КЫРГЫЗ БАНКЫ

ANNUAL REPORT 2020

Bishkek-2021

Annual Report of the National Bank of the Kyrgyz Republic for 2020

The report of the National Bank of the Kyrgyz Republic for the year of 2020 is prepared in accordance with Articles 54 and 55 of the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" No.206 of December 16, 2016.

The annual report of the National Bank for 2020 is approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2021-П-10/13-6-(ВД) of March 24, 2021.*

The consolidated financial statements of the National Bank for the year ended on December 31, 2020 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2021-П-15/15-1-(ВД) of April 6, 2021*.

The separate financial statements of the National Bank for the year ended on December 31, 2020 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2021-П-15/15-2-(ВД) of April 6, 2021*.

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

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

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INDEPENDENT AUDITORS' REPORT

To the Management Board of the National Bank of the Kyrgyz Republic

Opinion

We have audited the consolidated financial statements of the National Bank of the Kyrgyz Republic (the "National Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting principles disclosed in Note 2 of the consolidated financial statements.

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by other auditors who expressed an unmodified opinion on those statements on 9 April 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report of the National Bank for the year of 2020 but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Ashley Clarke
Attorney

Aida Asyrandieva

Executive Director of KPMG Bishkek LLC
Certified Auditor of the Kyrgyz Republic,
Auditor's Qualification Certificate
serial A, No. 0232 of 13 November 2014

6 April 2021

Consolidated statement of financial position as at 31 december 2020

(thousands of Soms)

	Note	31 December 2020	31 December 2019
ASSETS			
Gold	6	84 129 763	48 833 361
Cash on hand, due from banks and other financial institutions	7	78 505 097	87 275 244
Loans to banks and international organisations	8	8 623 357	7 039 925
Loans to customers	9	5 758 941	4 691 714
Investments measured at fair value through other comprehensive income	10	73 855 532	33 977 002
Investments at amortised cost	11	2 967 212	125 052
Investments in associates	12	501 860	885 297
Property, plant and equipment	13	2 243 550	2 103 242
Right-of-use assets	14	224 906	278 081
Intangible assets		275 731	338 028
Non-current assets held for sale	15	425 173	832 781
Non-monetary gold and gold reserves	16	13 511 515	6 728 933
Income tax prepaid		93	93
Other assets	17	3 290 661	1 076 247
Total assets		**274 313 391**	**194 185 000**
LIABILITIES			
Banknotes and coins in circulation	18	134 316 687	106 058 051
Financial liabilities at fair value through profit or loss		-	12 480
Due to banks and other financial institutions	19	25 600 754	21 886 229
Due to the Government of the Kyrgyz Republic	20	16 748 525	17 033 154
Customer accounts	21	4 528 679	3 621 044
Debt securities issued	22	11 493 091	8 048 501
Loans received	23	322 830	-
Liabilities to the IMF in respect of SDR allocations	24	9 994 865	8 146 676
Lease liabilities	14	319 451	299 335
Deferred tax liability	32	15 196	8 037
Other liabilities	25	246 401	291 461
Total liabilities		**203 586 479**	**165 404 968**
EQUITY			
Charter capital	26	2 000 000	2 000 000
Obligatory reserve		7 476 561	7 476 561
Revaluation reserve for foreign currency and gold		53 572 573	17 151 905
Revaluation reserve for investments at fair value through other comprehensive income		16 666	3 553
Retained earnings		6 909 129	1 984 421
Total equity attributable to shareholders of the National Bank		**69 974 929**	**28 616 440**
Non-controlling interests		751 983	163 592
Total equity		**70 726 912**	**28 780 032**
Total liabilities and equity		**274 313 391**	**194 185 000**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Consolidated statement of profit or loss for the year ended 31 december 2020

(thousands of Soms)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Interest income	27	2 093 942	3 313 451
Interest expense	27	(1 147 557)	(798 531)
Net interest income	27	**946 385**	**2 514 920**
Fee and commission income		149 729	144 289
Fee and commission expense		(44 607)	(36 412)
Net fee and commission income		**105 122**	**107 877**
Charge for expected credit losses on interest bearing assets	28	(940 173)	(426 913)
Net realised gain on foreign currencies and gold operations	29	9 467 742	1 466 988
Net (loss)/gain on financial instruments at fair value through profit or loss		(49 527)	15 834
Net loss from disposal of investments measured at fair value through other comprehensive income		-	(3 194)
(Charge)/reversal of provision for other assets and contingent liabilities	28	(56 354)	267 477
Share of profits of associates		38 442	140 100
Other income		433 432	171 054
Net non-interest income		**8 893 562**	**1 631 346**
Operating income		**9 945 069**	**4 254 143**
Banknotes and coins production expenses		(404 385)	(359 241)
Administrative expenses	30	(1 714 976)	(1 576 763)
Other expenses		(307 720)	(266 617)
Operating expenses		**(2 427 081)**	**(2 202 621)**
Profit before income tax		**7 517 988**	**2 051 522**
Income tax expense	32	(9 008)	(59 800)
Profit for the year		**7 508 980**	**1 991 722**
Loss attributable to non-controlling interests		(24 088)	(91 432)
Profit attributable to shareholders of the National Bank		7 533 068	2 083 154

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Consolidated statement of comprehensive income for the year ended 31 december 2020

(thousands of Soms)

	Year ended 31 December 2020	**Year ended 31 December 2019**
Profit for the year	**7 508 980**	**1 991 722**
Items that may be reclassified subsequently to statement of profit or loss		
Revaluation reserve for foreign currency and gold:		
- net gain on revaluation of assets and liabilities in foreign currency and gold	45 291 005	6 734 772
- net gain on foreign currency and gold transferred to profit or loss	(8 870 337)	(1 420 954)
Net gain/(loss) from changes on fair value of investments in securities measured at fair value through other comprehensive income, including impairment during the period (less income tax of KGS 0 thousand)	13 331	(10 226)
Less: comprehensive loss on investment securities measured at fair value through other comprehensive income reclassified to profit and loss upon disposal (net of income tax-nil Som)	-	3 194
Other comprehensive income for the year, net of income tax	**36 433 999**	**5 306 786**
Total comprehensive income for the year	**43 942 979**	**7 298 508**
Attributable to:		
- shareholders of the National Bank	43 966 848	7 391 150
- share of non-controlling interests	(23 869)	(92 642)
	43 942 979	**7 298 508**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Consolidated statement of cash flows for the year ended 31 december 2020

(thousands of Soms)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		2 138 084	2 977 067
Interest paid		(1 021 842)	(749 442)
Fee and commission received		154 729	144 289
Fee and commission paid		(44 607)	(36 412)
Realised gain on foreign exchange operations		546 052	37 222
Net profit on other financial instruments		14 745	-
Other income		304 118	127 994
Payroll expenses		(845 804)	(743 801)
Expenses on production of banknotes and coins, issued into circulation		(631 063)	(238 284)
Administrative expenses, excluding payroll expenses		(682 377)	(509 416)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities		**(67 965)**	**1 009 217**
(Increase)/decrease in operating assets			
Gold		(8 955 136)	(9 872 254)
Due from banks and other financial institutions		17 611 796	4 414 878
Investments measured at fair value through other comprehensive income		(30 395 196)	(92 026)
Loans to banks and international organisations		(1 645 295)	2 086 447
Loans to customers		(1 291 813)	(2 166 997)
Non-current assets held for sale		20 104	167 305
Non-monetary gold and gold reserves		(6 781 784)	(6 406 298)
Other assets		(2 085 475)	(124 337)
Increase/(decrease) in operating liabilities			
Banknotes and coins in circulation		28 258 636	12 555 613
Financial liabilities measured at fair value through profit or loss		(76 753)	18 368
Due to banks and other financial institutions		1 250 569	3 176 780
Due to the Government of the Kyrgyz Republic		(6 234 584)	2 718 311
Customer accounts		748 464	662 857
Debt securities issued		4 933 730	137 523
Other liabilities		(163 087)	84 601
Cash (outflow)/inflow from operating activities		**(4 873 789)**	**8 369 988**
Income tax paid		(2 698)	(31 191)
Net cash (outflow)/inflow from operating activities		**(4 876 487)**	**8 338 797**

Consolidated statement of cash flows for the year ended 31 december 2020 (continued)

(thousands of Soms)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of shares of subsidiary		(158 000)	-
Purchases of shares of associates	12	-	(560 061)
Cash received as a result of obtaining control in subsidiary		48 805	-
Purchases of property, plant and equipment and intangible assets		(364 083)	(406 039)
Proceeds from disposal of property, plant and equipment		-	388
Purchases of investments measured at amortised cost		(2 939 403)	-
Proceeds on redemption of investments at amortised cost		64 352	64 352
Interest received on investments measured at amortised cost		11 314	9 652
Dividends received		33 824	8 555
Net cash outflow from investing activities		**(3 303 191)**	**(883 153)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans received	23	21 667	(160 155)
Lease payments	14	(57 167)	(55 780)
Dividends paid		(14 136)	-
Net cash outflow from financing activities		**(49 636)**	**(215 935)**
Net (decrease)/increase in cash and cash equivalents		**(8 229 314)**	**7 239 709**
Effect of changes in exchange rates on cash and cash equivalents		9 604 483	(169 961)
Cash and cash equivalents at the beginning of the year		**52 076 149**	**45 006 401**
Cash and cash equivalents at the end of the year	7	**53 451 318**	**52 076 149**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Consolidated statement of changes in equity for the year ended 31 december 2020

(thousands of Soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currency and gold	Revaluation reserve for investments at fair value through other comprehensive income	Retained earnings	Total equity attributable to shareholders of the Bank	Non-controlling interest	Total
Balance at 1 January 2020	**2 000 000**	**7 476 561**	**17 151 905**	**3 553**	**1 984 421**	**28 616 440**	**163 592**	**28 780 032**
Profit for the year	-	-	-	-	7 533 068	7 533 068	(24 088)	7 508 980
Other comprehensive income								
Net gain on investments at fair value through other comprehensive income	-	-	-	13 113	-	13 113	218	13 331
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	45 291 005	-	-	45 291 005	-	45 291 005
Net gain on foreign currencies and gold transferred to profit or loss	-	-	(8 870 337)	-	-	(8 870 337)	-	(8 870 337)
Total comprehensive income for the year	-	-	**36 420 668**	**13 113**	**7 533 068**	**43 966 849**	**(23 870)**	**43 942 979**
Transactions recorded directly in equity								
Distribution of prior year profit to the state budget (Note 26)	-	-	-	-	(2 565 273)	(2 565 273)	-	(2 565 273)
Dividends paid (Note 26)					(14 136)	(14 136)		(14 136)
Transfer of provision for depreciation of property, plant and equipment	-	-	-	-	1 310	1 310	-	1 310
Total amounts of transactions recorded directly to equity	**-**	**-**	**-**	**-**	**(2 578 099)**	**(2 578 099)**	**-**	**(2 578 099)**
Adjustment arising from change in non-controlling interest in subsidiaries – OJSC Keremet Bank and OJSC Guarantee Fund	-	-	-	-	(30 261)	(30 261)	612 261	582 000
Balance at 31 December 2020	**2 000 000**	**7 476 561**	**53 572 573**	**16 666**	**6 909 129**	**69 974 929**	**751 983**	**70 726 912**

Consolidated statement of changes in equity for the year ended 31 december 2020 (continued)

(thousands of Soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currency and gold	Revaluation reserve for investments at fair value through other comprehensive income	Retained earnings	Total equity attributable to shareholders of the Bank	Non-controlling interests	Total
Balance at 1 January 2019	**2 000 000**	**7 266 168**	**11 838 087**	**9 375**	**2 240 420**	**23 354 050**	**21 017**	**23 375 067**
Profit for the year	-	-	-	-	2 083 154	2 083 154	(91 432)	1 991 722
Other comprehensive income								
Net loss on investments at fair value through other comprehensive income	-	-	-	(5 822)	-	(5 822)	(1 210)	(7 032)
Net gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	6 734 772	-	-	6 734 772	-	6 734 772
Net gain on foreign currencies and gold transferred to profit or loss	-	-	(1 420 954)	-	-	(1 420 954)	-	(1 420 954)
Total comprehensive income for the year	**-**	**-**	**5 313 818**	**(5 822)**	**2 083 154**	**7 391 150**	**(92 642)**	**7 298 508**
Transactions recorded directly in equity								
Distribution of prior year profit to the state budget (Note 26)	-	-	-	-	(1 893 543)	(1 893 543)	-	(1 893 543)
Transfer to obligatory reserve (Note 26)	-	210 393	-	-	(210 393)	-	-	-
Total amounts of transactions recorded directly to equity	**-**	**210 393**	**-**	**-**	**(2 103 936)**	**(1 893 543)**	**-**	**(1 893 543)**
Adjustment arising from change in non-controlling interest in subsidiary OJSC Keremet Bank	-	-	-	-	(235 217)	(235 217)	235 217	-
Balance at 31 December 2019	**2 000 000**	**7 476 561**	**17 151 905**	**3 553**	**1 984 421**	**28 616 440**	**163 592**	**28 780 032**

Abdygulov T.S.
Chairman of the National Bank
6 April 2021
Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant
6 April 2021
Bishkek,
Kyrgyz Republic

1 GENERAL INFORMATION

(a) Organisation and operations

The National Bank of the Kyrgyz Republic (the "National Bank") is a legal successor of the State Bank of the Kyrgyz Republic which was renamed by the Law "On the National Bank of the Kyrgyz Republic" dated 12 December 1992 as the National Bank of the Kyrgyz Republic. On 16 December 2016, the Jogorku Kenesh (Parliament) of the Kyrgyz Republic adopted the new Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity", which currently regulates the activities of the National Bank.

The principal goal of the National Bank is to achieve and maintain stability of prices in the Kyrgyz Republic. To achieve this goal the National Bank is entrusted to perform the following functions: determine and implement the monetary policy for the country; foster well-functioning and effective payment system and interbank transfers; issue and supply banknotes and coins for circulation; manage international currency reserves; license, regulate and supervise operations of the commercial banks, and financial and credit institutions in accordance with the legislation. The National Bank also acts as a fiscal agent of the Government of the Kyrgyz Republic.

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

As at 31 December 2020 and 2019, the National Bank has 5 branches and one representative office operating throughout the Kyrgyz Republic.

As at 31 December 2020 and 2019, the total number of the National Bank's employees is 705 and 679, respectively.

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

Name	Percentage of voting shares (%) 31 December 2020	31 December 2019	Activity
Open Joint Stock Company Keremet Bank	97.45	95.07	Banking services
Open Joint Stock Company Guarantee Fund	85.91	48.59	Guarantee issue services
Closed Joint Stock Company Kyrgyzskaya inkassatsiya (CJSC Kyrgyz Cash Collection)	100	100	Valuables transportation services

On 25 March 2020, as part of the seventh issue of shares of OJSC Keremet Bank, the National Bank purchased shares for the amount of KGS 1 500 000 thousand.

On 30 December 2020, to assist OJSC Keremet Bank in implementation of its strategic objectives and provide with cash funds for expansion of banking operations with the highly liquid assets, and as part of implementation of measures aimed at mitigation of the negative impact of COVID-19 pandemic on the macroeconomic situation in the Kyrgyz Republic, the National Bank purchased shares of the eighth issue of OJSC Keremet Bank for the amount of KGS 2 700 000 thousand.

Following the results of placement of the seventh and eighth issues of shares of OJSC Keremet Bank, the share of the National Bank in the charter capital was 96.3% and 97.45%, respectively.

1 GENERAL INFORMATION, CONTINUED

(a) Organisation and operations, continued

On 4 June 2020, to support business entities and promote further development of their operations through increasing access to the financial resources in conditions where there is a need to mitigate the negative consequences of COVID-19 pandemic, the National Bank purchased shares of the fifth issues of OJSC Guarantee Fund for the amount of KGS 1,000,000 thousand and from this date became the controlling party.

On 16 December 2020, to increase the access for the consumers of financial and banking services to financial resources as part of measures aimed at mitigation of the negative impact of the COVID-19 pandemic on the macroeconomic situation in the Kyrgyz Republic, the National Bank purchased shares of OJSC Guarantee Fund of the sixth issue for the amount of KGS 2 000 000 thousand.

Based on results of placement of the fifth and sixth issues of shares of OJSC Guarantee Fund, the share of the National Bank in the charter capital was 72,7% and 85,91%, respectively.

On 22 July 2020, to support activity of CJSC Kyrgyz Cash Collection related to ensuring an uninterrupted provision of services of ATM replenishment and delivery of cash to the regions of Kyrgyzstan in case of emergencies, the National Bank decided to increase the charter capital of CJSC through issue of shares for the amount of KGS 158 000 thousand. As part of this issue, the National Bank purchased shares for the amount of KGS 141 000 thousand.

As at 31 December 2020 and 2019, the National Bank also owns an investment in CJSC Interbank Processing Center (49.42% and 49.42%, respectively).

These consolidated financial statements were approved by the Management Committee of the National Bank on 6 April 2021.

(b) Business environment

The Kyrgyz Republic is undergoing significant political, economic and social changes. As an emerging market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in more developed market economies. As a result, operations in the Kyrgyz Republic involve risks that are not typically associated with those in developed markets. The Kyrgyz Republic high degree of integration with the economies of the countries in the region determines the exposure of the Kyrgyz Republic economy to the influence of unstable situation in international capital markets, a sharp drop in energy prices in March 2020 and a slowdown in economic growth in the main trading partner countries.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus (COVID-19). The World Health Organization declared on 11 March 2020 the coronavirus outbreak a pandemic. In response to the potentially serious threat that the COVID-19 virus poses to public health, in order to protect the life and health of citizens, it was decided to introduce a state of emergency in accordance with the legislation of the Kyrgyz Republic, depending on the region, for the period from 25 March 2020 for the period up to 10 May 2020.

CONTENT

1 GENERAL INFORMATION, CONTINUED

(b) Business environment, continued

During the state of emergency, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

The specific characteristics of Kyrgyzstan's economic sectors appears to be particulary sensitive to global shocks. Among significant factors which have a direct or indirect impact on the economic situation in the country are money transfers by migrant workers, export trade and tourism.

To ensure business continuity, the Group took measures for its staff to operate remotely. The Group also maintained the functions of cash processing and disbursement to commercial banks, customer transactions, as well as the uninterrupted functioning of ATMs, terminals, internet banking, mobile banking, cash collection service, call-center, payment card and delivery services.

Taking into account the Bank's current operational and financial performance along with other currently available public information, within the year ended 31 December 2020, the Group adjusted macroeconomic indicators in estimates of expected credit losses. The National Bank also considers negative development scenarios and is ready to adapt its operational plans accordingly. The Bank continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur. The financial statements reflect management's assessment of the impact of the Kyrgyz Republic business environment on the operations and the financial position of the Bank.

The consolidated financial statements present management's views on the impact of the business environment in the Kyrgyz Republic on the operations and financial position of the Group. The actual impact of future economic conditions may differ from their management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance with IFRS with certain exceptions

In accordance with the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" the National Bank determines policies and methods of accounting for itself based on International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been designed to present fairly the consolidated financial position of the National Bank and its subsidiaries and the results of its operations and have been prepared in accordance with the accounting policy of the National Bank. The accounting policy of the National Bank is based on IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") with the principal modifications as described below:

– gold is revalued based on the market value and the total net unrealised gain from the mark to market of gold and foreign currency assets and liabilities revaluation is recognised directly in other comprehensive income. The total net unrealised loss from the mark to market of gold and foreign currency assets and liabilities revaluation is recognised in the consolidated statement of profit or loss except to the extent that it reverses a previous net unrealised gain, in which case it is recognised as other comprehensive income directly in equity. At the time of derecognition of gold and foreign currency assets and liabilities, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of profit or loss on the basis of the weighted-average cost method;

2 BASIS OF PREPARATION, CONTINUED

(a) Statement of compliance with IFRS with certain exceptions, continued

- to perform the role and functions of a central bank Investments at fair value through other comprehensive income (Note 9) and Nostro accounts with foreign banks and international financial institutions (Note 7) are classified as "held to collect and sale", despite the absence of recent historic sales (Note 3 f (i));
- distribution of profit for the year is recognised as a liability once the independent external audit is completed and the annual report is approved by the Management Board of the National Bank.

The following modification was also adopted during 2020 but its application would have no impact on comparative information, and therefore has been accounted for prospectively:

- expected credit losses (ECL) for Nostro accounts and Term Deposits with Foreign Banks (Note 7) is calculated based on the regulation "On classification of financial assets and liabilities and calculation of provisions for expected credit losses on financial assets of the National Bank of the Kyrgyz Republic" (Note 3 f (ii)), under which, in certain circumstances, the National Bank may use its judgement to determine the amount of ECL. The adoption of this modification had no significant impact on the financial statements for the year ended 31 December 2020.

These consolidated financial statements have been prepared to present fairly the consolidated financial position of the National Bank and the results of its operations in accordance with the accounting policy of the National Bank approved by the Management Board of the National Bank on 25 December 2020, with all amendments, the most recent of which were made on 10 February 2021 and which the National Bank considers to be relevant to the nature of the operations of the central bank.

These consolidated financial statements have been prepared on the assumption that the Group will continue its operations in the foreseeable future.

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except that gold and certain financial instruments are stated at fair value.

