities	72,434	9,144	-	21,171	102,749
Total liabilities	**21,606,842**	**70,734**	**36,058**	**887,597**	**22,601,231**
Net position	**(6,125,357)**	**1,759,262**	**213,157**	**6,441,698**	**2,288,760**

27. Capital management

The NBKR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBKR, banks have to maintain a ratio of total capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level of 12% and a ratio of tier 1 capital to risk weighted assets above the prescribed minimum level of 6%. The Bank was in compliance with the statutory capital ratios as at 31 December 2021 and 2020.

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

Capital amounts and ratios	Actual amount	For Capital adequacy purposes	Ratio for capital adequacy purposes %	Minimum required ratio %
As at 31 December 2021				
Total capital	3,600,459	3,390,749	14.46%	12
Tier 1 capital	3,600,459	2,804,381	11.96%	6
As at 31 December 2020				
Total capital	3,081,944	2,990,014	17.80%	12
Tier 1 capital	3,081,944	2,460,367	14.65%	6

(in thousands of Kyrgyz Som)

The Bank is also subject to minimum capital adequacy requirements calculated in accordance with the banking laws of the Kyrgyz Republic established by covenants under liabilities incurred by the Bank. The Bank has complied with all externally imposed capital requirements as at 31 December 2021 and 2020.

28. Credit related commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.
The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced.

	31 December 2021	31 December 2020
Loan and credit line commitments	3,554,595	2,141,169
Guarantees and letters of credit	656,916	508,249
Total contingent liabilities	**4,211,511**	**2,649,418**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The majority of loan and credit line commitments do not represent an unconditional credit related commitment by the Bank.

			31 December 2021
Loan and credit line commitments	**Stage 1**	**Stage 2**	**Total**
Gross amount	3,554,595	-	3,554,595
Loss allowance	(17,236)	(910)	(18,146)
Carrying amount (provision)	**(17,236)**	**(910)**	**(18,146)**

			31 December 2020
Loan and credit line commitments	**Stage 1**	**Stage 2**	**Total**
Gross amount	2,141,169	-	2,141,169
Loss allowance	(6,005)	(37)	(6,042)
Carrying amount (provision)	**(6,005)**	**(37)**	**(6,042)**

(in thousands of Kyrgyz Som)

The following table shows reconciliations from opening and closing balances of the loss allowance on credit line commitments.

				31 December 2021
Loan and credit line commitments	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	6,005	37	-	6,042
Transfer to Stage 1	5	(5)	-	-
Transfer to Stage 2	(2,172)	2 172	-	-
Transfer to Stage 3	-	(38)	38	-
Net remeasurement of loss allowance	9,599	(1,256)	(38)	8,305
New financial assets originated or purchased	3,623	-	-	3,623
Foreign exchange and other movements	176	-	-	176
Loss allowance	**17,236**	**910**	**-**	**18,146**

				31 December 2020
Loan and credit line commitments	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2,947	-	-	2,947
Transfer to Stage 2	(196)	196	-	-
Net remeasurement of loss allowance	1,364	(159)	-	1,205
New financial assets originated or purchased	1,707	-	-	1,707
Foreign exchange and other movements	183	-	-	183
Loss allowance	**6,005**	**37**	**-**	**6,042**

The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

		31 December 2021
Guarantees and letters of credit	Stage 1	Total
Gross amount	656,916	656,916
Loss allowance	(3,367)	(3,367)
Carrying amount (provision)	**(3,367)**	**(3,367)**

		31 December 2020
Guarantees and letters of credit	Stage 1	Total
Gross amount	508,249	508,249
Loss allowance	(644)	(644)
Carrying amount (provision)	**(644)**	**(644)**

The following table shows reconciliations from opening and closing balances of the loss allowance on guarantees and letters of credit.

		31 December 2021
Guarantees and letters of credit	Stage 1	Total
Balance at 1 January	644	644
Net remeasurement of loss allowance	1,679	1,679
New financial assets originated or purchased	1,031	1,031
Foreign exchange and other movements	13	13
Loss allowance	**3,367**	**3,367**

(in thousands of Kyrgyz Som)

	31 December 2020		
Guarantees and letters of credit	Stage 1	Stage 2	Total
Balance at 1 January	1,615	-	1,615
Transfer to Stage 2	(6)	6	-
Net remeasurement of loss allowance	(1,144)	(6)	(1,150)
New financial assets originated or purchased	108	-	108
Foreign exchange and other movements	71	-	71
Loss allowance	**644**	**-**	**644**

29. Contingencies

Insurance

The insurance industry in the Kyrgyz Republic is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Bank 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.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank may be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

In May 2019, the Bank applied to the court to claim a loan debt amount of customer due to non-payments. The Bank won the process in all three instances and the court satisfied the Bank's claim. In June 2020, a third party, who purchased pledged property, filed a lawsuit against the Bank in the amount of KGS 78,727 thousand for compensation of material and moral damage caused by restrictions to use this property and perform any actions in relation to it. The Bank's lawyers have advised that the plaintiff has no legal ground to claim any compensation because arrest, which is the reason of claim, was interim measure and had been imposed by the court within Bank's claim of loan debt collection. The court process related to the claim of a third party is at initial stage in first court instance. The Bank's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been made in these financial statements as the Bank's management does not consider that there is any probable loss.

Taxation

The taxation system in Kyrgyzstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open till six calendar years.