(c) Functional and presentation currency

Items included in the consolidated financial statements are measured in the currency of the primary economic environment in which the Group operates (the "functional currency"). The functional currency of the National Bank is the Kyrgyz Som, which, being the national currency of the Kyrgyz Republic, best reflects the economic substance of the majority of the operations conducted by the Group and related circumstances affecting their operations. Kyrgyz Som is also the presentation currency of these consolidated financial statements.

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

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting for gold

(i) Gold

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

Gold is accounted for at market value in the consolidated financial statements. Market value is determined by reference to the London Bullion Market Association Gold Price PM at the day preceding the reporting date. Gain on revaluation of gold is recognised directly in other comprehensive income in equity.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Accounting for gold, continued

(i) Gold, continued

Loss arising from revaluation is presented in the consolidated statement of profit or loss in the amount exceeding any accumulated gains previously recognised within comprehensive income in equity. Realised gain and loss on gold is subsequently recognised in the consolidated statement of profit or loss.

(ii) Non-monetary gold and gold reserves

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

Gold reserves are bullion that is in compliance with the standards of the London Bullion Market Association.

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

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

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates 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. Foreign currency differences arising on retranslation are recognised as other comprehensive income in equity. Loss arising from revaluation is presented in the consolidated statement of profit or loss in the amount exceeding any accumulated gains previously recognised within comprehensive income in equity. 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. Realised gains and losses on foreign currencies are recorded in the consolidated statement of profit or loss.

Foreign exchange rates

Foreign exchange rates used by the Group in preparing the consolidated financial statements as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Som/US Dollar	82.6498	69.6439
Som/Euro	101.3204	77.9803
Som/Special drawing rights	117.9311	96.0159
Som/Canadian Dollar	63.6223	53.1977
Som/Australian Dollar	62.2998	48.4952
Som/Great British Pound Sterling	111.0892	91.0661
Som/Chinese Renminbi	12.5477	9.9591
Som/Russian Ruble	1.1188	1.1250
Som/troy ounce gold	156 009.7625	105 493.0975

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Cash and cash equivalents

To determine cash flows, cash and cash equivalents include cash on hand in foreign currencies and unrestricted balances (nostro accounts) held with other banks with original maturities within three months which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

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

(d) Basis of consolidation

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

– Has power over the investee;
– Has rights/is exposed to variable returns from its involvement with the investee; and
– Has the ability to use its power over the investee to affect its variable returns.

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

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

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

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

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

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values (1) of the assets transferred by the Group; (2) liabilities incurred by the Group to the former owners of the acquiree and (3) the equity interests issued by the Group in exchange for control of the acquiree. All acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

Deferred tax assets or liabilities are recognised and measured in accordance with IAS *12 Income Taxes;*

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Business combinations, continued

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interest that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

The investment in OJSC Keremet Bank was measured at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the date control was acquired.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

(f) Financial assets

Financial assets and financial liabilities are stated in the consolidated statement of the financial position of the Group when the Group becomes a party to the contract in respect of the relevant financial instrument. The Group recognises regular way acquisitions and sales of financial assets and liabilities using settlement date accounting.

(i) Classification and measurement of financial assets

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(i) Classification and measurement of financial assets, continued

Specifically:

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

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

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Group may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

<u>Financial assets measured at amortised cost</u> The business model of holding an asset to collect the contractual cash flows implies that the financial assets are managed to collect principal and interest payments over the life of the financial instrument. Within this business model, holding the financial asset till maturity is the priority, but early sale is not prohibited.

Financial assets measured at amortised cost include the following assets:

- Gold in deposits with foreign banks (Note 6);
- Term deposits in foreign banks, term deposits in international financial institutions and cash on hand in foreign currencies (Note 7);
- Loans to banks and international organisations (Note 8);
- Loans to customers (Note 9)
- Securities of the Government of the Kyrgyz Republic, including Treasury bills of the Ministry of Finance of the Kyrgyz Republic (Note 11); and
- Accounts receivable (Note 17).

After initial measurement, financial assets at amortised cost are measured using the effective interest method less any impairment losses.

<u>Financial assets at fair value through other comprehensive income</u> The business model of holding an asset both to collect the contractual cash flows and to sell the financial asset assumes that purpose of managing the financial asset is both obtaining contractual cash flows and selling the financial asset. Under this business model, the receipt of cash from the sale of the financial asset is a priority, which is distinguished by a higher frequency and volume of sales compared to the business model 'Holding an asset to obtain the contractual cash flows'.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(i) Classification and measurement of financial assets, continued

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

- Nostro accounts with foreign banks and international financial institutions (Note 7);
- Investments in state (sovereign) and agency debt instruments, as well as debt instruments of international financial institutions (Note 10).

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

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

The fair value of financial assets measured at FVOCI is determined under IFRS 13 *Fair value measurement* ("IFRS 13").

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

Financial assets at fair value through profit or loss All other debt instruments (e.g. debt instruments measured at fair value or held for sale) and equity investments are subsequently measured at FVTPL.

The fair value of financial assets measured at FVOCI is determined under IFRS 13 *Fair value measurement* ("IFRS 13").

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

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

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

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

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

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

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

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

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

(iv) Measurement of ECL for assets

<u>General approach to recognition of expected credit losses.</u> The Group recognises allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Due from banks and other financial institutions (Note 7);
- Loans to banks and international organisations (Note 8);
- Loans to customers (Note 9);
- Investments measured at fair value through other comprehensive income (Note 10);
- Investments measured at amortised cost (Note 11);
- Other financial assets (Note 17); and
- Financial guarantees issued (Note 31).

No impairment loss is recognised on equity instruments.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(iv) Measurement of ECL for assets, continued

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

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

For all other financial instruments, the National Bank recognises an allowance of the full value of credit losses expected over the entire term of a financial instrument, in the event of a significant credit risk increase from the moment the instrument was initially recognised. In all remaining cases, provisions for expected credit losses equal the amount of credit losses expected in the coming 12 months.

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

The following formula is used to calculate ECL:

ECL = EAD * LGD * PD, where

ECL – expected credit loss;

EAD – exposure at default;

LGD – loss given default;

PD – probability of default.

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

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

Credit-impaired financial assets. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(iv) Measurement of ECL for assets, continued

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

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

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

Approach to identifying significant increase in credit risk. Indicators of significant increase of credit risk for these assets are as follows:

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

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

- Default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- Delay in fulfilment of obligations over 30 days;
- A contractor's request for debt restructuring;
- Assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;

Other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the Group.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(iv) Measurement of ECL for assets, continued

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

Calculation of expected credit losses on due from banks and other financial institutions**.**

Account description	ECL Formula	Inputs into formula
1. Nostro accounts in banks and other financial institutions	ECL = EAD x LGD x PD	EAD = Average counterparty balance for the preceding 12 months
		LGD = 0.6 for Sovereign banks and 0.75 for Commercial banks
		PD = Moody's Investor Service
2. Deposits in banks and other financial institutions and current accounts held under intergovernmental agreements	ECL_banks = EAD_banks x LGD_banks x PD_banks	EAD_banks = Weighted average EAD on current accounts of intergovernmental agreements and deposits, or present value of future cash flows on deposits
		LGD_banks = 0.6 for Sovereign and 0.75 for commercial
		PD_banks = derived from Moody's data*
		*PD banks is adjusted by a coefficient derived from factors comprising GDP Growth Forecast, Output Gap, Provision rate, Unexpected Change. The factor includes significant management judgement and unobservable inputs. Based on conditions as at the financial statement issuance date, there was no impact on PD as a result of this adjustment coefficient.

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

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

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

LGD =100% – RR, where

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

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

If factors arise that may significantly affect the level of credit risk of assets in a foreign currency, the calculation of expected credit losses may be adjusted based on the judgement of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(iv) Measurement of ECL for assets, continued

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

Adjustment for calculation of expected credit losses is made only if the probability of default (PD) calculated on the basis of data provided by the international rating agencies, based on the judgement of the Group, does not sufficiently take the effect of market conditions on the level of credit risk of bank placements into consideration. Factors that may significantly affect the level of credit risk of financial assets include the deterioration of macroeconomic conditions in the global economy and other negative changes in the environment that lead to the deterioration of the financial condition of the holders of assets of the National Bank.

The criterion for a significant deterioration of macroeconomic conditions in the world is the reduction of economic activity to or below the level of periods of global financial and economic shocks of crisis years.

Estimation of expected credit losses for securities of the Government of the Kyrgyz Republic

Approach to identifying significant increase in credit risk. Indicator of significant increase in credit risk for securities of the Government of the Kyrgyz Republic is a decrease in the sovereign rating of the Kyrgyz Republic by 2 (two) or more levels in accordance with scale of an international rating agency within one year (in the last 12 months).

Indicator of credit impairment of securities of the Government of the Kyrgyz Republic is breach of contractual obligations for a period of more than 30 days without taking into account the officially granted period of deferment of payments.

Calculation of expected credit losses on securities of the Government of the Kyrgyz Republic.

EAD for the securities of the Government of the Kyrgyz Republic is equal to the present value of the principal amount balance of securities and interest receivable in future.

LGD for securities of the Government of the Kyrgyz Republic is calculated based on the sovereign rating of the Kyrgyz Republic.

To determine the PD of securities of the Government of the Kyrgyz Republic, weighted cumulative default rates are used, corresponding to the sovereign rating of the Kyrgyz Republic.

Estimation of expected credit losses for government securities of other countries

Approach to identifying significant increase in credit risk. Indicator of significant increase in credit risk for government securities of other countries is a decrease in the sovereign rating of these countries by 2 (two) or more levels in accordance with scale of an international rating agency within one year (in the last 12 months).

Indicators of credit impairment government securities of other countries are:

- Default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- Delay in fulfilment of obligations over 30 days;

A contractor's request for debt restructuring;

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(iv) Measurement of ECL for assets, continued

Estimation of expected credit losses for government securities of other countries, continued

- Assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;
- Other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the Group.

<u>Calculation of expected credit losses on government securities of other countries</u>.

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

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

LGD =100% – RR, where

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

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

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

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

<u>Approach to identifying significant increase in credit risk.</u> If value of PD of a bank organisation in the reporting period is among the banks with the highest PD throughout the banking system of the Kyrgyz Republic over the past 60 months, this fact is regarded as a significant increase in credit risk of the bank.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

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

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

Calculation of expected credit losses on loans to banks and other financial organisations.

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

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

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

EAD – exposure at default;

Collateral_i – value of a specific type of collateral;

Disc_factor_i – discount rate corresponding to a specific type of collateral.

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

Estimation of expected credit losses for loans to customers

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

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

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

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

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

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

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

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

Estimation of expected credit losses for loans to customers, continued

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

Indicators of impairment of loans to customers. The Group treats a loan as defaulted and therefore classifies it into stage 3 (loans with credit risk) for the calculation of expected credit losses, if there are the following indications:

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

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

Calculation of expected credit losses on loans to customers. PD represents the likelihood that a borrower will not fulfil its financial obligations during the next 12 months or during the remaining term.

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

LGD is determined based on factors that influence recovery after default.

They depend on the type of loan:

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

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

Financial guarantee contracts.

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

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

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

Financial guarantee contracts, continued

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

- Amount of the loss allowance for expected credit losses determined in accordance with IFRS 9; and
- Amount initially recognised less any accumulated income recognised in accordance with the Group's revenue recognition policy, if necessary.

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

The Group did not classify any financial guarantee contracts as FVTPL.

Loan commitments at a below market rate.

Loan commitments at a below-market rate are initially measured at fair value, and then (if not classified as FVTPL) are valued at the highest of the following values:

- Amount of the loss allowance for expected credit losses determined in accordance with IFRS 9; and
- Amount initially recognised less any accumulated income recognised in accordance with the Group's revenue recognition policy, if necessary

Loan commitments at a rate lower than the market rate that are not classified as FVTPL are presented in the consolidated statement of financial position as estimated liabilities, and the results of revaluation are recorded as other income in the consolidated statement of profit or loss. The Group did not classify any commitments to extend loans at a rate below the market rate as FVTPL.

(v) Presentation of allowance for ECL in the statement of financial position

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

- For financial assets at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at fair value through other comprehensive income (FVTOCI): no impairment allowance is recognised in the consolidated statement of financial position as the carrying amount is at fair value. However, the impairment allowance is included as part of the revaluation amount in the revaluation reserve for investments at fair value.
- For commitments to extend loans and financial guarantee contracts: as a provision; and

Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for expected credit losses for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance for expected credit losses over the gross amount of the drawn component is presented as a provision.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Financial assets, continued

(vi) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Group assesses whether this modification results in derecognition. Modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers qualitative and quantitative factors. If the difference in present value is greater than 10% the Group deems the modified terms are substantially different from the original contractual terms leading to derecognition.

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

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

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

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

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

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

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

(g) Impairment of non-financial assets

Other non-financial assets, other than deferred taxes and investments in subsidiaries and associated companies, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Impairment of non-financial assets, continued

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

(h) Investments in associates

Investments in associates are accounted at historical cost less impairment losses.

At each reporting date, the Group tests the carrying amount of investments in associates for impairment, and such expenses are recognised in other expenses in the statement of profit or loss.

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

Dividends received from the investee as a result of the distribution of profits reduce the carrying amount of the investment. The Group discontinues recognising its share of further losses when the Group's cumulative share of losses of an investee equals or exceeds its interest in that investee.

(i) Property, plant and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses in the consolidated statement of profit or loss. 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.

(ii) Depreciation

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

Buildings	70–75 years;
Constructions	15–20 years;
Furniture and equipment	5–10 years
Computer equipment	5–10 years
Motor vehicles	5–7 years;

(j) Intangible assets

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

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

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are from 5 to 7 years.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(k) Non-current assets held for sale

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

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

If the Group has adopted a sales plan in respect of disposal of a financial investment or part of a financial investment in an associate or joint venture, that financial investment or part thereof shall be classified as held for sale, provided that the conditions set out above are met. The Group ceases to apply the equity method to the part classified as held for sale. The remaining portion of investments in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group ceases to apply the equity method at the time of disposal if the disposal results in the loss of significant influence of the Group on the associate or joint venture.

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

(l) Financial liabilities

Financial liabilities are recorded in the consolidated statement of the financial position of the Group when the Group becomes a party to the contract in respect of the relevant financial instrument. The Group recognises regular way acquisitions and sales of financial liabilities using settlement date accounting.

All financial liabilities of the Group are measured at amortised cost.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) Banknotes and coins in circulation

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

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

(n) Charter capital and reserves

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

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

(o) Taxation

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

Subsidiaries and associates are payers for all types of taxes.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) Taxation, continued

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

(p) Income and expense recognition

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

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

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

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

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

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

(q) Fiduciary assets

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

(r) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

4 ADOPTION OF NEW AND REVISED IFRSS

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application if permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

– *COVID-19-Related Rent Concessions (Amendment to IFRS 16).*
– *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
– *Reference to Conceptual Framework (Amendments to IFRS 3).*
– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
– *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).*

5 SIGNIFICANT ASSUMPTIONS AND SOURCES OF UNCERTAINTY IN ESTIMATES

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

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

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group 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 Group monitors financial assets 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 Group'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. As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL (for Stage 1 assets) or lifetime ECL (for Stage 2 or Stage 3 assets). An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

5 SIGNIFICANT ASSUMPTIONS AND SOURCES OF UNCERTAINTY IN ESTIMATES, CONTINUED

Establishing groups of assets with similar credit risk characteristics. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The appropriateness of the credit risk characteristics is monitored on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used. The Group uses various models and assumptions in measuring the ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Fair value of Social Mortgage Loans. The Group's management believe that Social Morgtage Loans product of the Keremet Bank has a distinct nature and represents a separate segment of the mortgage lending market. As a result, loans issued under the terms of the Social Mortgage loan product were issued as part of a normal transaction and, as such, the consideration given is considered to represent fair value as at the date of recognition.

Sources of uncertainty in the estimates

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario. When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD). PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD). LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

6 GOLD

	31 December 2020	31 December 2019
Gold		
Gold in deposits with foreign banks and in bullion	84 129 763	48 833 361
	84 129 763	**48 833 361**

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

Concentration of gold on deposits in foreign banks

As at 31 December 2020 the National Bank did not place gold in deposits with foreign banks (2019: the National Bank placed gold in deposits with foreign banks with a credit rating of AA- and A +).

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

	31 December 2020	31 December 2019
Placements with foreign banks and other financial institutions		
Nostro accounts with foreign banks		
- rated AAA	21 805 101	28 395 023
- rated from A- to AA+	8 244 000	7 199 117
- rated from B- to BBB+	1 187 782	1 253 141
- not rated	98 168	2 222
Total nostro accounts with foreign banks included in cash equivalents	**31 335 051**	**36 849 503**
Loss allowance	(69)	(5 782)
	31 334 982	**36 843 721**
Term deposits with foreign banks		
- rated from AA- to AA+	8 081 829	16 739 443
- rated from A- to A+	13 348 197	15 069 521
- rated from B- to BBB+	3 058	2 159
- not rated	2 588 552	255 424
Total term deposits with foreign banks	**24 021 636**	**32 066 547**
Loss allowance	(8 516)	(257 336)
	24 013 120	**31 809 211**
Account with the International Monetary Fund (IMF)	10 357 826	10 261 522
Accounts with the Bank for International Settlements (BIS)		
- Nostro accounts with BIS	8 218 244	3 442 789
- Term deposit with BIS	1 040 728	3 395 668
Total accounts in the BIS and the IMF	**19 616 798**	**17 099 979**
Loss allowance	-	(2)
	19 616 798	**17 099 977**
Cash on hand in foreign currencies	3 540 197	1 522 335
	78 505 097	**87 275 244**

Concentration of due from banks and other financial institutions

As at 31 December 2020, the National Bank has balances with four banks and other financial institutions rated from AAA to A- (2019: eight banks and other financial institutions rated from AAA to A-), whose amounts exceed 10% of equity. The gross value of these balances as at 31 December 2020 is KGS 47 442 567 thousand (2019: KGS 72 277 926 thousand).

Movement in the allowance for expected credit losses is disclosed in Note 28.

Cash and cash equivalents

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

	31 December 2020	31 December 2019
Nostro accounts with foreign banks	31 335 051	36 849 503
Account with the IMF	10 357 826	10 261 522
Nostro accounts with BIS	8 218 244	3 442 789
Cash on hand in foreign currencies	3 540 197	1 522 335
Cash and cash equivalents in the consolidated statement of cash flows	**53 451 318**	**52 076 149**

None of cash and cash equivalents are past due.

8 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS

	31 December 2020	31 December 2019
Loans issued to resident commercial banks	3 978 933	3 223 773
Loans issued to international organisations	2 750 682	2 550 682
Loans issued to commercial banks owned by the Government of the Kyrgyz Republic	2 268 675	1 394 037
	8 998 290	**7 168 492**
Loss allowance	(374 933)	(128 567)
Loans issued net of loss allowance	**8 623 357**	**7 039 925**

Movement in the loss allowance for expected credit losses is disclosed in Note 28.

Interest received during the year on loans issued to commercial banks owned by the Government of the Kyrgyz Republic was KGS 89 632 thousand. These balances are receivable within 12 months.

Analysis of collateral

The following table provides information on collateral securing loans issued to resident commercial banks and international organisations by types of collateral as at 31 December 2020 and 2019, excluding the effect of overcollateralisation.

	31 December 2020	% of loan portfolio	31 December 2019	% of loan portfolio
Deposits in foreign currencies	3 659 356	42	2 740 578	39
Loans to customers	2 832 648	33	2 584 305	37
State securities	2 131 353	25	1 715 042	24
	8 623 357	**100**	**7 039 925**	**100**

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

Concentration of loans extended

As at 31 December 2020 and 2019 the National Bank does not have loans issued to commercial banks whose balances exceed 10% of its own equity.

9 LOANS TO CUSTOMERS

Loans to customers provided by OJSC Keremet Bank as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Loans to legal entities		
Corporate loans	2 989 415	2 221 210
Small and medium enterprises (SME)	1 281 871	1 128 800
Total loans to legal entities	**4 271 286**	**3 350 010**
Loans to individuals		
Mortgage loans	2 008 877	1 232 800
Consumer loans	158 139	111 613
Total loans to individuals	**2 167 016**	**1 344 413**
Net investment in finance lease	**509 588**	**436 759**
Gross loans to customers	**6 947 890**	**5 131 182**
Loss allowance for expected credit losses	(1 188 949)	(439 468)
	5 758 941	**4 691 714**

9 LOANS TO CUSTOMERS, CONTINUED

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

In 2019, OJSC Keremet Bank introduced a new loan product Social Mortgage aimed at supporting public sector employees in acquiring their own housing at affordable interest rates. The product provides financing to public sector employees who meet the criteria established by OJSC Keremet Bank. The priority in financing is given to employees engaged in the public sector – education, science, healthcare, social protection, culture, art, information and communication, physical education and sports, budgetary institutions (state bodies, local self-government bodies and institutions funded from the republican or local budget).

Social mortgage is provided for the purchase of residential real estate to individuals – social workers aged 21 years and up to 65 years (at the time of full repayment of the loan) for up to 15 years at 7.5–9.5% per annum in the amount of KGS 350 thousand to KGS 3,000 thousand. Management believe that this loan product has a distinct nature and represents a separate segment of the mortgage lending market. As a result, loans issued under the terms of the Social Mortgage loan product were issued as part of a normal transaction and, as such, the consideration given is considered to represent fair value as at the date of recognition.

In addition, a subsidiary of OJSC Keremet Bank sells certain non-current assets held for sale to customers by instalments. Under the terms of the contract, the risks and rewards associated with ownership of the assets are transferred to the buyer at the time of conclusion of the contract of sale by instalments. Accordingly, the Group must derecognise these non-current assets held for sale and recognise the financial asset as the Group becomes a party to the contract, under which it obtains the right to future cash flows. Upon initial recognition, the Group recognises a financial asset at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The components of net investments in finance lease as at 31 December 2020 are as follows:

	31 December 2020	31 December 2019
Finance lease receivables:		
Less than 1 year	220 268	128 661
From 1 to 5 years	393 404	441 721
More than 5 years	4 329	46
Minimum lease payments	**618 001**	**570 428**
Less: unearned finance income	(108 413)	(133 669)
	509 588	**436 759**
Net investments in finance lease analysed as:		
Short-term	155 945	98 512
Long-term	353 643	338 247

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

	31 December 2020	31 December 2019
Loans secured by real estate and related rights	5 626 423	4 110 359
Loans secured by other collateral	37 108	436 623
Loans secured by vehicles	25 917	36 436
Loans secured by deposits and cash	10 332	31 504
Unsecured loans	59 161	76 792
Total loans to customers	**5 758 941**	**4 691 714**

9 LOANS TO CUSTOMERS, CONTINUED

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

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

	31 December 2020	31 December 2019
Analysis by economy sector:		
Trade	2 472 118	2 142 955
Mortgage	2 528 324	1 678 283
Construction	445 460	339 627
Industry and production	373 404	333 290
Consumer sector	137 364	108 302
Transport	62 494	26 835
Agriculture	59 874	23 076
Harvesting and processing	2 547	2 187
Communication	2 777	87
Social services	1 142	1041
Other	862 386	475 499
	6 947 890	**5 131 182**
Loss allowance for expected credit losses	(1 188 949)	(439 468)
	5 758 941	**4 691 714**

	31 December 2020		
	Gross loans	Loss allowance for expected credit losses	Loans net of loss allowance for expected credit losses
Not overdue	**5 427 496**	**(467 295)**	**4 960 201**
Overdue:			
- up to 30 days	45 092	(5 108)	39 984
- from 31 to 60 days	4 500	7 719	12 219
- from 61 to 90 days	11 559	(4 671)	6 888
- from 91 to 180 days	209 961	(110 989)	98 972
- from 181 to 360 days	1 249 282	(608 605)	640 677
Total overdue	**1 520 394**	**(721 654)**	**798 740**
Total loans to customers	**6 947 890**	**(1 188 949)**	**5 758 941**

	31 December 2019		
	Gross loans	Loss allowance for expected credit losses	Loans net of loss allowance for expected credit losses
Not overdue	**3 513 386**	**(43 210)**	**3 470 176**
Overdue:			
- up to 30 days	12 692	(963)	11 729
- from 31 to 60 days	83 079	(15)	83 064
- from 61 to 90 days	4 581	(32)	4 549
- from 91 to 180 days	17 169	(4 029)	13 140
- from 181 to 360 days	1 500 275	(391 219)	1 109 056
Total overdue	**1 617 796**	**(396 258)**	**1 221 538**
Total loans to customers	**5 131 182**	**(439 468)**	**4 691 714**

10 INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020	31 December 2019
Debt instruments		
Government securities		
Government of Canada Treasury bills	5 916 233	3 150 377
Government of Great Britain Treasury bills	999 866	1 273 293
Government of the Kyrgyz Republic Treasury bills	916 690	993 846
Government of the Republic of Korea Treasury bills	-	598 533
Government of the United States of America Treasury bills	-	351 225
Total government securities	**7 832 789**	**6 367 274**
Debt securities of international financial institutions	41 145 896	21 366 444
Agency securities with credit rating AAA	24 876 847	6 243 284
Total debt instruments	**73 855 532**	**33 977 002**

As at 31 December 2020 and 2019 investments measured at fair through other comprehensive income are not past due.

11 INVESTMENTS AT AMORTISED COST

	31 December 2020	31 December 2019
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	3 021 258	127 014
Loss allowance	(54 046)	(1 962)
	2 967 212	**125 052**

Movement in the allowance for impairment losses is disclosed in Note 28.

12 INVESTMENTS IN ASSOCIATES

The movement of investments in associates is as follows:

	Carrying amount
31 December 2018	**185 136**
Acquisition of shares of associates	560 061
Share of profits of associates	140 100
31 December 2019	**885 297**
Reclassification of investments in associates into investments in subsidiaries	(564 999)
Acquisition of shares of subsidiary	158 000
Share of profits of associates	23 562
31 December 2020	**501 860**

12 INVESTMENTS IN ASSOCIATES, CONTINUED

Investments in subsidiaries and associates	Type of activity	Share of ownership, %	31 December 2020	Share of ownership, %	31 December 2019
OJSC Keremet Bank	Bank services	97.45	-*	95.07	-*
OJSC Guarantee Fund	Warranty Services	85.91	-*	48.59**	564 999
CJSC Kyrgyz Cash Collection	Transportation of valuables	100.00	220 000	100.00	62 000
CJSC Interbank Processing Center	Processing services	49.42***	281 860	49.42	258 298
			501 860		**885 297**

* Investments in subsidiaries OJSC Keremet Bank and OJSC Guarantee Fund were eliminated on consolidation in these consolidated financial statements.

** The investment in associate OJSC Guarantee Fund was reclassified as investment in subsidiary due to increase in share of ownership and is consolidated in these financial statements in 2020. The impact of consolidation is not significant.

*** Ownership interest represents the indirect shareholding of the National Bank, taking into account the ownership interest in the subsidiary OJSC Keremet Bank.

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

On 25 March 2020 and 30 December 2020, as part of the rehabilitation of activities and achievement of strategic objectives of OJSC Keremet Bank, the National Bank increased its share in its charter capital by KGS 4 200 000 thousand. The National Bank’s share in the charter capital of OJSC Keremet Bank is 97.45% and the net assets of OJSC Keremet Bank as at 31 December 2020 are KGS 6 503 246 thousand.

On 4 June 2020 and 16 December 2020, to support subjects of entrepreneurial activity, the National Bank purchased shares of the fifth and sixth issues of OJSC Guarantee Fund in the amount of KGS 3 000 000 thousand thus having increased its share to 85.91%.

On 22 July 2020 to support activity of CJSC Kyrgyz Cash Collection, the National Bank decided to increase the charter capital of CJSC Kyrgyz Cash Collection through issue of shares for the amount of KGS 158 000 thousand.

CONTENT

13 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/ equipment not yet installed	Total
Cost						
Balance at 1 January 2020	**870 111**	**519 251**	**822 842**	**71 661**	**362 573**	**2 646 438**
Additions	2 213	18 811	66 919	11 506	116 176	215 625
Disposals	(1 519)	(39 093)	(96 186)	(3 133)	(218)	(140 149)
Movements	179 210	3 727	10	736	(28 003)	155 680
Revaluation	27 522	-	-	-	-	27 522
Reclassification	-	-	-	417	-	417
Balance at 31 December 2020	**1 077 537**	**502 696**	**793 585**	**81 187**	**450 528**	**2 905 533**
Depreciation						
Balance at 1 January 2020	**(113 295)**	**(42 923)**	**(358 980)**	**(27 998)**	**-**	**(543 196)**
Depreciation for the year	(25 156)	(95 003)	(132 680)	(13 859)	-	(266 698)
Disposals	1 239	37 649	95 586	3 133	-	137 607
Movements	8	(8)	-	-	-	-
Revaluation	10 304	-	-	-	-	10 304
Balance at 31 December 2020	**(126 900)**	**(100 285)**	**(396 074)**	**(38 724)**		**(661 983)**
Carrying amount						
At 31 December 2020	**950 637**	**402 411**	**397 511**	**42 463**	**450 528**	**2 243 550**

As at December 31 2020 and 2019, fully depreciated assets with a cost of KGS 216 008 thousand and KGS 30 037 thousand were recorded within property, plant and equipment, respectively.

13 PROPERTY, PLANT AND EQUIPMENT, CONTINUED

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/ equipment not yet installed	Total
Cost						
Balance at 1 January 2019	**1 431 348**	**391 448**	**1 016 915**	**89 911**	**356 090**	**3 285 712**
Additions	12 839	23 891	7 596	8 638	310 026	362 990
Disposals	(33 059)	(180 098)	(81 153)	(13 773)	-	(308 083)
Movements	12 121	284 010	3 797	-	(299 928)	-
Transfer	(553 138)	-	(124 313)	(13 115)	(3 615)	(694 181)
Balance at 31 December 2019	**870 111**	**519 251**	**822 842**	**71 661**	**362 573**	**2 646 438**
Depreciation						
Balance at 1 January 2019	**(129 206)**	**(166 629)**	**(350 938)**	**(38 434)**	**-**	**(685 207)**
Depreciation for the year	(36 458)	(53 016)	(134 506)	(13 921)	-	(237 901)
Disposals	28 019	176 722	80 429	13 773	-	298 943
Transfer	24 350	-	46 035	10 584	-	80 969
Balance at 31 December 2019	**(113 295)**	**(42 923)**	**(358 980)**	**(27 998)**	**-**	**(543 196)**
Carrying amount						
At 31 December 2019	**756 816**	**476 328**	**463 862**	**43 663**	**362 573**	**2 103 242**

During 2019, property, plant and equipment with cost of KGS 127 928 thousand and accumulated depreciation of KGS 46 035 thousand were transferred to intangible assets and property, plant and equipment with cost of KGS 566 253 thousand and accumulated depreciation of KGS 34 934 thousand were reclassified to non-current assets held for sale.

14 RIGHT-OF-USE ASSETS

	Buildings and other property	Equipment	Total
Cost			
Balance at 1 January 2020	**263 782**	**69 850**	**333 632**
Additions	13 414	-	13 414
Disposal	(2 172)	-	(2 172)
Balance at 31 December 2020	**275 024**	**69 850**	**344 874**
Accumulated depreciation			
Balance at 1 January 2020	(54 516)	(1 035)	(55 551)
Depreciation for the year	(57 656)	(8 933)	(66 589)
Disposal	2 172	-	2 172
Balance at 31 December 2020	**(110 000)**	**(9 968)**	**(119 968)**
Carrying amount			
At 1 January 2020	**209 266**	**68 815**	**278 081**
At 31 December 2020	**165 024**	**59 882**	**224 906**

In the course of operating activities, OJSC Keremet Bank leases several assets including buildings and ATM machines. The average lease term for buildings is 4 years, for ATM machines – 5 years.

Title to the ATM machines is transferred to OJSC Keremet Bank at the end of the lease term. The lease obligations of OJSC Keremet Bank are secured by the lessors' title to the leased assets for such leases.

Part of the lease of buildings has expired in the current financial year. The completed contracts were replaced by new leases with identical underlying assets. As a result, in 2020 assets worth 13 414 thousand som were added to assets in the form of the right of use.

Lease liabilities:

	31 December 2020	1 January 2020
Maturity analysis:		
Year 1	93 178	60 732
Year 2	89 295	74 558
Year 3	83 925	71 225
Year 4	102 537	69 070
Year 5	-	86 403
Total minimum lease payments	**368 935**	**361 988**
Less: unearned interest income	(49 484)	(62 653)
	319 451	**299 335**
By type:		
Current	71 159	38 619
Non-current	248 292	260 716

The total cash outflow for the lease included in the consolidated statement of cash flows is 70 919 thousand som, including 13 752 thousand som for operating activities and 57 167 thousand som for financing activities.

15 NON-CURRENT ASSETS HELD FOR SALE

	31 December 2020	31 December 2019
Non-residential premises	199 536	551 023
Houses	157 554	198 502
Apartments	28 829	49 462
Land	165	29 456
Other	39 089	4 338
	425 173	**832 781**

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

As at the date of collection, collateral is measured at the lower of the carrying amount of the outstanding loan commitment and fair value of the collateral sold. The fair value of non-current assets is determined using level 2 of the fair value hierarchy.

16 NON-MONETARY GOLD AND GOLD RESERVES

	31 December 2020	31 December 2019
Non-monetary gold	884 416	3 556 484
Gold reserves	12 627 099	3 172 449
	13 511 515	**6 728 933**

During 2020, the National Bank conducted operations to purchase gold that is not part of international reserves with the aim of forming reserves of the National Bank in the framework of the development prospects of the domestic precious metals market. Non-monetary gold and gold reserves do not participate in the National Bank's active investment operations and are not part of the National Bank's investment assets in gold. As at 31 December 2020 the fair value of gold reserves is KGS 13 248 236 thousand (in 2019: KGS 3 254 424 thousand).

17 OTHER ASSETS

	31 December 2020	31 December 2019
Accounts receivable	623 286	525 216
Loss allowance	(207 484)	(184 765)
Total other financial assets	**415 802**	**340 451**
Inventories	739 437	500 823
Advances paid	2 062 363	105 848
Numismatic items	53 393	97 296
Other	19 666	31 829
Total other non-financial assets	**2 874 859**	**735 796**
	3 290 661	**1 076 247**

Movements in loss allowance for expected credit losses are disclosed in Note 28.

Advances paid comprise prepayment of a part of the current year profit to the budget of the Government of the Kyrgyz Republic in the amount of KZS 2 000 000 thousand. Management expect that this will be recognised as a distribution in 2021, in accordance with the accounting policy disclosed in Note 2 (a).

18 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2020 and 2019, banknotes and coins in circulation comprise:

	31 December 2020	31 December 2019
Banknotes and coins in circulation	137 143 304	107 987 726
Less banknotes and coins on hand and in cash desk	(2 826 617)	(1 929 675)
	134 316 687	**106 058 051**

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

19 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Current accounts of commercial banks	16 685 740	13 792 020
Current accounts of other financial institutions	4 030 808	3 218 740
Loans under repurchase agreements	-	102 376
Current accounts of commercial banks owned by the Government of the Kyrgyz Republic	4 884 206	4 773 093
	25 600 754	**21 886 229**

As at 31 December 2020, commercial banks have no balances with the National Bank that exceed 10 percent of equity (in 2019: two commercial banks with gross amount of these balances of KGS 6 391 035 thousand).

Interest paid during the year on amounts due to commercial banks owned by the Government of the Kyrgyz Republic was KGS 66 567 thousand. These balances are payable within 12 months.

20 DUE TO THE GOVERNMENT OF THE KYRGYZ REPUBLIC

Due to the Government of the Kyrgyz Republic comprise accounts of the Ministry of Finance of the Kyrgyz Republic:

	31 December 2020	31 December 2019
In foreign currency	10 187 013	12 067 219
In national currency	6 561 512	4 965 935
	16 748 525	**17 033 154**

CONTENT

21 CUSTOMER ACCOUNTS

Customer accounts of OJSC Keremet Bank as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Legal entities		
Current/Settlement accounts	599 589	378 020
Term deposits	610 929	172 821
Total accounts of legal entities	**1 210 518**	**550 841**
Individuals		
Current/Settlement accounts	606 571	624 702
Term deposits	2 711 590	2 445 501
Total accounts of individuals	**3 318 161**	**3 070 203**
	4 528 679	**3 621 044**

As at 31 December 2020 and 2019, deposits from customers totalling KGS 40 697 thousand and KGS 87 997 thousand, respectively, were held as security under loans and credit lines related to contingent obligations issued by OJSC Keremet Bank.

As at 31 December 2020 and 2019 deposits from customers totalling KGS 5 912 thousand and KGS 16 514 thousand, respectively, were held as security against guarantees issued by OJSC Keremet Bank.

As at 31 December 2020 and 2019, deposits from customers totalling KGS 1 056 311 thousand and KGS 487 473 thousand, respectively, were due to ten customers, which represents a significant concentration for the subsidiary bank.

In addition to the amounts disclosed in note 35, deposits of state-owned entities amounting KGS 364,178 thousand are included in customer accounts (31 December 2019: KGS 120,009 thousand).

Interest paid during the year on deposits of state-owned entities was KGS 29 485 thousand. These balances are payable within 12 months.

As at 31 December 2020 and 2019, accrued interest on customer accounts amounted to KGS 49 497 thousand and KGS 42 552 thousand, respectively.

	31 December 2020	31 December 2019
Analysis by sectors of economy/customer types:		
Individuals	3 320 642	3 070 203
Financial organisations	83 412	212
Mining and metallurgy	480 804	44 189
Construction	194 534	151 481
Energy	102 373	30 999
Trade	45 583	30 855
Transportation and communication	43 034	63 608
Healthcare	32 255	1 387
Education	29 131	10 274
Charity and labour unions	12 238	5 595
State entities	11 017	51 563
Consulting services	6 676	1 051
Real estate	4 361	7 104
Agriculture	3 521	1 518
Other	159 098	151 005
	4 528 679	**3 621 044**

22 DEBT SECURITIES ISSUED

As of 31 December 2020 and 2019, debt securities issued include securities with the following maturities and carrying amounts:

	31 December 2020	31 December 2019
Notes of the National Bank with a term of 7 days	999 332	3 896 726
Notes of the National Bank with a term of 14 days	2 827 474	
Notes of the National Bank with a term of 28 days	5 614 944	3 599 202
Notes of the National Bank with a term of 91 days	2 051 341	552 573
	11 493 091	**8 048 501**

The National Bank is entitled to issue notes and conduct all kinds of operations with them in accordance with accepted international practice in order to conduct its monetary policy. The notes of the National Bank are placed through the Automated Trading System of the National Bank, members of which are commercial banks in the Kyrgyz Republic. The amount of debt securities issued to commercial banks owned by the Government of the Kyrgyz republic as at 31 December 2020 is KGS 1 887 309 thousand (in 2019 KGS 399 674 thousand).

23 LOANS RECEIVED

During 2020, the National Bank has not received new loans.

As at 31 December 2020 and 2019, terms and conditions of loans received by subsidiary OJSC Guarantee Fund are as follows:

Issuer	Currency	Interest rate	Maturity date	31 December 2020
Russian-Kyrgyz Development Fund	KGS	6%	10 March 2023	66 908
Russian-Kyrgyz Development Fund	KGS	6%	10 October 2023	75 271
Russian-Kyrgyz Development Fund	KGS	6%	10 July 2024	80 289
Russian-Kyrgyz Development Fund	KGS	6%	4 February2025	100 362
				322 830

24 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	31 December 2020	**31 December 2019**
Liabilities to the IMF in respect of SDR allocations	9 994 865	8 146 676

Special Drawing Rights (SDR) allocation is a distribution of SDR amounts to IMF members by decision of the IMF. A general SDR allocation became effective 28 August 2009. The allocation is a cooperative monetary response to the global financial crisis by the provision of significant unconditional financial resources to liquidity constrained countries, which have to smooth the need for adjustment and add to the scope for expansionary policies, designed to provide liquidity to the global economic system by supplementing the IMF member countries' foreign exchange reserves. The general SDR allocations were made to IMF members in proportion to their existing IMF quotas (Note 34). Separately, on 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force to boost global liquidity. According to the amendment, a special allocation was made to IMF members, which includes the Kyrgyz Republic, on 9 September 2009. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Kyrgyz Republic received the right to use SDR allocations in the amount of SDR 84 737 thousand. In 2020 and 2019, this right has not yet been utilised. The interest rate is determined weekly by the IMF, and is the same for all recipients of SDR allocations in the world.

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

24 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS, CONTINUED

	1 January 2020	Cash flow from financing activities (i)	Non-cash changes: Foreign currency exchange rate adjustment	Non-cash changes: Other changes (ii)	31 December 2020
Liabilities to the IMF in respect of SDR allocations	8 146 676	-	1 857 713	(9 524)	9 994 865
	8 146 676	**-**	**1 857 713**	**(9 524)**	**9 994 865**

	1 January 2019	Cash flow from financing activities (i)	Non-cash changes: Foreign currency exchange rate adjustment	Non-cash changes: Other changes (ii)	31 December 2019
Liabilities to the IMF in respect of SDR allocations	8 222 162	-	(71 340)	(4 146)	8 146 676
	8 222 162	**-**	**(71 340)**	**(4 146)**	**8 146 676**

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

(ii) Other changes include accruals and interest payments.

25 OTHER LIABILITIES

	31 December 2020	31 December 2019
Accounts payable	130 619	133 349
Total other financial liabilities	**130 619**	**133 349**
Provision for contingent liabilities	42 824	2 880
Other	72 958	155 232
Total other non-financial liabilities	**115 782**	**158 112**
	246 401	**291 461**

26 CHARTER CAPITAL

Paid-in capital

In accordance with the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" charter capital of the National Bank amounts to KGS 2 000 000 thousand.

Distribution to the state budget and obligatory reserve

In accordance with the Law "On amendment of the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" the National Bank's profit shall be distributable as follows:

– if the amount of the National Bank's charter capital and obligatory reserve is less than 10% of the monetary liabilities of the National Bank, then 90% of profit shall be distributed to the state budget of the Kyrgyz Republic. The remaining profit, after distributions to the state budget, shall be transferred to the National Bank's obligatory reserve;

26 CHARTER CAPITAL, CONTINUED

– if the amount of the National Bank's charter capital and obligatory reserve equals or exceeds 10% of the monetary liabilities of the National Bank, then 100% of profit shall be transferred to the state budget of the Kyrgyz Republic.