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

Pensions and retirement plans

In accordance with the laws and regulations of the Kyrgyz Republic, employees have rights for State Pension Provisions. As at 31 December 2021 and 2020, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

30. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

During the years ended 31 December 2021 and 2020 the Bank had transactions with Management and other related parties including entities under common control: Demir Halk Bank (the Netherlands), Pozitif Bank (Turkey), C-Bilisim (Turkey), HCBG Holding B.V. (Netherlands), C-Technology LLC (Kyrgyz Republic) and C-Real Estate LLC (Kyrgyz Republic).

(in thousands of Kyrgyz Som)

The outstanding balances of transactions with related parties are as follows:

	31 December 2021		31 December 2020	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents				
- other related parties	5,532	12,385,218	3,283	10,623,036
Allowance for expected credit losses on cash and cash equivalents				
- other related parties	(67)	(558)	(64)	(768)
Loans to customers				
- key management personnel of the entity or its parent	11,880	13,056,606	11,874	10,319,112
Allowance for expected credit losses on loans to customers				
- key management personnel of the entity or its parent	(85)	(344,599)	(83)	(319,063)
Right of use assets				
- other related parties	3,503	167,320	10,530	72,448
Other assets				
- other related parties	16,836	938,349	23,152	571,167
Allowance for expected credit losses on other assets	(1,710)	(22,490)	-	(12,006)
Current accounts and deposits from customers	43,433	25,645,589	35,834	21,489,003
- the parent	688	-	716	-
- key management personnel of the entity or its parent	29,259	-	33,792	-
- other related parties	13,486	-	1,326	-
Lease liabilities				
- other related parties	9,796	170,532	24,498	97,773
Other liabilities				
- other related parties	1,907	270,375	1,292	171,879

The loans issued include mortgage loans and credit cards, all are in Kyrgyz Som, and loans are repayable by 2027. Loans issued to related parties are secured by real estate property.

(in thousands of Kyrgyz Som)

The remuneration of Board of Directors and Bank's management was as follows:

	31 December 2021		31 December 2020	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Key management personnel compensation:				
- short-term employee benefits	111,577	672,546	109,383	580,638

Included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020 are the following amounts which were recognised in transactions with related parties:

	31 December 2021		31 December 2020	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	1,384	1,372,971	1,259	1,265,971
- key management personnel of the entity or its parent	1,384		1,259	
- other related parties				
Interest expense	(1,982)	(324,922)	(3,550)	(330,809)
- key management personnel of the entity or its parent	-	-	(132)	-
- other related parties	(1,982)		(3,418)	-
Allowance for expected credit losses on loans to customers	(2)	(10,666)	929	(67,999)
- key management personnel of the entity or its parent	(2)	-	(36)	-
- other related parties	-	-	965	-
Fee and commission expense				
- other related parties	(55)	(385,986)	(336)	(292,325)
(Provision)/recovery of other reserves				
- other related parties	(1,710)	10,828	-	(30,659)
Other operating expenses	(46,726)	(552,335)	(30,942)	(449,996)
- the parent	(4,667)	-	(4,147)	-
- other related parties	(42,059)	-	(26,795)	-

31. Fair value of financial instruments

(a) Accounting classifications and fair values

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.
The estimated fair values of most financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

As at 31 December 2021 and 2020, estimated fair values of all financial instruments approximate their carrying values as majority of these financial instruments were issued at market prices and the interest rates on these type of financial instruments did not change significantly in the market from the origination dates of the instruments.

(b) Fair value hierarchy

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis. Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable 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 similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. 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 the 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 fair value of financial instruments at fair value through other comprehensive income has been determined by using market observable inputs (Level 2).

The Bank's valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

(in thousands of Kyrgyz Som)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Loans to customers	12,712,007	12,394,555	10,000,049	9,671,700
Current accounts and deposits from customers	25,645,589	25,639,464	21,489,003	21,503,848

				31 December 2021
	Level 1	Level 2	Level 3	Total
Loans to customers	-	12,394,555	-	12,394,555
Current accounts and deposits from customers	-	25,639,464	-	25,639,464

				31 December 2020
	Level 1	Level 2	Level 3	Total
Loans to customers	-	9,671,700	-	9,671,700
Current accounts and deposits from customers	-	21,503,848	-	21,503,848

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. There were no reclassifications between levels in 2021.

32. Events after the reporting period

In February 2022, kyrgyz som depreciated significantly against major foreign currencies amid the external geopolitical situation. In order to reduce the negative impact of external factors on the Kyrgyz Republic economy, the NBKR raised the base rate from 8.25% to 14.0% per annum, and interventions on the currency market were performed to support kyrgyz som exchange rate against foreign currencies. However, there is uncertainty exists related to the future development of the geopolitical risks and their impact on the economy of the Kyrgyz Republic.

Further, the Bank has correspondent accounts opened at certain Russian commercial banks, including those, which were announced to be under various sanctions imposed by the United States, United Kingdom, the European Union, joined by several other countries. There have been also announcements from public officials of the United States and the European Union that a number of Russian banks will be removed from the Swift international payments system.

The Bank's management has taken certain measurements in order to mitigate potential risks to the business, results of operations, and financial performance associated with the current situation in the market. The Bank conducted stress-testing and developed an action plan, in order to timely respond to the changes in the market. An action plan contains the following measures:

a) Introduction of daily reporting and close monitoring of the money market situation for taking timely necessary actions and responding to the changes in the money market;
b) Increase of interest rates for customers time deposits by 1%-3% in order to retain and increase deposit base;
c) restriction transactions and keep minimum amount of foreign currency on correspondent accounts in all Russian banks which are under sanctions and reduce balances by transferring US Dollars to the correspondent accounts opened at other banks;
d) Setting-up and testing alternative payment systems, which can be used instead of SWIFT for money transfers from/to Russian banks.

Management of the Bank is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Bank's business for the foreseeable future.