In accordance with the Clause 23 of the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity", profit shall be distributed upon the financial year end, once the independent external audit is completed and the annual report is approved by the Management Board of the National Bank.

On 24 July 2020, the net profit of the National Bank for 2019 was approved in the amount of KGS 2 565 273 thousand and distributed to the state budget of the Kyrgyz Republic in full (in 2019: net profit for 2018 was approved in the amount of KGS 2 103 936 thousand, of which KGS 1 893 543 thousand were transferred to the state budget of the Kyrgyz Republic).

The amounts of distribution to the state budget and obligatory reserve are excluded from the cash flow statement due to the fact that these amounts were recorded as an increase in funds due to the Government of the Kyrgyz Republic.

Capital management

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

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

No external capital requirements exist for the National Bank, except for the size of the charter capital stipulated by the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity", which is KGS 2 000 000 thousand.

CONTENT

27 NET INTEREST INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income		
Loans to customers	449 388	586 984
Loans to banks and international organisations	360 069	353 980
Term deposits in foreign banks and international financial institutions	562 124	944 230
Investments at fair value through other comprehensive income	564 400	864 902
Nostro accounts with foreign banks and international financial institutions	130 159	547 392
Investments at amortised cost	27 737	11 533
Other	65	4 430
	2 093 942	**3 313 451**
Interest expense		
Debt securities issued	(516 186)	(329 673)
Customer accounts	(357 674)	(243 569)
Due to banks and other financial institutions	(101 278)	(54 888)
Unwinding of discount on other assets	(95 628)	(58 398)
Lease liabilities	(24 877)	(22 388)
Liabilities to the IMF in respect of SDR allocations	(17 391)	(81 269)
Loans received	(12 172)	-
Other	(22 351)	(8 346)
	(1 147 557)	**(798 531)**
	946 385	**2 514 920**

During 2020 the total interest income calculated using the effective interest rate method for financial assets at amortised cost is KGS 1 399 383 thousand (in 2019: KGS 1 901 157 thousand) and for financial assets at FVOCI is KGS 694 559 thousand (in 2019: KGS 1 412 294 thousand). During the year 2020 the total interest expense calculated using the effective interest rate method for financial liabilities at amortised cost is KGS 1 147 557 thousand (in 2019: KGS 798 531 thousand).

28 LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

	Cash on hand, due from banks and other financial institutions (Notes 7)				Loans to banks and international organisations (Note 8)			Loans to customers (Note 9)				Investments at fair value through other comprehensive income		Invest-ments at amortised cost (Note 11)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Stage 2	Stage 1	Total
Loss allowance for expected credit losses as at 1 January 2020	**5 173**	**2 498**	**255 424**	**25**	**-**	**1 528**	**127 039**	**41 948**	**3 901**	**1 592**	**392 027**	**4 466**	**-**	**1 962**	**837 583**
Changes in the amount															
- Transfer to Stage 1	2 260	(2 260)	-	-	-			454	-	(454)	-	-	-	-	
- Transfer to Stage 2	-	-	-	-		-	-	(11 754)	11 754	-	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-	-	-	(14 159)	(10 493)	24 652	-	-	-	-	
Net changes/recovery, resulting from changes in credit risk parameters	-	(704)	-	-	-	(1 528)	-	-	-	618 867	-	-	-	-	616 635
Write-off of assets through provisions	-	-	(303 297)	(25)	-	-	94	(65)	-	-	-	-	-	-	(303 293)
New financial assets ooriginated or purchased	272 967	-	-	-	213 297	13 518	-	51 110	-	-	-	6 358	-	53 115	610 365
Repayments	(271 869)	-	-	-	-	-	(2 614)	(2 621)	(683)	(7 929)	-	(10)	-	(1 031)	(286 757)
Other changes	-	520	47 873		-	-	23 599	(23 260)	5 047	109 771	(756)	-	-	-	162 794
Loss allowance for expected credit losses as at 31 December 2020	**8 531**	**54**	**-**	**-**	**213 297**	**13 518**	**148 118**	**41 653**	**9 526**	**746 499**	**391 271**	**10 814**	**-**	**54 046**	**1 637 327**

28 LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES AND OTHER PROVISIONS, CONTINUED

	Cash on hand, due from banks and other financial institutions (Notes 7)				Loans to banks and international organisations (Note 8)			Loans to customers (Note 9)				Investments at fair value through other comprehensive income		Invest-ments at amortised cost (Note 11)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Stage 2	Stage 1	Total
Loss allowance for expected credit losses as at 1 January 2019	**6 073**	**2 170**	**269 932**	**25**	**548**	**-**	**127 415**	**1 088**	**-**	**-**	**-**	**1 217**	**222**	**3 061**	**411 751**
Changes in the amount															
- Transfer to Stage 1	50	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Transfer to Stage 2	(177)	177	-	-	(1 528)	1 528	-	(5 809)	5 809	-	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-	-	-	-	(5 475)	5 475	-	-	-	-	-
Net changes, resulting from changes in credit risk parameters	-	226	-	-	980	-	-	-	-	-	-	-	-	-	1 206
New financial assets originated or purchased	1 920	-	-	-	-	-	-	46 353	-	-	392 027	3 277	-	-	443 577
Repayments	(2 693)	-	(13 729)	-	-	-	(99)	-	-	-	-	(28)	(222)	(1 099)	(17 870)
Other changes	-	(25)	(779)	-	-	-	(277)	-	-	-	-	-	-	-	(1 081)
Loss allowance for expected credit losses as at 31 December 2019	**5 173**	**2 498**	**255 424**	**25**	**-**	**1 528**	**127 039**	**41 632**	**334**	**5 475**	**392 027**	**4 466**	**-**	**1 962**	**837 583**

CONTENT

28 LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES AND OTHER PROVISIONS, CONTINUED

	Other assets (Note 17)			Contingent liabilities (Note 25, 31)	
	Stage 1	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Total
Loss allowance for expected credit losses as at 1 January 2020	**891**	**40 658**	**143 216**	**2 880**	**187 645**
Changes in the amount					
- Transfer to Stage 3	-	-	-	-	
Net changes, resulting from changes in credit risk parameters	-	(384)	-	343	(41)
Write-off of assets through provisions	-	-	(23 023)	(759)	(23 782)
New financial assets originated or purchased / acquired	6 772	7 332	20 779	40 089	74 972
Repayments	(34)	(1 838)	-	-	(1 872)
Other changes	-	(2)	13 117	271	13 386
Loss allowance for expected credit losses as at 31 December 2020	**7 629**	**45 766**	**154 089**	**42 824**	**250 308**

	Other assets (Note 17)			Contingent liabilities (Note 25, 31)	
	Stage 1	Stage 3	Purchased or originated credit-impaired financial assets	Stage 1	Total
Loss allowance for expected credit losses as at 1 January 2019	**675**	**18 834**	**131 971**	**301 618**	**453 098**
Changes in the amount					
- Transfer to Stage 3	(21 788)	21 788	-	-	-
Net changes, resulting from changes in credit risk parameters	-	-	-	(298 740)	(298 740)
New financial assets originated or purchased	22 080	-	9 183	-	31 263
Write-off of assets through provisions	(76)	-	(423)	-	(499)
Other changes	-	36	2 485	2	2 523
Loss allowance for expected credit losses as at 31 December 2019	**891**	**40 658**	**143 216**	**2 880**	**187 645**

For the year ended 31 December 2019, the provision for other assets and contingent liabilities within the consolidated statement of profit or loss also includes loss resulting from business combination, which is equal to the difference between the loan debt and fair value of the net assets of OJSC Keremet Bank in the amount of KGS 179 395 thousand. Thus, the total amount of expenses on provisioning for other assets and contingent liabilities included in the consolidated statement of profit or loss for the year ended 31 December 2019 was KGS 199 786 thousand.

29 NET REALISED GAIN ON FOREIGN CURRENCIES AND GOLD OPERATIONS

	Year ended 31 December 2020	Year ended 31 December 2019
Realised gain from operations with foreign currencies and gold	8 870 337	1 420 954
Income from spot transactions	597 405	46 034
	9 467 742	**1 466 988**

30 ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Personnel expenses		
Employee compensation	778 260	649 513
Payments to the Social fund	132 514	111 337
	910 774	**760 850**
Depreciation and amortisation	385 398	392 694
Repair and maintenance	193 298	198 244
Security	77 728	64 311
Communications and information services	32 076	30 530
Professional services	31 383	27 228
Publication and subscription	23 856	23 426
Rent expenses	13 752	14 093
Expenses for social events	8 785	9 942
Office supplies and stationery	8 380	6 595
Business trip expenses	4 036	12 373
Staff training	2 663	10 211
Other	22 847	26 266
	1 714 976	**1 576 763**

31 CONTINGENCIES

(a) Tax legislation

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

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

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

31 CONTINGENCIES, CONTINUED

(b) Legal cases

From time to time and in the normal course of business, claims against the Group may be received from third parties. As at 31 December 2020 management believed that as a result of the proceedings the subsidiary of OJSC Keremet Bank would not incur significant losses as a result of the proceedings and accordingly did not recognise an estimated liability.

(c) Credit commitments, guarantees and other financial contracts

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

As at 31 December 2020 and 2019, the nominal or contract amounts were:

	31 December 2020	31 December 2019
Loan and credit line commitments	125 106	274 125
Guarantees	1 213 527	75 684
Reserve on financial guarantees	(42 824)	(2 880)
Total credit commitments	**1 295 809**	**346 929**

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

	12 months expected credit losses
Loss allowance for expected credit losses as at 31 December 2019	**2 880**
Net recalculation of the allowance	39 944
Loss allowance for expected credit losses as at 31 December 2020	**42 824**

(d) Capital commitments

As at 31 December 2020 and 2019, the National Bank and its subsidiaries had no liabilities on capital expenditures.

(e) 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.

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

OJSC Keremet Bank is a member of the deposit protection system of the Kyrgyz Republic, which is implemented by the Deposit Protection Agency and is regulated by the law of the Kyrgyz Republic "On the Protection of Bank Deposits". Upon the occurrence of a guarantee event in accordance with the law, each individual depositor is paid compensation of no more than KGS 200 thousand in the aggregate, including interest on deposits.

32 INCOME TAX

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

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

Deferred tax reflects 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 2020 and 2019 relate mostly to different methods/timeframes for income and expense recognition as well as to temporary differences related to difference in book and tax values of certain assets.

	31 December 2020	31 December 2019
Current income tax expense	(2 951)	(33 155)
Movement in deferred tax assets/liabilities due to origination and reversal of temporary differences	(6 057)	(26 645)
Total income tax expense	**(9 008)**	**(59 800)**

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

	31 December 2020	31 December 2019
Profit before income tax	7 517 988	2 051 522
Tax at the statutory tax rate (10%)	(751 799)	(205 152)
Non-taxable income from operations of the National Bank	857 189	256 527
Change in unrecognised deferred tax asset of OJSC Keremet Bank	(105 161)	(55 093)
Current income tax expenses of OJSC Keremet Bank	-	(33 155)
Other permanent differences OJSC Keremet Bank	(6 286)	(22 927)
Current income tax expenses of OJSC Guarantee Fund	(2 951)	-
Total income tax expense	**(9 008)**	**(59 800)**

The Group did not recognise the deferred tax asset related to tax losses of OJSC Keremet Bank carried forward due to the uncertainty and low probability that these losses will be carried forward.

Deferred tax liabilities as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Non-current assets held for sale	(5 556)	18 585
Property, plant and equipment	(19 905)	(15 522)
Loans to customers	6 839	(14 634)
Other financial liabilities	5 257	3 534
Due from banks and other financial institutions	676	-
Financial guarantees	(2 822)	-
Other assets and liabilities	315	-
Total net deferred tax liabilities	**(15 196)**	**(8 037)**

Deferred income tax liability / (claim)	**2020**	**2019**
At the beginning of the year	(8 037)	18 608
Deferred tax expense/(benefit) related to the origination and reversal of temporary differences recognised in the statement of profit or loss	(6 057)	(26 645)
Acquisition of OJSC Guarantee Fund	(1 102)	-
At the end of the year	**(15 196)**	**(8 037)**

33 RISK MANAGEMENT

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

(a) Risk management policies and procedures

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

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

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

In accordance with Investment Strategy on International Reserve Management of the National Bank (the "Investment Strategy") approved by the Board on 18 December 2019, the main goals of risk management are safety and liquidity of the assets and profitability growth of the Group. Operations are conducted within the limitations imposed by this Investment strategy.

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

CONTENT

(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.

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

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

(i) Interest rate risk

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

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2020 and 2019. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(i) Interest rate risk, continued

	Weighted average effective interest rate,% 31 December 2020	Weighted average effective interest rate,% 31 December 2019
Interest-bearing assets		
Gold		
Gold in accounts with foreign banks	-	0.01
Due from banks and other financial institutions		
Nostro accounts		
- USD	0.003	1.44
- EUR	(0.51)	(0.51)
- CAD	0.01	0.45
- GBP	-	0.04
- CNY	1.9	0.35
- NOK	0.01	1.25
- SGD	-	0.05
- KRW	0.10	0.10
- CHF	(1.32)	(0.06)
- SDR	0.08	0.74
- KGS	0.01	-
Term deposits		
- USD	0.24	1.98
- CAD	0.15	1.65
- GBP	0.04	0.83
- AUD	0.06	1.14
- RUB	3.01	5.78
- CNY	2.49	2.54
- NOK	-	1.63
- SGD	0.03	1.44
- KRW	-	1.46
- KGS	2	
Loans to banks and international organisations		
- KGS	4.89	4.57
Loans to customers		
- KGS	10.09	10.69
- USD	7.55	8.36
- RUB	-	-
- EUR	-	14.50
Investments at fair value through other comprehensive income		
- USD	0.3	1.94
- AUD	0.08	0.78
- CAD	0.23	1.72
- GBP	0.02	0.73
- CNY	2.86	
- KRW	-	1.49
- KGS	10.68	10.84
Investments at amortised cost		
- KGS	11.11	6.35
Interest bearing liabilities		

	Weighted average effective interest rate,% 31 December 2020	Weighted average effective interest rate,% 31 December 2019
Due to banks and other financial institutions		
- KGS	7.38	0.02
- USD	1.5	0.01
- RUB	5	-
Customer accounts		
- KGS	6.56	11.08
- USD	3.24	4.93
- RUB	3.27	4.89
- EUR	3.71	5.32
Debt securities issued		
- KGS	4.71	4.06
Loans received		
- KGS	6.00	-
Liabilities to the IMF in respect of SDR allocations	0.08	0.74
Lease liabilities		
- KGS	13.75	-
- USD	7.92	-

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

Interest rate sensitivity analysis

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets measured at fair value through other comprehensive income due to changes in the interest rates based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 10 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2020		31 December 2019	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
10 bp parallel rise	-	(41 191)	-	(13 977)
10 bp parallel fall	-	46 511	-	18 228

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

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

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk

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

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

The Group's exposure to foreign currency exchange rate risk by currencies as at 31 December 2020 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2020
Non-derivative financial assets											
Cash on hand, due from banks and other financial institutions	2 584 163	38 378 974	4 740 019	1 851 605	3 936 244	10 357 826	1 717 619	11 117 990	2 071 222	1 749 435	78 505 097
Loans to banks and international organisations	8 623 357	-	-	-	-	-	-	-	-	-	8 623 357
Loans to customers	4 968 326	790 615	-	-	-	-	-	-	-	-	5 758 941
Investments at fair through other comprehensive income	916 690	64 498 418	-	5 998 966	697 291	-	999 866	744 301	-	-	73 855 531
Investments at amortised cost	2 967 212	-	-	-	-	-	-	-	-	-	2 967 212
Other financial assets	408 543	172	19	-	-	-	-	-	7 068	-	415 802
Total non-derivative financial assets	**20 468 291**	**103 668 179**	**4 740 038**	**7 850 571**	**4 633 535**	**10 357 826**	**2 717 485**	**11 862 291**	**2 078 290**	**1 749 435**	**170 125 941**

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2020
Non-derivative financial liabilities											
Banknotes and coins in circulation	134 316 687	-	-	-	-	-	-	-	-	-	134 316 687
Due to banks and other financial institutions	18 822 469	6 412 741	363 741	-	-	-	-	-	1 803	-	25 600 754
Due to the Government of the Kyrgyz Republic	6 561 513	8 731 714	1 295 742	-	-	-	-	-	150 715	8 841	16 748 525
Customer accounts	3 626 039	826 204	41 637	-	-	-	-	-	34 454	345	4 528 679
Debt securities issued	11 493 091	-	-	-	-	-	-	-	-	-	11 493 091
Loans received	322 830	-	-	-	-	-	-	-	-	-	322 830
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	9 994 865	-	-	-	-	9 994 865
Lease liabilities	11 396	308 055	-	-	-	-	-	-	-	-	319 451
Other financial liabilities	106 865	10 254	2 170	-	-	-	-	-	11 330	-	130 619
Total non-derivative liabilities	**175 260 890**	**16 288 968**	**1 703 289**	**-**	**-**	**9 994 865**	**-**	**-**	**198 302**	**9 187**	**203 455 501**
Net balance sheet position	**(154 792 599)**	**87 379 211**	**3 036 749**	**7 850 571**	**4 633 535**	**362 961**	**2 717 485**	**11 862 292**	**1 879 988**	**1 740 248**	**(33 329 560)**

CONTENT

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

The Group's exposure to foreign currency exchange rate risk by currencies as at 31 December 2019 is presented in the table below:

	KGS	Gold	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2019
Non-derivative financial assets												
Gold in deposits	-	8 765 609	-	-	-	-	-	-	-		-	8 765 609
Cash on hand, due from banks and other financial institutions	-	-	52 469 600	1 797 764	3 358 558	1 541 032	10 261 521	994 596	9 355 966	2 433 421	5 062 786	87 275 244
Loans to banks and international organisations	7 039 925	-	-	-	-	-	-	-	-		-	7 039 925
Loans to customers	3 603 332	-	1 058 687	695	-	-	-	-	-	29 000	-	4 691 714
Investments at fair value through other comprehensive income	993 846	-	25 918 925	-	3 150 377	2 042 029	-	1 273 293	-		598 532	33 977 002
Investments at amortised cost	125 052	-	-	-	-	-	-	-	-		-	125 052
Other financial assets	337 247	-	2 196	-	-	-	-	-	-	1 008	-	340 451
Total non-derivative financial assets	**12 099 402**	**8 765 609**	**79 449 408**	**1 798 459**	**6 508 935**	**3 583 061**	**10 261 521**	**2 267 889**	**9 355 966**	**2 463 429**	**5 661 318**	**142 214 997**

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

	KGS	Gold	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2019
Non-derivative financial liabilities												
Banknotes and coins in circulation	106 058 051	-	-	-	-	-	-	-	-		-	106 058 051
Due to banks and other financial institutions	17 563 097	-	4 312 513	8 581	-	-	-	-	-	2 038	-	21 886 229
Due to the Government of the Kyrgyz Republic	4 965 935	-	10 956 579	971 466	-	-	-	-	-	130 712	8 462	17 033 154
Customer accounts	2 631 705	-	906 193	37 994	-	-	-	-	-	43 942	1 210	3 621 044
Debt securities issued	8 048 501	-	-	-	-	-	-	-	-		-	8 048 501
Loans received	-	-	-	-	-	-	8 146 676	-	-		-	8 146 676
Liabilities to the IMF in respect of SDR allocations	9 561	-	289 774	-	-	-	-	-	-		-	299 335
Other financial liabilities	106 494	-	22 268	718	-	-	-	-	-	3 869	-	133 349
Total non-derivative liabilities	**139 383 344**	**-**	**16 487 327**	**1 018 759**	**-**	**-**	**8 146 676**	**-**	**-**	**180 561**	**9 672**	**165 226 339**
Balance sheet position	**(127 283 942)**	**8 765 609**	**62 962 081**	**779 700**	**6 508 935**	**3 583 061**	**2 114 845**	**2 267 889**	**9 355 966**	**2 282 868**	**5 651 646**	**(23 011 342)**
Financial liabilities at fair value through profit or loss	226 111	-	(265 016)	-	-	-	-	-	-	**24 425**	-	(12 480)
Net balance sheet position	**(127 057 831)**	**8 765 609**	**62 697 065**	**779 700**	**6 508 935**	**3 583 061**	**2 114 845**	**2 267 889**	**9 355 966**	**2 309 293**	**5 651 646**	**(23 023 822)**

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

Depreciation of KGS, as indicated in the table below, against following currencies as at 31 December 2020 and 2019 would have given a rise to the below increase (decrease) of equity and other comprehensive income. The given analysis is based on the change of exchange rates, which according to the Group's opinion are reasonably possible as at the end of the reporting period. The given level of sensitivity is used within the Group for preparation of report on currency risk for the key management of the Group. The analysis implies that all other variables, especially interest rates, are constant.

	31 December 2020		31 December 2019	
	Profit or loss	**Comprehensive income and equity**	**Profit or loss**	**Comprehensive income and equity**
10% appreciation of USD against KGS	-	8 737 921	-	6 269 707
10% appreciation of CNY against KGS	-	1 186 229	-	935 597
10% appreciation of CAD against KGS	-	785 057	-	650 894
10% appreciation of AUD against KGS	-	463 354	-	358 306
10% appreciation of EUR against KGS	-	303 675	-	77 970
10% appreciation of GBP against KGS	-	271 749	-	226 789
10% appreciation of RUB against KGS	-	187 999	-	230 929
10% appreciation of other currencies against KGS	-	174 025	-	565 165

Appreciation of the KGS against the above currencies at 31 December 2020 and 2019 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.

Limitations of sensitivity analysis

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

(iii) Other price risks

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

As at 31 December 2019 the Group was exposed to price risk of gold in deposits with foreign banks. As at 31 December 2020 gold is represented by physical gold held at the vault. Although gold is not considered to be a financial asset under IFRS, the bank is exposed to price changes in physical gold due to the fact that its accounting policy is to measure gold at fair value.

33 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(iii) Other price risks, continued

An increase or decrease in prices in KGS equivalent of gold, as indicated below, at 31 December 2020 and 2019 would have increased or decreased equity and other comprehensive income by the amounts shown below. This analysis is based on gold price movements that the National Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

	31 December 2020		31 December 2019	
	Profit or loss	**Comprehensive income and equity**	**Profit or loss**	**Comprehensive income and equity**
10% appreciation of gold prices in KGS equivalent	-	8 412 976	-	4 883 336
10% depreciation of gold prices in KGS equivalent	-	(8 412 976)	-	(4 883 336)

(c) Credit risk

Credit risk is the risk of financial losses occurring as a result of default by a borrower or counterparty of the Group. The Group has developed policies and procedures for credit risk management, including guidelines to limit portfolio concentration. There is an Investment Committee, which is responsible for the monitoring of credit risk on management of international reserves.

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

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

Category A

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

Category B

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

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

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

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

The National Bank's maximum exposure to credit risk per one counterparty varies significantly and is dependent on both individual risks and general market economy risks. The maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

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

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

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

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

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

	31 December 2020	31 December 2019
FINANCIAL ASSETS		
Gold in deposits	-	8 765 609
Cash on hand, due from banks and other financial institutions*	74 964 900	85 752 909
Loans to banks and international organisations	8 623 357	7 039 925
Loans to customers	5 758 941	4 691 714
Investments at fair value through other comprehensive income	73 855 532	33 977 002
Investments at amortised cost	2 967 212	125 052
Other financial assets	415 802	340 451
Total maximum exposure	**166 585 744**	**140 692 662**

* This amount does not include cash on hand in foreign currencies.

Internal credit risk ratings

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

Internal credit risk grades	Description
	Low or moderate risk
2	Low or moderate risk
3	Low or moderate risk
4	Watch
5	Watch
6	Watch
7	Substandard
8	Substandard
9	Doubtful
10	Impaired

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

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Cash on hand, due from banks and other financial institutions				
Credit rating 1–3: Low or moderate risk	77 854 628	-	-	77 854 628
Credit rating 4–6: Watch	-	659 054	-	659 054
Total gross carrying amount	**77 854 628**	**659 054**	**-**	**78 513 682**
Loss allowance for expected credit losses as at 31 December 2020	(8 531)	(54)	-	(8 585)
Carrying amount	**77 846 097**	**659 000**	**-**	**78 505 097**

	31 December 2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loans to banks and international organisations				
Credit rating 1–3: Low or moderate risk	8 524 035	-	-	8 524 035
Credit rating 4–6: Watch	-	326 137	-	326 137
Credit rating 7–10: Impaired	-	-	148 118	148 118
Total gross carrying amount	**8 524 035**	**326 137**	**148 118**	**8 998 290**
Loss allowance for expected credit losses as at 31 December 2020	(213 297)	(13 518)	(148 118)	(374 933)
Carrying amount	**8 310 738**	**312 619**	**-**	**8 623 357**

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Loans to customers					
Credit rating 1–3: Low or moderate risk	3 114 524	-	-	-	3 114 524
Credit rating 4–6: Watch	-	570 642	-	-	570 642
Credit rating 7–10: Doubtful	-	-	1 006 822	2 255 902	3 262 724
Total gross carrying amount	**3 114 524**	**570 642**	**1 006 822**	**2 255 902**	**6 947 890**
Loss allowance for expected credit losses as at 31 December 2020	(41 653)	(9 526)	(746 499)	(391 271)	(1 188 949)
Carrying amount	**3 072 871**	**561 116**	**260 323**	**1 864 631**	**5 758 941**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments measured at fair value through other comprehensive income				
Credit rating 1–3: Low or moderate risk	73 855 532	-	-	73 855 532
Total carrying amount	**73 855 532**	**-**	**-**	**73 855 532**

	31 December 2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments at amortised cost				
Credit rating 1–3: Low or moderate risk	3 021 258	-	-	3 021 258
Total gross carrying amount	**3 021 258**	**-**	**-**	**3 021 258**
Loss allowance for expected credit losses as at 31 December 2020	(54 046)	-	-	(54 046)
Carrying amount	**2 967 212**	**-**	**-**	**2 967 212**

	31 December 2020				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Other financial assets					
Credit rating 1–3: Low or moderate risk	422 186	-	-	-	422 186
Credit rating 10: Impaired	-	-	47 011	154 089	201 100
Total gross carrying amount	**422 186**	**-**	**47 011**	**154 089**	**623 286**
Loss allowance for expected credit losses as at 31 December 2020	(7 629)	-	(45 766)	(154 089)	(207 484)
Carrying amount	**414 557**	**-**	**1 245**	**-**	**415 802**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2019				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Cash on hand, due from banks and other financial institutions					
Credit rating 1–3: Low or moderate risk	86 026 688	-	-	-	86 026 688
Credit rating 4–6: Watch	-	1 256 227	-	-	1 256 227
Credit rating 7–10: Impaired	-	-	255 424	25	255 449
Total gross carrying amount	**86 026 688**	**1 256 227**	**255 424**	**25**	**87 538 364**
Loss allowance for expected credit losses as at 31 December 2019	(5 173)	(2 498)	(255 424)	(25)	(263 120)
Carrying amount	**86 021 515**	**1 253 729**	**-**	**-**	**87 275 244**

	31 December 2019			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loans to banks and international organisations				
Credit rating 1–3: Low or moderate risk	6 858 210	-	-	6 858 210
Credit rating 4–6: Watch	-	183 243	-	183 243
Credit rating 7–10: Impaired	-	-	127 039	127 039
Total gross carrying amount	**6 858 210**	**183 243**	**127 039**	**7 168 492**
Loss allowance for expected credit losses as at 31 December 2019	-	(1 528)	(127 039)	(128 567)
Carrying amount	**6 858 210**	**181 715**	**-**	**7 039 925**

	31 December 2019				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Loans to customers					
Credit rating 1–3: Low or moderate risk	2 833 720	-	-	-	2 833 720
Credit rating 4–6: Watch	-	4 670	-	-	4 670
Credit rating 7–10: Doubtful	-	-	7 805	2 284 987	2 292 792
Total gross carrying amount	**2 833 720**	**4 670**	**7 805**	**2 284 987**	**5 131 182**
Loss allowance for expected credit losses as at 31 December 2019	(41 632)	(334)	(5 475)	(392 027)	(439 468)
Carrying amount	**2 792 088**	**4 336**	**2 330**	**1 892 960**	**4 691 714**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2019			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments measured at fair value through other comprehensive income				
Credit rating 1–3: Low or moderate risk	32 983 156	-	-	32 983 156
Credit rating 4–6: Watch	993 846	-	-	993 846
Total carrying amount	**33 977 002**	**-**	**-**	**33 977 002**

	31 December 2019			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments at amortised cost				
Credit rating 1–3: Low or moderate risk	127 014	-	-	127 014
Total gross carrying amount	**127 014**	**-**	**-**	**127 014**
Loss allowance for expected credit losses as at 31 December 2019	(1 962)	-	-	(1 962)
Carrying amount	**125 052**	**-**	**-**	**125 052**

	31 December 2019				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Other financial assets					
Credit rating 1–3: Low or moderate risk	340 157	-	-	-	340 157
Credit rating 10: Impaired	-	-	41 843	143 216	185 059
Total gross carrying amount	**340 157**	**-**	**41 843**	**143 216**	**525 216**
Loss allowance for expected credit losses as at 31 December 2019	(891)	-	(40 658)	(143 216)	(184 765)
Carrying amount	**339 266**	**-**	**1 185**	**-**	**340 451**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

The table below analyses information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in loss allowance during the year 2020, by classes of financial assets:

	2020				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Due from banks and other financial institutions					
Gross carrying amount as at 1 January 2020	**86 026 688**	**1 256 227**	**255 424**	**25**	**87 538 364**
Changes in gross carrying amount					
Transfer to stage 1	941 925	(941 925)	-	-	-
Write-off of assets against allowance	-	-	(303 344)	(25)	(303 369)
New financial assets originated or purchased	405 169 055	343 095	-	-	405 512 150
Repayments	(429 914 436)	-	-	-	(429 914 436)
Foreign exchange and other changes	15 631 396	1 657	47 920	-	15 680 973
Gross carrying amount as at 31 December 2020	**77 854 628**	**659 054**	**-**	**-**	**78 513 682**
Loss allowance for expected credit losses as at 31 December 2020	**(8 531)**	**(54)**	**-**	**-**	**(8 585)**

	2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loans to banks and international organisations				
Gross carrying amount as at 1 January 2020	**6 858 210**	**183 243**	**127 039**	**7 168 492**
Changes in gross carrying amount				
New financial assets originated or purchased	2 939 131	291 638	-	3 230 769
Repayments	(1 273 306)	(148 744)	(2 614)	(1 424 664)
Reversal	-	-	94	94
Foreign exchange and other changes	-	-	23 599	23 599
Gross carrying amount as at 31 December 2020	**8 524 035**	**326 137**	**148 118**	**8 998 290**
Loss allowance for expected credit losses as at 31 December 2020	**(213 297)**	**(13 518)**	**(148 118)**	**(374 933)**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2020				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Loans to customers					
Gross carrying amount as at 1 January 2020	**2 833 720**	**4 670**	**7 805**	**2 284 987**	**5 131 182**
- Transfer to stage 1	2 489	-	(2 489)	-	-
- Transfer to Stage 2	(735 337)	735 337	-	-	-
- Transfer to Stage 3	(790 057)	(108 628)	898 685	-	-
Write-off of assets against allowance	(65)	-	-	-	(65)
New financial assets originated or purchased	2 304 118	-	-	-	2 304 118
Repayments	(521 460)	(78 160)	(88 150)	(29 085)	(716 855)
Foreign exchange and other changes	21 116	17 423	190 971	-	229 510
Gross carrying amount as at 31 December 2020	**3 114 524**	**570 642**	**1 006 822**	**2 255 902**	**6 947 890**
Loss allowance for expected credit losses as at 31 December 2020	**(41 653)**	**(9 526)**	**(746 499)**	**(391 271)**	**(1 188 949)**

	2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments at fair value through other comprehensive income				
Gross carrying amount as at 1 January 2020	**33 977 002**	**-**	**-**	**33 977 002**
Changes in gross carrying amount				
New financial assets originated or purchased	95 186 566	-	-	95 186 566
Repayments	(64 935 721)	-	-	(64 935 721)
Foreign exchange	9 627 685	-	-	9 627 685
Carrying amount as at 31 December 2020	**73 855 532**	**-**	**-**	**73 855 532**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2020			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments at amortised cost				
Gross carrying amount as at 1 January 2020	**127 014**	**-**	**-**	**127 014**
Changes in gross carrying amount	2 957 377			2 957 377
Repayments	(63 133)	-	-	(63 133)
Gross carrying amount as at 31 December 2020	**3 021 258**	**-**	**-**	**3 021 258**
Loss allowance for expected credit losses as at 31 December 2020	**(54 046)**	**-**	**-**	**(54 046)**

	2020				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Other financial assets					
Gross carrying amount as at 1 January 2020	**340 157**	**-**	**41 843**	**143 216**	**525 216**
Changes in gross carrying amount					
New financial assets originated or purchased	84 952	-	7 332	10 873	103 157
Repayments	(2 923)	-	(2 162)	-	(5 085)
Foreign exchange	-	-	(2)	-	(2)
Gross carrying amount as at 1 January 2020	**422 186**	**-**	**47 011**	**154 089**	**623 286**
Loss allowance for expected credit losses as at 31 December 2020	**(7 629)**	**-**	**(45 766)**	**(154 089)**	**(207 484)**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

The tables below analyse information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in loss allowance during the year 2019, by classes of financial assets:

	2019				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Cash on hand, due from banks and other financial institutions					
Gross carrying amount as at 1 January 2019	**83 729 785**	**926 940**	**269 932**	**25**	**84 926 682**
Changes in gross carrying amount					
- Transfer to Stage 1	106 295	(106 295)	-	-	-
- Transfer to Stage 2	(20 963 928)	20 963 928	-	-	-
New financial assets originated or purchased	115 173 306	-	-	-	115 173 306
Repayments	(91 752 610)	(20 604 777)	(13 729)	-	(112 371 116)
Foreign exchange	(266 160)	76 431	(779)		(190 508)
Gross carrying amount as at 31 December 2019	**86 026 688**	**1 256 227**	**255 424**	**25**	**87 538 364**
Loss allowance for expected credit losses as at 31 December 2019	**(5 173)**	**(2 498)**	**(255 424)**	**(25)**	**(263 120)**

	2019			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loans to banks and international organisations				
Gross carrying amount as at 1 January 2019	**9 137 470**	**-**	**127 415**	**9 264 885**
Changes in gross carrying amount				
- Transfer to Stage 2	(183 243)	183 243	-	-
New financial assets originated or purchased	2 336 674	-	-	2 336 674
Repayments	(4 432 691)	-	(99)	(4 432 790)
Foreign exchange	-	-	(277)	(277)
Gross carrying amount as at 31 December 2019	**6 858 210**	**183 243**	**127 039**	**7 168 492**
Loss allowance for expected credit losses as at 31 December 2019	**-**	**(1 528)**	**(127 039)**	**(128 567)**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2019				
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Loans to customers					
Gross carrying amount as at 1 January 2019	**770 281**	**-**	**-**	**1 607 844**	**2 378 125**
Changes in gross carrying amount					
- Transfer to Stage 2	(12 475)	12 475	-	-	-
- Transfer to Stage 3	-	(7 805)	7 805	-	-
New financial assets originated or purchased	2 075 914	-	-	677 143	2 753 057
Gross carrying amount as at 31 December 2019	**2 833 720**	**4 670**	**7 805**	**2 284 987**	**5 131 182**
Loss allowance for expected credit losses as at 31 December 2019	**(41 632)**	**(334)**	**(5 475)**	**(392 027)**	**(439 468)**

	2019			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Investments at fair value through other comprehensive income				
Gross carrying amount as at 1 January 2019	**33 772 745**	**70 877**	**-**	**33 843 622**
Changes in gross carrying amount				
New financial assets originated or purchased	95 742 110	-	-	95 742 110
Repayments	(95 558 451)	(70 877)	-	(95 629 328)
Foreign exchange	20 598	-	-	20 598
Carrying amount as at 31 December 2019	**33 977 002**	**-**	**-**	**33 977 002**

33 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2019			
	Stage 1 12-month expected credit losses	**Stage 2 Lifetime expected credit losses**	**Stage 3 Lifetime expected credit losses**	**Total**
Investments at amortised cost				
Gross carrying amount as at 1 January 2019	**189 485**	**-**	**-**	**189 485**
Changes in gross carrying amount				
Repayments	(62 471)	-	-	(62 471)
	-	-	-	-
Gross carrying amount as at 31 December 2019	**127 014**	**-**	**-**	**127 014**
Loss allowance for expected credit losses as at 31 December 2019	**(1 962)**	**-**	**-**	**(1 962)**

	2019				
	Stage 1 12-month expected credit losses	**Stage 2 Lifetime expected credit losses**	**Stage 3 Lifetime expected credit losses**	**Originated or purchased credit-impaired financial assets**	**Total**
Other financial assets					
Gross carrying amount as at 1 January 2019	**319 872**	**-**	**18 834**	**131 971**	**470 677**
Changes in gross carrying amount					
- Transfer to Stage 3	(22 973)	-	22 973	-	-
New financial assets originated or purchased	49 793	-	-	9 183	58 976
Write-off	(76)	-	-	(423)	(499)
Foreign exchange	(6 459)	-	36	2 485	(3 938)
Gross carrying amount as at 31 December 2019	**340 157**	**-**	**41 843**	**143 216**	**525 216**
Loss allowance for expected credit losses as at 31 December 2019	**(891)**	**-**	**(40 658)**	**(143 216)**	**(184 765)**

33 RISK MANAGEMENT, CONTINUED

(d) Geographical concentrations

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

The following table shows the geographical concentration of assets and liabilities at 31 December 2020:

	The Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2020 Total
Financial assets					
Cash on hand, due from banks and other financial institutions	6 124 360	36 278 771	16 485 169	19 616 797	78 505 097
Loans to banks and international organisations	8 623 357	-	-	-	8 623 357
Loans to customers	5 758 941	-	-	-	5 758 941
Investments measured at fair value through other comprehensive income	916 690	31 792 946		41 145 896	73 855 532
Investments at amortised cost	2 967 212	-	-	-	2 967 212
Other financial assets	407 659	7 224	919	-	415 802
Total financial assets	**24 798 219**	**68 078 941**	**16 486 088**	**60 762 693**	**170 125 941**
Financial liabilities					
Banknotes and coins in circulation	134 316 687	-	-	-	134 316 687
Due to banks and other financial institutions	25 316 323	920	246 883	36 628	25 600 754
Due to the Government of the Kyrgyz Republic	16 748 525	-	-	-	16 748 525
Customer deposits	4 149 819	135 678	243 182	-	4 528 679
Debt securities issued	11 493 091	-	-	-	11 493 091
Loans received	322 830	-	-	-	322 830
Liabilities to the IMF in respect of SDR allocations	-	-	-	9 994 865	9 994 865
Lease liabilities	319 451	-	-	-	319 451
Other financial liabilities	112 693	5 689	12 237	-	130 619
Total financial liabilities	**192 779 419**	**142 287**	**502 302**	**10 031 493**	**203 455 501**
Net balance sheet position	**(167 981 200)**	**67 936 654**	**15 983 786**	**50 731 200**	**(33 329 560)**

33 RISK MANAGEMENT, CONTINUED

(d) Geographical concentrations, continued

The following table shows the geographical concentration of assets and liabilities at 31 December 2019:

	The Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2019 Total
Financial assets					
Gold in deposits	-	8 765 609	-	-	8 765 609
Cash on hand, due from banks and other financial institutions	1 837 606	50 800 982	17 536 679	17 099 977	87 275 244
Loans to banks and international organisations	7 039 925	-	-	-	7 039 925
Loans to customers	4 691 714	-	-	-	4 691 714
Investments measured at fair value through other comprehensive income	993 846	11 616 712	-	21 366 444	33 977 002
Investments at amortised cost	125 052	-	-	-	125 052
Other financial assets	337 666	1 218	1 567	-	340 451
Total financial assets	**15 025 809**	**71 184 521**	**17 538 246**	**38 466 421**	**142 214 997**
Financial liabilities					
Banknotes and coins in circulation	106 058 051	-	-	-	106 058 051
Financial liabilities at fair value through profit or loss	12 441	-	39	-	12 480
Due to banks and other financial institutions	21 655 325	1 045	156 696	73 163	21 886 229
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	-	17 033 154
Customer deposits	3 182 991	155 775	282 278	-	3 621 044
Debt securities issued	8 048 501	-	-	-	8 048 501
Liabilities to the IMF in respect of SDR allocations	-	-	-	8 146 676	8 146 676
Lease liabilities	299 335	-	-	-	299 335
Other financial liabilities	105 532	5 432	22 385	-	133 349
Total financial liabilities	**156 395 330**	**162 252**	**461 398**	**8 219 839**	**165 238 819**
Net balance sheet position	**(141 369 521)**	**71 022 269**	**17 076 848**	**30 246 582**	**(23 023 822)**

33 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk

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

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

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

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

The liquidity management policy requires:

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

33 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	31 December 2020 Carrying amount
Due to banks and other financial institutions	25 569 605	13 793	-	16 530	14 606	25 614 534	25 600 754
Due to the Government of the Kyrgyz Republic	16 748 525	-	-	-	-	16 748 525	16 748 525
Customer deposits	1 531 310	876 660	422 073	669 137	1 278 607	4 777 787	4 528 679
Debt securities issued	9 861 900	1 662 850	-	-	-	11 524 750	11 493 091
Loans received	1 692	44 583	4 234	52 679	256 359	359 547	322 830
Liabilities to the IMF in respect of SDR allocations	9 993 127	1 738	-	-	-	9 994 865	9 994 865
Lease liabilities	8 308	15 349	23 214	46 362	275 705	368 938	319 451
Other financial liabilities	73 141	6 360	16	46 177	4 995	130 689	130 619
	63 787 608	**2 621 333**	**449 537**	**830 885**	**1 830 272**	**69 519 635**	**69 138 814**

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

Under the law individuals can withdraw their deposits at any time. In the above table, there are KGS 1,709,299 thousand deposits from individuals in below 1 year category and KGS 1,002,291 thousand in more than 1 year category.

CONTENT

33 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2019 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	31 December 2019 Carrying amount
Financial liabilities at fair value through profit or loss	3 624	2 869	5 987	-	-	12 480	12 480
Due to banks and other financial institutions	21 872 650	104	157	313	16 436	21 889 660	21 886 229
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	-	-	17 033 154	17 033 154
Customer deposits	959 936	94 534	188 866	1 093 319	2 082 645	4 419 300	3 621 044
Debt securities issued	7 761 200	300 000	-	-	-	8 061 200	8 048 501
Liabilities to the IMF in respect of SDR allocations	8 136 099	10 577	-	-	-	8 146 676	8 146 676
Lease liabilities	5 061	10 122	20 244	25 305	301 256	361 988	299 335
Other financial liabilities	73 181	7 415	78	36 063	16 612	133 349	133 349
	55 844 905	**425 621**	**215 332**	**1 155 000**	**2 416 949**	**60 057 807**	**59 180 768**

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

33 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	31 December 2020 Total
FINANCIAL ASSETS							
Cash on hand, due from banks and other financial institutions	58 983 511	11 004 426	8 517 160	-	-	-	78 505 097
Loans to banks and international organisations	253 423	3 263 935	5 105 999	-	-	-	8 623 357
Loans to customers	584 174	28 629	104 052	2 561 138	2 480 948	-	5 758 941
Investments at fair value through other comprehensive income	3 480 527	25 981 900	35 820 761	8 420 680	151 664	-	73 855 532
Investments at amortised cost	-	-	82 388	-	2 884 824	-	2 967 212
Other financial assets	31 916	6 887	29 266	166 919	180 814	-	415 802
	63 333 551	**40 285 777**	**49 659 626**	**11 148 737**	**5 698 250**	**-**	**170 125 941**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	31 December 2020 Total
FINANCIAL LIABILITIES							
Banknotes and coins in circulation	-	-	-	-	-	134 316 687	134 316 687
Due to banks and other financial institutions	25 569 605	13	16 530	14 606	-	-	25 600 754
Due to the Government of the Kyrgyz Republic	16 748 525	-	-	-	-	-	16 748 525
Customer deposits	1 549 947	866 253	1 039 093	1 073 388	-	-	4 528 679
Debt securities issued	9 844 018	1 649 073	-	-	-	-	11 493 091
Loans received	1 163	41 667	45 000	235 000	-	-	322 830
Liabilities to the IMF in respect of SDR allocations	9 993 127	1 738	-	-	-	-	9 994 865
Lease liabilities	6 087	11 492	53 579	248 293	-	-	319 451
Other financial liabilities	73 071	6 360	16	46 177	4 995	-	130 619
	63 785 543	**2 576 596**	**1 154 218**	**1 617 462**	**4 995**	**134 316 687**	**203 455 501**
Net position	**(451 992)**	**37 709 181**	**48 505 408**	**9 531 275**	**5 693 255**	**(134 316 687)**	**(33 329 560)**

CONTENT

33 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2019:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	31 December 2019 Total
FINANCIAL ASSETS							
Gold in deposits	7 605 185	1 160 424	-	-	-	-	8 765 609
Cash on hand, due from banks and other financial institutions	56 042 453	12 016 456	19 216 335	-	-	-	87 275 244
Loans to banks and international organisations	235 542	2 958 985	3 845 398	-	-	-	7 039 925
Loans to customers	258 369	57 087	106 064	2 392 480	1 877 714	-	4 691 714
Investments at fair value through other comprehensive income	3 853 304	7 084 590	22 158 305	744 602	136 201	-	33 977 002
Investments at amortised cost	-	-	61 471	63 581	-	-	125 052
Other financial assets	23 539	6 075	26 081	142 291	142 465	-	340 451
	68 018 392	**23 283 617**	**45 413 654**	**3 342 954**	**2 156 380**	**-**	**142 214 997**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	31 December 2019 Total
FINANCIAL LIABILITIES							
Banknotes and coins in circulation	-	-	-	-	-	106 058 051	106 058 051
Financial liabilities at fair value through profit or loss	3 624	2 869	5 987	-	-	-	12 480
Due to banks and other financial institutions	21 872 300	-	-	13 929	-	-	21 886 229
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	-	-	-	17 033 154
Customer deposits	939 061	53 130	1 099 585	1 529 268	-	-	3 621 044
Debt securities issued	7 751 469	297 032	-	-	-	-	8 048 501
Liabilities to the IMF in respect of SDR allocations	8 136 099	10 577	-	-	-	-	8 146 676
Lease liabilities	4 017	8 034	36 151	251 133	-	-	299 335
Other financial liabilities	73 181	7 415	36 141	16 612	-	-	133 349
	55 812 905	**379 057**	**1 177 864**	**1 810 942**	**-**	**106 058 051**	**165 238 819**
Net position	**12 205 487**	**22 904 560**	**44 235 790**	**1 532 012**	**2 156 380**	**(106 058 051)**	**(23 023 822)**

34 AGENCY FUNCTIONS

Membership quota of the Kyrgyz Republic in the International Monetary Fund

In 1992 the Kyrgyz Republic joined the International Monetary Fund ("the IMF"). A membership quota expressed in Special Drawing Rights ("SDRs") is assigned to each member of the IMF. The membership quota is the basis for determining access of the country to the IMF financing. As at 31 December 2020 and 2019, the quota of the Kyrgyz Republic amounted to SDR 177 600 thousand.

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

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

	31 December 2020	31 December 2019
IMF membership quota	**20 733 276**	**17 116 917**
Securities for the account of the IMF	(20 645 118)	(17 060 136)
Current accounts of the IMF	(67 849)	(43 187)
	(20 712 967)	**(17 103 323)**

35 RELATED PARTY TRANSACTIONS

(a) Control relationship

In considering each possible related party, substance of the relationship is considered and not only the legal form.

In accordance with the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" the National Bank is the central bank of the Kyrgyz Republic and is owned by the Kyrgyz Republic. The Group has the authority to independently run its own operations within the powers provided for by the Law.

(b) Transactions with the members of the Management Board

Total remuneration received by the members of the National Bank's Management Board for the years ended 31 December 2020 and 2019 was KGS 27 960 thousand and KGS 21 724 thousand, respectively. The remuneration consists of salary and other payments. The outstanding balances of loans issued to the members of the Management Board as at 31 December 2020 and 2019 were KGS 17 646 thousand and KGS 24 605 thousand, respectively. The loans are KGS-denominated and repayable by 2032. Interest income from loans to the Management Board for the years ended 31 December 2020 and 2019 was KGS 192 thousand and KGS 263 thousand, respectively.

35 RELATED PARTY TRANSACTIONS, CONTINUED

(c) Transactions with other related parties

The following related party transactions took place during the year, which are not separately disclosed elsewhere in these financial statements.

	Unconsolidated subsidiaries	Associates	31 December 2020 Total
Consolidated statement of financial position			
Investments in associates	220 000	281 860	501 860

Related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

	Unconsolidated subsidiaries	Associates	Year ended 31 December 2020 Total
Consolidated statement of profit or loss			
Share of profit of associates	-	38 442	38 442
Fee and commission income	-	240	240
Other income	2 193	734	2 927
Other expenses	(879)	-	(879)

As at 31 December 2019, the outstanding balances with related parties which are not separately disclosed elsewhere in these financial statements were as follows:

	Unconsolidated subsidiaries	Associates	31 December 2019 Total
Consolidated statement of financial position			
Investments in associates	62 000	823 297	885 297

Related profit or loss amounts of transactions for the year ended 31 December 2019 with other related parties are as follows:

	Unconsolidated subsidiaries	Associates	Year ended 31 December 2019 Total
Consolidated statement of profit or loss			
Share of profit of associates	-	140 100	140 100
Fee and commission income	-	240	240
Other income	838	8 655	9 493
Other expenses	(825)	(297)	(1 122)

36 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

	Measured at amortised cost	Measured at fair value through other comprehensive income	31 December 2020 Total carrying amount	31 December 2020 Fair value
Cash on hand, due from banks and other financial institutions	28 594 045	49 911 052	78 505 097	78 505 097
Loans to banks and international organisations	8 623 357	-	8 623 357	8 623 357
Loans to customers	5 758 941	-	5 758 941	5 242 287
Investments at fair value through other comprehensive income	-	73 855 532	73 855 532	73 855 532
Investments at amortised cost	2 967 212	-	2 967 212	3 089 250
Other financial assets	415 802	-	415 802	415 802
	46 359 357	**123 766 585**	**170 125 941**	**169 731 325**
Banknotes and coins in circulation	134 316 687	-	134 316 687	134 316 687
Due to banks and other financial institutions	25 600 754	-	25 600 754	25 600 754
Due to the Government of the Kyrgyz Republic	16 748 525	-	16 748 525	16 748 525
Customer deposits	4 528 679	-	4 528 679	4 248 498
Debt securities issued	11 493 091	-	11 493 091	12 990 662
Loans received	322 830	-	322 830	322 830
Liabilities to the IMF in respect of SDR allocations	9 994 865	-	9 994 865	9 994 865
Lease liabilities	319 451	-	319 451	319 451
Other financial liabilities	130 619	-	130 619	130 619
	203 455 501		**203 455 501**	**204 648 891**

36 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES, CONTINUED

(a) Accounting classifications and fair values, continued

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

	Measured at amortised cost	Measured at fair value through other comprehensi-ve income	Financial instruments measured at fair value through profit or loss	31 December 2019 Total carrying amount	31 December 2019 Fair value
Gold in deposits	8 765 609	-	-	8 765 609	8 765 609
Cash on hand, due from banks and other financial institutions	37 042 485	50 232 759	-	87 275 244	87 275 244
Loans to banks and international organisations	7 039 925	-	-	7 039 925	7 039 925
Loans to customers	4 691 714	-	-	4 691 714	4 376 475
Investments at fair value through other comprehensive income	-	33 977 002	-	33 977 002	33 977 002
Investments at amortised cost	125 052	-	-	125 052	125 052
Other financial assets	340 451	-	-	340 451	340 451
	58 005 236	**84 209 761**	**-**	**142 214 997**	**141 899 758**
Banknotes and coins in circulation	106 058 051	-	-	106 058 051	106 058 051
Financial liabilities at fair value through profit or loss	-	-	12 480	12 480	12 480
Due to banks and other financial institutions	21 886 229	-	-	21 886 229	21 886 229
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	17 033 154	17 033 154
Customer deposits	3 621 044	-	-	3 621 044	3 671 303
Debt securities issued	8 048 501	-	-	8 048 501	8 048 501
Liabilities to the IMF in respect of SDR allocations	8 146 676	-	-	8 146 676	8 146 676
Lease liabilities	299 335	-	-	299 335	299 335
Other financial liabilities	133 349	-	-	133 349	133 349
	165 226 339	**-**	**12 480**	**165 238 819**	**165 289 078**

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

(b) Fair value hierarchy

The Group measures fair values of financial instruments recognised in the consolidated statement of financial position using the following fair value hierarchy, which 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: valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

36 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES, CONTINUED

(b) Fair value hierarchy, continued

- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's measurement. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2020 Total
Nostro accounts in banks and other financial institutions	-	49 911 052	-	**49 911 052**
Investments measured at fair value through other comprehensive income	73 855 532	-	-	**73 855 532**

The table below analyses financial instruments measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2019 Total
Financial liabilities at fair value through profit or loss	-	12 480	-	**12 480**
Nostro accounts in banks and other financial institutions	-	50 232 759		**50 232 759**
Investments measured at fair value through other comprehensive income	32 983 156	993 846	-	**33 977 002**

The table below analyses financial instruments not measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2020 Total
Cash on hand, term deposits in banks and other financial institutions	-	28 594 045	-	**28 594 045**
Loans to banks and international organisations	-	8 623 357	-	**8 623 357**
Loans to customers	-	-	5 242 287	**5 242 287**
Investments at amortised cost	-	3 089 250	-	**3 089 250**
Other financial assets	-	415 802	-	**415 802**
Banknotes and coins in circulation	-	134 316 687	-	**134 316 687**
Due to banks and other financial institutions	-	25 600 754	-	**25 600 754**
Due to the Government of the Kyrgyz Republic	-	16 748 525	-	**16 748 525**
Customer deposits	-	-	4 248 498	**4 248 498**
Debt securities issued	-	12 990 662	-	**12 990 662**
Loans to customers	-	322 830	-	**322 830**
Liabilities to the IMF in respect of SDR allocations	-	9 994 865	-	**9 994 865**
Lease liabilities	-	319 451	-	**319 451**
Other financial liabilities	-	130 619	-	**130 619**

36 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES, CONTINUED

(b) Fair value hierarchy, continued

The table below analyses financial instruments not measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2019 Total
Gold in deposits	8 765 609	-	-	**8 765 609**
Cash on hand, term deposits in banks and other financial institutions	-	37 042 485	-	**37 042 485**
Loans to banks and international organisations	-	7 039 925	-	**7 039 925**
Loans to customers	-	-	4 691 714	**4 691 714**
Investments at amortised cost	-	125 052	-	**125 052**
Other financial assets	-	340 451	-	**340 451**
Banknotes and coins in circulation	-	106 058 051	-	**106 058 051**
Due to banks and other financial institutions	-	21 886 229	-	**21 886 229**
Due to the Government of the Kyrgyz Republic	-	17 033 154	-	**17 033 154**
Customer deposits	-	-	3 621 044	**3 621 044**
Debt securities issued	-	8 048 501	-	**8 048 501**
Liabilities to the IMF in respect of SDR allocations	-	8 146 676	-	**8 146 676**
Lease liabilities	-	299 335	-	**299 335**
Other financial liabilities	-	133 349	-	**133 349**

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2020 and 2019, the Group had no financial assets or financial liabilities that would have met the criteria for offsetting in the statement of financial position, and the National Bank had not entered into any master netting or similar agreements.

CHAPTER 8. SEPARATE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITORS' REPORT

To the Management Board of the National Bank of the Kyrgyz Republic

Opinion

We have audited the separate financial statements of the National Bank of the Kyrgyz Republic (the "National Bank"), which comprise the separate statement of financial position as at 31 December 2020, the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the National Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the financial reporting principles disclosed in Note 2 of the separate financial statements.

Basis for Opinion

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

Other Matter

The separate financial statements of the National Bank as at and for the year ended 31 December 2019 were audited by other auditors who expressed an unmodified opinion on those statements on 9 April 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report of the National Bank for the year of 2020 but does not include the separate financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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.

The engagement partner on the audit resulting in this independent auditors' report is:

Ashley Clarke
Attorney

Aida Asyrandieva

Executive Director of KPMG Bishkek LLC
Certified Auditor of the Kyrgyz Republic,
Auditor's Qualification Certificate
serial A, No. 0232 of 13 November 2014

6 April 2021

Separate statement of financial position as at 31 december 2020

(thousands of Soms)

	Note	31 December 2020	31 December 2019
ASSETS			
Gold	6	84 129 763	48 833 361
Cash on hand, due from banks and other financial institutions	7	75 046 663	86 890 955
Loans to banks and international organisations	8	9 007 592	7 532 693
Investments measured at fair value through other comprehensive income	9	72 938 843	32 983 156
Investments at amortised cost	10	2 967 212	125 052
Investments in subsidiaries and associates	11	12 036 316	4 669 754
Property, plant and equipment	12	1 895 012	1 797 308
Intangible assets		110 714	185 701
Non-monetary gold and gold reserves	13	13 509 025	6 727 241
Other assets	14	3 209 891	1 010 867
Total assets		**274 851 031**	**190 756 088**
LIABILITIES			
Banknotes and coins in circulation	15	134 629 161	106 244 754
Due to banks and other financial institutions	16	28 840 609	21 879 997
Due to the Government of the Kyrgyz Republic	17	16 748 525	17 033 154
Debt securities issued	18	12 990 663	8 048 501
Liabilities to the IMF in respect of SDR allocations	19	9 994 865	8 146 676
Other liabilities		100 002	196 243
Total liabilities		**203 303 825**	**161 549 325**
EQUITY			
Charter capital	20	2 000 000	2 000 000
Obligatory reserve		7 476 561	7 476 561
Revaluation reserve for foreign currency and gold		53 572 573	17 151 905
Revaluation reserve for investments at fair value through other comprehensive income		13 261	13 024
Retained earnings		8 484 811	2 565 273
Total equity		**71 547 206**	**29 206 763**
Total liabilities and equity		**274 851 031**	**190 756 088**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Separate statement of profit or loss for the year ended 31 december 2020

(thousands of Soms)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Interest income	21	1 456 413	2 671 874
Interest expense	21	(791 173)	(553 811)
Net interest income	21	**665 240**	**2 118 063**
Fee and commission income		70 159	72 862
Fee and commission expense		(14 635)	(8 137)
Net fee and commission income		**55 524**	**64 725**
(Charge)/recovery for expected credit losses on interest bearing assets	22	(229 230)	109 802
Net realised gain on foreign currencies and gold	23	9 378 866	1 449 841
Share of profits of associates		38 442	140 100
Other income		352 973	152 460
Net non-interest income		**9 541 051**	**1 852 203**
Operating income		**10 261 815**	**4 034 991**
Expenses on production of banknotes and coins issued into circulation		(404 385)	(359 241)
Administrative expenses	24	(1 167 108)	(1 040 799)
Other expenses		(205 511)	(69 678)
Operating expenses		**(1 777 004)**	**(1 469 718)**
Profit for the year		**8 484 811**	**2 565 273**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Separate statement of comprehensive income for the year ended 31 december 2020

(thousands of Soms)

	Year ended 31 December 2020	Year ended 31 December 2019
Profit for the year	**8 484 811**	**2 565 273**
Items that may be reclassified subsequently to the separate statement of profit or loss		
Revaluation reserve for foreign currency and gold		
- net gain on revaluation of assets and liabilities in foreign currency and gold	45 291 005	6 734 772
- net gain on foreign currency and gold transferred to profit or loss	(8 870 337)	(1 420 954)
Net fair value gain on investments at fair value through other comprehensive income	237	7 699
Other comprehensive income for the year	**36 420 905**	**5 321 517**
Total comprehensive income for the year	**44 905 716**	**7 886 790**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Separate statement of cash flows for the year ended 31 december 2020

(thousands of Soms)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		1 638 517	2 609 580
Interest payments		(694 570)	(531 365)
Fee and commission receipts		70 159	72 862
Fee and commission payments		(14 635)	(8 137)
Realised gain on foreign exchange operations		508 529	28 887
Other income		296 234	113 046
Payroll expenses		(602 275)	(523 113)
Expenses on production of banknotes and coins issued into circulation		(631 063)	(238 284)
Administrative expenses, excluding payroll expenses		(470 935)	(332 932)
Cash flows from operating activities before changes in operating assets and liabilities		**99 961**	**1 190 544**
(Increase)/decrease in operating assets			
Gold		(8 955 136)	(9 872 254)
Due from banks and other financial institutions		18 709 611	4 418 449
Loans to banks and international organisations		(1 645 295)	2 451 790
Investments measured at fair value through other comprehensive income		(30 471 721)	704 558
Non-monetary gold and gold reserves		(6 781 784)	(6 406 298)
Other assets		(2 051 157)	(132 049)
Increase/(decrease) in operating liabilities			
Banknotes and coins in circulation		28 384 407	12 678 620
Due to banks and other financial institutions		5 983 864	3 197 819
Due to the Government of the Kyrgyz Republic		(6 234 584)	2 718 311
Debt securities issued		4 933 730	87 556
Other liabilities		(122 679)	93 323
Net cash flows from operating activities		**1 849 217**	**11 130 369**

Separate statement of cash flows for the year ended 31 december 2020 (continued)

(thousands of Soms)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of shares of subsidiary		(7 358 000)	(3 216 575)
Purchases of shares of associates		-	(550 000)
Purchase of property, plant and equipment and intangible assets		(282 308)	(380 945)
Purchase of investments at amortised cost		(2 939 403)	-
Proceeds on redemption of investments at amortised cost		64 352	64 352
Interest received on investments at amortised cost		11 314	9 652
Dividends received		47 183	8 555
Net cash flows used in investing activities		**(10 456 862)**	**(4 064 961)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan received		-	(160 155)
Net cash flows used in financing activities		**-**	**(160 155)**
Net (decrease)/increase in cash and cash equivalents		**(8 607 645)**	**6 905 253**
Effect of movements in exchange rates on cash and cash equivalents		9 487 948	(171 099)
Cash and cash equivalents at the beginning of the year		51 697 375	44 963 221
Cash and cash equivalents at the end of the year	**7**	**52 577 678**	**51 697 375**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

Separate statement of changes in equity for the year ended 31 december 2020

(thousands of Soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currency and gold	Revaluation reserve for investments measured at fair value through other comprehensive income	Retained earnings	Total
Balance at 1 January 2020	2 000 000	7 476 561	17 151 905	13 024	2 565 273	29 206 763
Profit for the year	-	-	-	-	8 484 811	8 484 811
Other comprehensive income						
Net fair value gain on investments at fair value through other comprehensive income	-	-	-	237	-	237
Gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	45 291 005	-	-	45 291 005
Net gain on foreign currencies and gold transferred to profit or loss	-	-	(8 870 337)	-	-	(8 870 337)
Total comprehensive income for the year	**-**	**-**	**36 420 668**	**237**	**8 484 811**	**44 905 716**
Transactions recorded directly in equity						
Distribution of prior year profit to the state budget (Note 20)	-	-	-	-	(2 565 273)	(2 565 273)
Total amounts of transactions recorded directly to equity	**-**		**-**	**-**	**(2 565 273)**	**(2 565 273)**
Balance at 31 December 2020	**2 000 000**	**7 476 561**	**53 572 573**	**13 261**	**8 484 811**	**71 547 206**

Separate statement of changes in equity for the year ended 31 december 2020 (continued)

(thousands of Soms)

	Charter capital	Obligatory reserve	Revaluation reserve for foreign currency and gold	Revaluation reserve for investments at fair value through other comprehensive income	Retained earnings	Total
Balance at 1 January 2019	2 000 000	7 266 168	11 838 087	5 325	2 103 936	23 213 516
Profit for the year	-	-	-	-	2 565 273	2 565 273
Other comprehensive income						
Net fair value gain on investments at fair value through other comprehensive income	-	-	-	7 699	-	7 699
Gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	6 734 772	-	-	6 734 772
Net gain on foreign currencies and gold transferred to profit or loss	-	-	(1 420 954)	-	-	(1 420 954)
Total comprehensive income for the year	**-**	**-**	**5 313 818**	**7 699**	**2 565 273**	**7 886 790**
Transactions recorded directly in equity						
Distribution of prior year profit to the state budget (Note 20)	-	-	-	-	(1 893 543)	(1 893 543)
Transfer to obligatory reserve (Note 20)	-	210 393	-	-	(210 393)	-
Total amounts of transactions recorded directly to equity	**-**	**210 393**	**-**	**-**	**(2 103 936)**	**(1 893 543)**
Balance at 31 December 2019	**2 000 000**	**7 476 561**	**17 151 905**	**13 024**	**2 565 273**	**29 206 763**

Abdygulov T.S.
Chairman of the National Bank

6 April 2021

Bishkek,
Kyrgyz Republic

Alybaeva S.K.
Chief Accountant

6 April 2021

Bishkek,
Kyrgyz Republic

1 GENERAL INFORMATION

(a) Organisation and operations

The National Bank of the Kyrgyz Republic (the “National Bank”) is a legal successor of the State Bank of the Kyrgyz Republic which was renamed by the Law “On the National Bank of the Kyrgyz Republic” dated 12 December 1992 as the National Bank of the Kyrgyz Republic. On 16 December 2016, the Jogorku Kenesh (Parliament) of the Kyrgyz Republic adopted the new Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, which currently regulates the activities of the National Bank.

The principal goal of the National Bank is to achieve and maintain stability of prices in the Kyrgyz Republic. To achieve this goal the National Bank is entrusted to perform the following functions: determine and implement the monetary policy for the country; foster well-functioning and effective payment system and interbank transfers; issue and supply banknotes and coins for circulation; manage international currency reserves; license, regulate and supervise operations of the commercial banks, and financial and credit institutions in accordance with the legislation. The National Bank also acts as a fiscal agent of the Government of the Kyrgyz Republic.

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

As at 31 December 2020 and 2019, the National Bank has 5 branches and one representative office operating throughout the Kyrgyz Republic.

As at 31 December 2020 and 2019, the total number of the National Bank’s employees is 705 and 679, respectively.

The National Bank is the parent company of the group, which includes the following organisations:

Name	Percentage of voting shares (%) 31 December 2020	31 December 2019	Activity
OJSC Keremet Bank	97.45	95.07	Banking services
OJSC Guarantee Fund	85.91	48.59	Guarantee issue services
CJSC Kyrgyz Cash Collection	100	100	Valuables transportation services

On 25 March 2020, as part of the seventh issue of shares of OJSC Keremet Bank, the National Bank purchased shares for the amount of KGS 1 500 000 thousand.

On 30 December 2020, to assist OJSC Keremet Bank in implementation of its strategic objectives and provide with cash funds for expansion of banking operations with the highly liquid assets, and as part of implementation of measures aimed at mitigation of the negative impact of COVID-19 pandemic on the macroeconomic situation in the Kyrgyz Republic, the National Bank purchased shares of the eighth issue of OJSC Keremet Bank for the amount of KGS 2 700 000 thousand.

Following the results of placement of the seventh and eighth issues of shares of OJSC Keremet Bank, the share of the National Bank in the charter capital was 96.3% and 97.45%, respectively.

On 4 June 2020, to support business entities and promote further development of their operations through increasing access to the financial resources in conditions where there is a need to mitigate the negative consequences of COVID-19 pandemic, the National Bank purchased shares of the fifth issues of OJSC Guarantee Fund for the amount of KGS 1,000,000 thousand.

CONTENT

1 GENERAL INFORMATION, CONTINUED

(a) Organisation and operations, continued

On 16 December 2020, to increase the access for the consumers of financial and banking services to financial resources as part of measures aimed at mitigation of the negative impact of the COVID-19 pandemic on the macroeconomic situation in the Kyrgyz Republic, the National Bank purchased shares of OJSC Guarantee Fund of the sixth issue for the amount of KGS 2,000,000 thousand.

Following the results of placement of the fifth and sixth issues of shares of OJSC Guarantee Fund, the share of the National Bank in the charter capital was 72.7% and 85.91%, respectively.

On 22 July 2020, to support activity of CJSC Kyrgyz Cash Collection related to ensuring an uninterrupted provision of services of ATM replenishment and delivery of cash to the regions of Kyrgyzstan in case of emergencies, the National Bank decided to increase the charter capital of CJSC Kyrgyz Cash Collection through issue of shares for the amount of KGS 158 000 thousand. As part of this issue, the National Bank purchased shares for the amount of KGS 141 000 thousand.

As at 31 December 2020 and 2019, the National Bank also owns an investment in CJSC Interbank Processing Center (46.71% and 46.71%, respectively).

These separate financial statements were approved by the Management Committee of the National Bank on 6 April 2021.

(b) Business environment

The Kyrgyz Republic is undergoing significant political, economic and social changes. As an emerging market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in more developed market economies. As a result, operations in the Kyrgyz Republic involve risks that are not typically associated with those in developed markets. The Kyrgyz Republic high degree of integration with the economies of the countries in the region determines the exposure of the Kyrgyz Republic economy to the influence of unstable situation in international capital markets, a sharp drop in energy prices in March 2020 and a slowdown in economic growth in the main trading partner countries.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus (COVID-19). The World Health Organization declared on 11 March 2020 the coronavirus outbreak a pandemic. In response to the potentially serious threat that the COVID-19 virus poses to public health, in order to protect the life and health of citizens, it was decided to introduce a state of emergency in accordance with the legislation of the Kyrgyz Republic, depending on the region, for the period from 25 March 2020 for the period up to 10 May 2020.

During the state of emergency, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

The economy of the Kyrgyz Republic, as in many other countries, has been particularly sensitive to global shock. Significant factors that directly or indirectly affect the economic situation in the country include remittance, export trade and tourism.

1 GENERAL INFORMATION, CONTINUED

(b) Business environment, continued

To ensure business continuity, the National Bank took measures for its staff to operate remotely. The Bank also maintained the functions of cash processing and disbursement to commercial banks, customer transactions, as well as the uninterrupted functioning of ATMs, terminals, internet banking, mobile banking, cash collection service, call-center, payment card and delivery services.

Taking into account the Bank's current operational and financial performance along with other currently available public information, within the year ended 31 December 2020, the Bank adjusted macroeconomic indicators in estimates of expected credit losses. The Bank also considers negative development scenarios and is ready to adapt its operational plans accordingly. The Bank continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur. The financial statements reflect management's assessment of the impact of the Kyrgyz Republic business environment on the operations and the financial position of the Bank.

The standalone financial statements present management's views on the impact of the business environment in the Kyrgyz Republic on the operations and financial position of the National Bank. The actual impact of future economic conditions may differ from their management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance with IFRS with certain exceptions

In accordance with the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" the National Bank determines policies and methods of accounting for itself based on International Financial Reporting Standards ("IFRS").

These separate financial statements have been designed to present fairly the separate financial position of the National Bank and the results of its operations and have been prepared in accordance with the accounting policy of the National Bank. The accounting policy of the National Bank is based on IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") with the principal modifications as described below:

– gold is revalued based on the market value and the total net unrealised gain from the mark to market of gold and foreign currency assets and liabilities revaluation is recognised directly in other comprehensive income in equity. The total net unrealised loss from the mark to market of gold and foreign currency assets and liabilities revaluation is recognised in the separate statement of profit or loss except to the extent that it reverses a previous net unrealised gain, in which case it is recognised as other comprehensive income directly in equity. At the time of derecognition of gold and foreign currency assets and liabilities, the cumulative gain or loss previously recognised in equity is transferred to the separate statement of profit or loss on the basis of the weighted-average cost method;

2 BASIS OF PREPARATION, CONTINUED

(a) Statement of compliance with IFRS with certain exceptions, continued

– to perform the role and functions of a central bank Investments measured at fair value through other comprehensive income (Note 9) and Nostro accounts with foreign banks and international financial institutions (Note 7) are classified as "held to collect and sale", despite the absence of recent historic sales (Note 3 d (i));

– distribution of profit for the year is recognised once the independent external audit is completed and the annual report is approved by the Management Board of the National Bank, with prepayments recognised as an asset until approval.

The following modifications were also adopted during 2020 but their application would have no impact on comparative information, and therefore have been accounted for prospectively:

– investments in subsidiaries are a part of implementation of the financial system stability of the National Bank. As of each date of preparation of the annual financial statements, the value of investments in subsidiaries and associates is measured at cost in accordance with the internal regulatory documents of the National Bank. (Note 3 (e));

– expected credit losses (ECL) for Nostro accounts and Term Deposits with Foreign Banks (Note 7) is calculated based on the regulation "On classification of financial assets and liabilities and calculation of provisions for expected credit losses on financial assets of the National Bank of the Kyrgyz Republic" (Note 3 d (ii)), under which, in certain circumstances, the National Bank may use its judgement to determine the amount of ECL; The adoption of this modification had no significant impact on the financial statements for the year ended 31 December 2020.

These separate financial statements are the separate financial statements of the National Bank, the parent company of the Group.

Subsidiaries are not consolidated in these separate financial statements. Investments in subsidiaries are accounted at cost.

The National Bank also prepares consolidated financial statements of the National Bank and its subsidiaries. These separate financial statements should be read in conjunction with the consolidated financial statements, which were approved for issue by the Management Board of the National Bank on 6 April 2021.

These separate financial statements have been prepared on the assumption that the National Bank will continue operating in the foreseeable future.

(b) Basis of measurement

These separate financial statements are prepared on the historical cost basis except that gold and certain financial instruments are stated at fair value.

(c) Functional and presentation currency

Items included in the separate financial statements are measured in the currency of the primary economic environment in which the National Bank operates ("the functional currency"). The functional currency of the National Bank is the Kyrgyz Som, which, being the national currency of the Kyrgyz Republic, best reflects the economic substance of the majority of the operations conducted by the National Bank and related circumstances affecting their operations. Kyrgyz Som is also the presentation currency of these separate financial statements.

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

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting for gold

(i) Gold

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

Gold is accounted for at market value in the separate financial statements. Market value is determined by reference to the London Bullion Market Association Gold Price PM at the day preceding the reporting date. Gain on revaluation of gold is recognised directly in other comprehensive income in equity. Loss arising from revaluation is presented in the separate statement of profit or loss in the amount exceeding any accumulated gains previously recognised within comprehensive income in equity. Realised gain and loss on gold is subsequently recognised in the separate statement of profit or loss.

(ii) Non-monetary gold and gold reserves

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

Gold reserves are bullion that is in compliance with the standards of the London Bullion Market Association.

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

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

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the National Bank using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates 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. Foreign currency differences arising on retranslation are recognised as other comprehensive income in equity. Loss arising from revaluation is presented in the separate statement of profit or loss in the amount exceeding any accumulated gains previously recognised within comprehensive income in equity. 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. Realised gains and losses on foreign currencies are recorded in the separate statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Foreign currency transactions, continued

Foreign exchange rates

Foreign exchange rates used by the National Bank in preparing the separate financial statements as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Som/US Dollar	82.6498	69.6439
Som/Euro	101.3204	77.9803
Som/Special drawing rights	117.9311	96.0159
Som/Canadian Dollar	63.6223	53.1977
Som/Australian Dollar	62.2998	48.4952
Som/Great British Pound Sterling	111.0892	91.0661
Som/Chinese Renminbi	12.5477	9.9591
Som/Russian Ruble	1.1188	1.1250
Som/troy ounce gold	156 009.7625	105 493.0975

(c) Cash and cash equivalents

To determine cash flows, cash and cash equivalents include cash on hand in foreign currencies and unrestricted balances (nostro accounts) held with other banks with original maturities within three months which are subject to insignificant risk of changes in their fair value, and are used by the National Bank in the management of short-term commitments.

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

(d) Financial assets

Financial assets are stated in the separate statement of the financial position of the National Bank when the National Bank becomes a party to the contract in respect of the relevant financial instrument. The National Bank recognises regular way acquisitions and sales of financial assets using settlement date accounting.

(i) Classification and measurement of financial assets

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

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVOCI.

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

(i) Classification and measurement of financial assets, continued

- All other debt instruments (e.g. debt instruments measured at fair value or held for sale) and equity investments are subsequently measured at FVTPL.

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

- The National Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; as well as
- The National Bank may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Financial assets measured at amortised cost. The business model of holding an asset to collect the contractual cash flows implies that the financial assets are managed to collect principal and interest payments over the life of the financial instrument. Within this business model, holding the financial asset till maturity is the priority, but early sale is not prohibited.

Financial assets measured at amortised cost include the following assets:

- Gold in deposits with foreign banks (Note 6);
- Term deposits in foreign banks, term deposits in international financial institutions and cash on hand in foreign currencies (Note 7);
- Loans to banks and international organisations (Note 8);
- Securities of the Government of the Kyrgyz Republic, including Treasury bills of the Ministry of Finance of the Kyrgyz Republic (Note 10); and
- Accounts receivable (Note 14).

After initial measurement, financial assets at amortised cost are measured using the effective interest method less any impairment losses.

Financial assets at fair value through other comprehensive income The business model of holding an asset both to collect the contractual cash flows and to sell the financial asset assumes that purpose of managing the financial asset is both obtaining contractual cash flows and selling the financial asset. Under this business model, the receipt of cash from the sale of the financial asset is a priority, which is distinguished by a higher frequency and volume of sales compared to the business model ‘Holding an asset to obtain the contractual cash flows’.

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

- Nostro accounts with foreign banks and international financial institutions (Note 7);

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

(i) Classification and measurement of financial assets, continued

- Investments in state (sovereign) and agency debt instruments, as well as debt instruments of international financial institutions (Note 9).

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

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

The fair value of financial assets measured at FVOCI is determined under IFRS 13 *Fair value measurement* (“IFRS 13”).

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

Financial assets at fair value through profit or loss All other debt instruments (e.g. debt instruments measured at fair value or held for sale) and equity investments, after initial recognition, are subsequently measured at FVTPL.

The fair value of financial assets measured at FVOCI is determined under IFRS 13 *Fair value measurement* (“IFRS 13”).

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

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

(ii) Measurement of expected credit losses for assets

General approach to recognition of expected credit losses. The National Bank recognises allowances for expected credit losses (ECL) on the following financial assets that are not measured at FVTPL:

- Due from banks and other financial institutions (Note 7);
- Loans to banks and international organisations (Note 8);
- Investments measured at fair value through other comprehensive income (Note 9);
- Investments at amortised cost (Note 10);

Accounts receivable (Note 14).

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

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

No impairment loss is recognised on equity instruments.

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

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

For all other financial instruments, the National Bank recognises an allowance of the full value of credit losses expected over the entire term of a financial instrument, in the event of a significant credit risk increase from the moment the instrument was initially recognised. In all remaining cases, provisions for expected credit losses equal the amount of credit losses expected in the coming 12 months.

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

The following formula is used to calculate ECL:

ECL = EAD * LGD * PD, where

ECL – expected credit loss;

EAD – exposure at default;

LGD – loss given default;

PD – probability of default.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

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

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

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

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

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

Approach to identifying significant increase in credit risk. Indicators of significant increase of credit risk for these assets are as follows:

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

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

Estimation of expected credit losses on due from banks and other financial institutions, continued

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

Account description	ECL Formula	Inputs into formula
1. Nostro accounts in banks and other financial institutions	ECL = EAD x LGD x PD	EAD = Average counterparty balance for the preceding 12 months
		LGD = 0.6 for Sovereign banks and 0.75 for Commercial banks
		PD = Moody's Investor Service
2. Deposits in banks and other financial institutions and current accounts held under intergovernmental agreements	ECL_banks = EAD_banks x LGD_banks x PD_banks	EAD_banks = Weighted average EAD on current accounts of intergovernmental agreements and deposits, or present value of future cash flows on deposits
		LGD_banks = 0.6 for Sovereign and 0.75 for commercial
		PD_banks = derived from Moody's data
		PD banks is adjusted by a coefficient derived from factors comprising GDP Growth Forecast, Output Gap, Provision rate, Unexpected Change. The factor includes significant management judgement and unobservable inputs. Based on conditions as at the financial statement issuance date, there was no impact on PD as a result of this adjustment coefficient.

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

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

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

LGD =100% – RR, where

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

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

If factors arise that may significantly affect the level of credit risk of assets in a foreign currency, the calculation of expected credit losses may be adjusted.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

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

Estimation of expected credit losses on due from banks and other financial institutions, continued

Adjustment for calculation of expected credit losses is made only if the probability of default (PD) calculated on the basis of data provided by the international rating agencies, based on the judgement of the National Bank, does not sufficiently take the effect of market conditions on the level of credit risk of bank placements into consideration.

Factors that may significantly affect the level of credit risk of financial assets include the deterioration of macroeconomic conditions in the global economy and other negative changes in the environment that lead to the deterioration of the financial condition of the holders of assets of the National Bank.

The criterion for a significant deterioration of macroeconomic conditions in the world is the reduction of economic activity to or below the level of periods of global financial and economic shocks of crisis years.

Estimation of expected credit losses for securities of the Government of the Kyrgyz Republic

Approach to identifying significant increase in credit risk. Indicator of significant increase in credit risk for securities of the Government of the Kyrgyz Republic is a decrease in the sovereign rating of the Kyrgyz Republic by 2 (two) or more levels in accordance with scale of an international rating agency within one year (in the last 12 months).

Indicator of credit impairment of securities of the Government of the Kyrgyz Republic is breach of contractual obligations for a period of more than 30 days without taking into account the officially granted period of deferment of payments.

Calculation of expected credit losses on securities of the Government of the Kyrgyz Republic.

EAD for the securities of the Government of the Kyrgyz Republic is equal to the present value of the principal amount balance of securities and interest receivable in future.

LGD for securities of the Government of the Kyrgyz Republic is calculated based on the sovereign rating of the Kyrgyz Republic.

To determine the PD of securities of the Government of the Kyrgyz Republic, weighted cumulative default rates are used, corresponding to the sovereign rating of the Kyrgyz Republic.

Estimation of expected credit losses for government securities of other countries

Approach to identifying significant increase in credit risk. Indicator of significant increase in credit risk for government securities of other countries is a decrease in the sovereign rating of these countries by 2 (two) or more levels in accordance with scale of an international rating agency within one year (in the last 12 months).

Indicators of credit impairment government securities of other countries are:

- Default, i.e. the inability or failure of the counterparty to fulfil its obligations;
- Delay in fulfilment of obligations over 30 days;
- A contractor's request for debt restructuring;

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

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

Estimation of expected credit losses for government securities of other countries, continued

- Assignment to the counterparty of the rating D/Default, partial/selective default (RD/SD) by one or several rating agencies;
- Other negative information obtained from reliable sources, which is an indicator of the significant financial difficulties of the counterparty, which does not allow him to fulfil obligations under an agreement with the National Bank.

<u>Calculation of expected credit losses on government securities of other countries</u>.

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

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

LGD =100% – RR, where

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

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

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

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

<u>Approach to identifying significant increase in credit risk.</u> If value of PD of a bank organisation in the reporting period is among the banks with the highest PD throughout the banking system of the Kyrgyz Republic over the past 60 months, this fact is regarded as a significant increase in credit risk of the bank.

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

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

Calculation of expected credit losses on loans to banks and other financial organisations.

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

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

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

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

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

EAD – exposure at default;

Collateral_i – value of a specific type of collateral;

Disc_factor_i – discount rate corresponding to a specific type of collateral.

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

(iii) Presentation of Expected Credit losses in the Statement of financial position.

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

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at fair value through other comprehensive income (FVOCI): no impairment allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the impairment allowance is included as part of the revaluation amount in the revaluation reserve for investments at fair value.

(iv) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

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

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

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial assets, continued

(iv) Modification and derecognition of financial assets, continued

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

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

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

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

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

(e) Impairment of non-financial assets

Other non-financial assets, other than deferred taxes and investments in subsidiaries and associated companies, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

(f) Investments in subsidiaries and associates

Investments in subsidiaries are carried at cost, except for investments in associates measured at cost less impairment losses.

For investments in associates, at each reporting date, the National Bank performs an impairment test of the carrying amount of investment, and such expenses are included in other expenses in the separate statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Investments in subsidiaries and associates, continued

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

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

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

(g) Property, plant and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses in the separate statement of profit or loss. 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.

(ii) Depreciation

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

Buildings	75 years;
Constructions	20 years;
Furniture and equipment	5–7 years;
Computer equipment	5–7 years;
Motor vehicles	5–7 years;

(h) Intangible assets

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

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

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are from 5 to 7 years.

(i) Financial liabilities

Financial liabilities are recorded in the separate statement of the financial position of the National Bank when the National Bank becomes a party to the contract in respect of the relevant financial instrument. The National Bank recognises regular way acquisitions and sales of financial liabilities using settlement date accounting.

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

CONTENT

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(i) Financial liabilities, continued

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

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

(j) Banknotes and coins in circulation

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

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

(k) Charter capital and reserves

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

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

(l) Taxation

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

Subsidiaries and associates are payers for all types of taxes.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(l) Taxation, continued

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

(m) Income and expense recognition in the financial statements

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

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

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

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

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

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

(n) Fiduciary assets

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

(o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

4 ADOPTION OF NEW AND REVISED IFRSS

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application if permitted. However, the National Bank has not early adopted the new or amended standards in preparing these separate financial statements.

The following new and amended standards are not expected to have a significant impact on the Bank's separate financial statements:

Amendment to IFRS 16	*COVID-19-Related Rent Concessions*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IFRS 3	*Reference to Conceptual Framework*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 37	*Onerous contracts – Cost of Fulfilling a Contract*

5 SIGNIFICANT ASSUMPTIONS AND SOURCES OF UNCERTAINTY IN ESTIMATES

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

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

Significant assumptions

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The National 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 National Bank monitors financial assets 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 National 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.

5 SIGNIFICANT ASSUMPTIONS AND SOURCES OF UNCERTAINTY IN ESTIMATES, CONTINUED

Significant increase in credit risk. As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL (for Stage 1 assets) or lifetime ECL (for Stage 2 or Stage 3 assets). An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the National Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The appropriateness of the credit risk characteristics is monitored on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used. The National Bank uses various models and assumptions in measuring the ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Sources of uncertainty in the estimates

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario. When measuring ECL the National Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD). PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD). LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

6 GOLD

	31 December 2020	31 December 2019
Gold		
Gold in deposits with foreign banks and in bullion	84 129 763	48 833 361
	84 129 763	**48 833 361**

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

6 GOLD, CONTINUED

Concentration of gold on deposits in foreign banks

As at 31 December 2020 the National Bank did not place gold in deposits with foreign banks (2019: the National Bank placed gold in deposits with foreign banks with a credit rating of AA- and A +).

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

	31 December 2020	31 December 2019
Placements with foreign banks and other financial institutions		
Nostro accounts with foreign banks		
- rated AAA	21 805 101	28 395 023
- rated from A- to AA+	8 242 894	7 188 325
- rated from B to BBB	630 932	950 758
Total nostro accounts with foreign banks	**30 678 927**	**36 534 106**
Loss allowance	(15)	(5 656)
	30 678 912	**36 528 450**
Term deposits with foreign banks		
- rated from AA- to AA+	8 081 829	16 739 443
- rated from A- to A+	13 348 197	15 066 039
- not rated	-	255 424
Total term deposits with foreign banks	**21 430 026**	**32 060 906**
Loss allowance	(1 754)	(257 336)
	21 428 272	**31 803 570**
Account with the International Monetary Fund (IMF)	10 357 826	10 261 522
Accounts with the Bank for International Settlements (BIS)		
- Nostro accounts with BIS	8 218 244	3 442 789
- Term deposit with BIS	1 040 728	3 395 668
Total accounts with international financial institutions	**19 616 798**	**17 099 979**
Loss allowance	-	(2)
	19 616 798	**17 099 977**
Cash on hand in foreign currencies	3 322 681	1 458 958
Total cash on hand, due from banks and other financial institutions	**75 046 663**	**86 890 955**

Concentration of due from banks and other financial institutions

As at 31 December 2020, the National Bank has balances with four banks and other financial institutions rated from AAA to A- (2019: eight banks and other financial institutions rated from AAA to A-), whose amounts exceed 10% of equity. The gross value of these balances as at 31 December 2020 is KGS 46 336 670 thousand (2019: KGS 72 277 926 thousand).

Movement in the allowance for loss allowances is disclosed in Note 22.

Cash and cash equivalents

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

	31 December 2020	31 December 2019
Nostro accounts with foreign banks	30 678 927	36 534 106
Account with the IMF	10 357 826	10 261 522
Nostro accounts with BIS	8 218 244	3 442 789
Cash on hand in foreign currencies	3 322 681	1 458 958
Cash and cash equivalents in the separate statement of cash flows	**52 577 678**	**51 697 375**

None of cash and cash equivalents are past due.

8 LOANS TO BANKS AND INTERNATIONAL ORGANISATIONS

	31 December 2020	31 December 2019
Loans issued to resident commercial banks	4 363 168	3 764 337
Loans issued to international organisations	2 750 682	2 550 682
Loans issued to banks owned by the Government of the Kyrgyz Republic	2 268 675	1 394 037
	9 382 525	**7 709 056**
Los allowance	(374 933)	(176 363)
Loans issued net of loss allowance	**9 007 592**	**7 532 693**

Interest received during the year on loans issued to commercial banks owned by the Government of the Kyrgyz Republic was KGS 89 632 thousand. These balances are receivable within 12 months. Movement in the allowance for loss allowances is disclosed in Note 22.

Analysis of collateral

The following table provides information on collateral securing loans issued to resident commercial banks and international organisations by types of collateral as at 31 December 2020 and 2019, excluding the effect of overcollateralization.

	31 December 2020	% of loan portfolio	31 December 2019	% of loan portfolio
Deposits in foreign currencies	4 043 591	45	2 740 578	36
Loans to customers	2 832 648	31	2 584 305	34
State securities	2 131 353	24	2 097 016	28
Real estate	-	-	110 794	2
	9 007 592	**100**	**7 532 693**	**100**

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

Concentration of loans extended

As at 31 December 2020 and 2019 the National Bank does not have loans issued to commercial banks whose balances exceed 10% of its own equity.

9 INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020	31 December 2019
Debt instruments		
State securities		
Government of Canada Treasury bills	5 916 233	3 150 377
Government of Great Britain Treasury bills	999 866	1 273 293
Government of the Republic of Korea Treasury bills	-	598 533
Government of the United States of America Treasury bills	-	351 226
Total government securities	**6 916 099**	**5 373 429**
Debt securities of international financial institutions	41 145 897	21 366 444
Agency securities with credit rating AAA	24 876 847	6 243 283
Total debt instruments	**72 938 843**	**32 983 156**

As at 31 December 2020 and 2019 investments measured at fair through other comprehensive income are not past due.

10 INVESTMENTS AT AMORTISED COST

	31 December 2020	31 December 2019
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	3 021 258	127 014
Loss allowance	(54 046)	(1 962)
	2 967 212	**125 052**

Movement in the allowance for loss is disclosed in Note 22.

CONTENT

11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The movement of investments in subsidiaries and associates is as follows:

	Carrying amount
31 December 2018	**763 079**
Acquisition of shares of subsidiary	3 216 575
Acquisition of shares of associate	550 000
Share of profits of associates	140 100
31 December 2019	**4 669 754**
Acquisition of shares of subsidiary	7 358 000
Share of profits of associates	8 562
31 December 2020	**12 036 316**

Investments in subsidiaries and associates	Type of activity	Share of ownership, %	31 December 2020	Share of ownership, %	31 December 2019
OJSC Keremet Bank	Bank services	97.45	7 994 574	95.07	3 794 575
OJSC Guarantee Fund	Warranty Services	85.91	3 550 000	48.59	564 999
CJSC Kyrgyz Cash Collection	Transportation of valuables	100.00	220 000	100.00	62 000
CJSC Interbank Process Center	Processing services	46.71	271 742	46.71	248 180
			12 036 316		**4 669 754**

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

On 25 March 2020 and 30 December 2020, as part of the rehabilitation of activities and achievement of strategic objectives of OJSC Keremet Bank, the National Bank increased its share in its charter capital by KGS 4 200 000 thousand. The National Bank's share in the charter capital of OJSC Keremet Bank is 97.45% and the net assets of OJSC Keremet Bank as at 31 December 2020 are KGS 6 503 246 thousand.

On 4 June 2020 and 16 December 2020, to support subjects of entrepreneurial activity, the National Bank purchased shares of the fifth and sixth issues of OJSC Guarantee Fund in the amount of KGS 3 000 000 thousand thus having increased its share to 85.91%.

On 22 July 2020 to support activity of CJSC Kyrgyz Cash Collection, the National Bank decided to increase the charter capital of CJSC Kyrgyz Cash Collection through issue of shares for the amount of KGS 158 000 thousand.

12 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/ equipment not yet installed	Total
Cost						
Balance at 1 January 2020	**731 144**	**613 112**	**766 030**	**69 910**	**362 573**	**2 542 769**
Additions	820	5 909	24 047	8 470	113 706	152 952
Disposals	(1 007)	(35 016)	(92 173)	(3 031)	(218)	(131 445)
Movements	179 269	3 088	(626)	-	(26 051)	155 680
Balance at 31 December 2020	**910 226**	**587 093**	**697 278**	**75 349**	**450 010**	**2 719 956**
Depreciation						
Balance at 1 January 2020	**(132 843)**	**(180 383)**	**(398 499)**	**(33 736)**	**-**	**(745 461)**
Depreciation for the year	(13 969)	(83 157)	(101 633)	(9 835)	-	(208 594)
Disposals	935	33 572	91 573	3 031	-	129 111
Balance at 31 December 2020	**(145 877)**	**(229 968)**	**(408 559)**	**(40 540)**	**-**	**(824 944)**
Carrying amount						
At 31 December 2020	**764 349**	**357 125**	**288 719**	**34 809**	**450 010**	**1 895 012**

CONTENT

12 PROPERTY, PLANT AND EQUIPMENT, CONTINUED

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/ equipment not yet installed	Total
Cost						
Balance at 1 January 2019	**713 987**	**335 180**	**899 628**	**75 045**	**356 090**	**2 379 930**
Additions	10 389	22 705	6 538	8 638	310 026	358 296
Disposals	(5 353)	(28 783)	(19 620)	(13 773)	-	(67 529)
Movements	12 121	284 010	3 797	-	(299 928)	-
Transfers	-	-	(124 313)	-	(3 615)	(127 928)
Balance at 31 December 2019	**731 144**	**613 112**	**766 030**	**69 910**	**362 573**	**2 542 769**
Depreciation						
Balance at 1 January 2019	**(122 258)**	**(163 906)**	**(348 502)**	**(37 940)**	**-**	**(672 606)**
Depreciation for the year	(11 385)	(44 775)	(115 652)	(9 569)	-	(181 381)
Disposals	800	28 298	19 620	13 773	-	62 491
Transfers	-	-	46 035	-	-	46 035
Balance at 31 December 2019	**(132 843)**	**(180 383)**	**(398 499)**	**(33 736)**	**-**	**(745 461)**
Carrying amount						
At 31 December 2019	**598 301**	**432 729**	**367 531**	**36 174**	**362 573**	**1 797 308**

During 2020, there were no property, plant and equipment transferred to intangible assets (in 2019: property, plant and equipment with cost of KGS 127 928 thousand and accumulated depreciation of KGS 46 035 thousand were transferred to intangible assets).

During 2020 and 2019, there were no capitalised borrowing costs associated with the acquisition or construction of property, plant and equipment.

13 NON-MONETARY GOLD AND GOLD RESERVES

	31 December 2020	31 December 2019
Gold reserves	12 627 098	3 172 449
Non-monetary gold	881 927	3 554 792
	13 509 025	**6 727 241**

During 2020, the National Bank conducted operations to purchase gold that is not part of international reserves with the aim of forming reserves of the National Bank in the framework of the development prospects of the domestic precious metals market. Non-monetary gold and gold reserves do not participate in the National Bank's active investment operations and are not part of the National Bank's investment assets in gold.

As at 31 December 2020 the fair value of gold reserves is KGS 13 248 236 thousand (2019: KGS 3 254 424 thousand).

14 OTHER ASSETS

	31 December 2020	31 December 2019
Accounts receivable	448 527	368 429
Loss allowance	(49 344)	(41 277)
Total other financial assets	**399 183**	**327 152**
Advances paid	2 028 134	97 998
Inventories	722 309	480 986
Numismatic items	53 393	97 296
Other	6 872	7 435
Total other non-financial assets	**2 810 708**	**683 715**
	3 209 891	**1 010 867**

Movements in loss allowance are disclosed in Note 22.

Advances paid comprise prepayment of a part of the current year profit to the budget of the Government of the Kyrgyz Republic in the amount of KZS 2 000 000 thousand that will be recognised as a distribution in 2021, in accordance with the accounting policy disclosed in note 2 (a).

15 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2020 and 2019, banknotes and coins in circulation comprise:

	31 December 2020	31 December 2019
Banknotes and coins in circulation	137 455 778	108 174 429
Less banknotes and coins on hand and in cash desk	(2 826 617)	(1 929 675)
	134 629 161	**106 244 754**

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

16 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Current accounts of commercial banks	20 041 571	14 050 447
Current accounts of commercial banks owned by the Government of the Kyrgyz Republic	4 886 824	4 773 093
Current accounts of other financial institutions	3 912 214	3 056 457
	28 840 609	**21 879 997**

As at 31 December 2020, commercial banks have no balances with the National Bank that exceed 10 percent of equity (in 2019: two commercial banks with gross amount of these balances of KGS 6 391 035 thousand). Interest paid during the year on amounts due to commercial banks owned by the Government of the Kyrgyz Republic was KGS 66 567 thousand. These balances are payable within 12 months.

17 DUE TO THE GOVERNMENT OF THE KYRGYZ REPUBLIC

Due to the Government of the Kyrgyz Republic comprise accounts of the Ministry of Finance of the Kyrgyz Republic.

	31 December 2020	31 December 2019
In foreign currency	10 187 013	12 067 219
In national currency	6 561 512	4 965 935
	16 748 525	**17 033 154**

18 DEBT SECURITIES ISSUED

As at 31 December 2020 and 2019 debt securities issued include securities with the following maturities and carrying amounts:

	31 December 2020	31 December 2019
Notes of the National Bank with a term of 7 days	999 332	-
Notes of the National Bank with a term of 14 days	4 325 046	3 896 726
Notes of the National Bank with a term of 28 days	5 614 944	3 599 202
Notes of the National Bank with a term of 91 days	2 051 341	552 573
	12 990 663	**8 048 501**

The National Bank is entitled to issue notes and conduct all kinds of operations with them in accordance with accepted international practice in order to conduct its monetary policy. The notes of the National Bank are placed through the Automated Trading System of the National Bank, members of which are commercial banks in the Kyrgyz Republic. The amount of debt securities issued to commercial banks owned by the Government of the Kyrgyz republic as at 31 December 2020 is KGS 1 887 309 thousand (in 2019 KGS 399 674 thousand).

19 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	31 December 2020	31 December 2019
Liabilities to the IMF in respect of SDR allocations	9 994 865	8 146 676

19 LIABILITIES TO T-HE IMF IN RESPECT OF SDR ALLOCATIONS, CONTINUED

Special Drawing Rights (SDR) allocation is a distribution of SDR amounts to IMF members by decision of the IMF. A general SDR allocation became effective 28 August 2009. The allocation is a cooperative monetary response to the global financial crisis by the provision of significant unconditional financial resources to liquidity constrained countries, which have to smooth the need for adjustment and add to the scope for expansionary policies, designed to provide liquidity to the global economic system by supplementing the IMF member countries' foreign exchange reserves. The general SDR allocations were made to IMF members in proportion to their existing IMF quotas (Note 27). Separately, on 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force to boost global liquidity. According to the amendment, a special allocation was made to IMF members, which includes the Kyrgyz Republic, on 9 September 2009. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Kyrgyz Republic received the right to use SDR allocations in the amount of SDR 84 737 thousand. In 2020 and 2019, this right has not yet been utilised. The interest rate is determined weekly by the IMF, and is the same for all recipients of SDR allocations in the world.

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

			Non-cash changes		
	1 January 2020	**Cash flow from financing activities (i)**	**Foreign currency exchange rate adjustment**	**Other changes (ii)**	**31 December 2020**
Liabilities to the IMF in respect of SDR allocations	8 146 676	-	1 857 713	(9 524)	9 994 865
	8 146 676	**-**	**1 857 713**	**(9 524)**	**9 994 865**

			Non-cash changes		
	1 January 2019	**Cash flow from financing activities (i)**	**Foreign currency exchange rate adjustment**	**Other changes (ii)**	**31 December 2019**
Liabilities to the IMF in respect of SDR allocations	8 222 162	-	(71 340)	(4 146)	8 146 676
	8 222 162	**-**	**(71 340)**	**(4 146)**	**8 146 676**

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

(ii) Other changes include accruals and interest payments.

20 CHARTER CAPITAL

Paid-in capital

In accordance with the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" charter capital of the National Bank amounts to KGS 2 000 000 thousand.

Distribution to the state budget and obligatory reserve

In accordance with the Law "On amendment of the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" the National Bank's profit shall be distributable as follows:

- if the amount of the National Bank's charter capital and obligatory reserve is less than 10% of the monetary liabilities of the National Bank, then 90% of profit shall be distributed to the state budget of the Kyrgyz Republic. The remaining profit, after distributions to the state budget, shall be transferred to the National Bank's obligatory reserve;
- if the amount of the National Bank's charter capital and obligatory reserve equals or exceeds 10% of the monetary liabilities of the National Bank, then 100% of profit shall be transferred to the state budget of the Kyrgyz Republic.

In accordance with the Clause 23 of the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity", profit shall be distributed upon the financial year end, once the independent external audit is completed and the annual report is approved by the Management Board of the National Bank.

On 24 July 2020, the net profit of the National Bank for 2019 was approved in the amount of KGS 2 565 273 thousand and distributed to the state budget of the Kyrgyz Republic in full (in 2019: net profit for 2018 was approved in the amount of KGS 2 103 936 thousand, of which KGS 1 893 543 thousand were transferred to the state budget of the Kyrgyz Republic).

The amounts of distribution to the state budget and obligatory reserve are excluded from the cash flow statement due to the fact that these amounts were recorded as an increase in funds due to the Government of the Kyrgyz Republic.

Capital management

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

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

No external capital requirements exist for the National Bank, except for the size of the charter capital stipulated by the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity", which is KGS 2 000 000 thousand.

21 NET INTEREST INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income		
Investments at fair value through other comprehensive income	469 263	781 621
Term deposits in foreign banks and international financial institutions	441 906	937 548
Loans to banks and international organisations	384 515	389 350
Nostro accounts with foreign banks and international financial institutions	130 159	547 392
Investments at amortised cost	30 506	11 533
Other	64	4 430
	1 456 413	**2 671 874**
Interest expense		
Debt securities issued	(550 365)	(347 293)
Due to banks and other financial institutions	(105 438)	(58 393)
Unwinding of discount on other assets	(95 628)	(58 398)
Liabilities to the IMF in respect of SDR allocations	(17 391)	(81 269)
Other	(22 351)	(8 458)
	(791 173)	**(553 811)**
	665 240	**2 118 063**

During 2020 the total interest income calculated using the effective interest rate method for financial assets at FVOCI is KGS 599 422 thousand (in 2019: KGS 1 329 013 thousand) and for financial assets at amortised cost is KGS 856 991 thousand (in 2019: KGS 1 342 861 thousand). During the year 2020 the total interest expense calculated using the effective interest rate method for financial liabilities at amortised cost is KGS 791 173 thousand (in 2019: KGS 553 811 thousand).

22 LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES

	Cash on hand, due from banks and other financial institutions (Notes 7)			Loans to banks and international organisations (Note 8)				Investments at fair value through other comprehensive income		Investments at amortised cost (Note 10)	Other assets (Note 14)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Originated or purchased credit-impaired financial assets	Stage 1	Stage 2	Stage 1	Stage 1	Stage 3	Total
Loss allowance for expected credit losses as at 1 January 2020	**5 173**	**2 397**	**255 424**	**-**	**1 528**	**127 039**	**47 796**	**10**	**-**	**1 962**	**619**	**40 658**	**482 606**
Changes in the loss allowance													
– Transfer to stage 1	2 260	(2 260)	-	-	-	-	-	-	-	-	-	-	-
Net changes/recovery, resulting from changes in credit risk parameters	-	(137)	-	-	(1 528)	-	(47 796)	-	-	-	-	(384)	(49 845)
(Write-off) of assets at the expense of provisions	-	-	(303 297)	-	-	94	-	-	-	-	-	-	(303 203)
New financial assets originated or purchased	266 205	-	-	213 297	13 518	-	-	11	-	53 115	6 772	3 519	556 437
Repayments	(271 869)	-	-	-	-	(2 614)	-	(10)	-	(1 031)	-	(1 838)	(277 362)
Changes in exchange rates and other changes	-	-	47 873	-	-	23 599	-	-	-	-	-	(2)	71 470
Loss allowance for expected credit losses as at 31 December	**1 769**	**-**	**-**	**213 297**	**13 518**	**148 118**	**-**	**11**	**-**	**54 046**	**7 391**	**41 953**	**480 103**

22 LOSS ALLOWANCES FOR EXPECTED CREDIT LOSSES, CONTINUED

	Cash on hand, due from banks and other financial institutions (Notes 7)			Loans to banks and international organisations (Note 8)				Investments at fair value through other comprehensive income		Investments at amortised cost (Note 10)	Other assets (Note 14)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Originated or purchased credit-impaired financial assets	Stage 1	Stage 2	Stage 1	Stage 1	Stage 3	Total
Loss allowance for expected credit losses as at 1 January 2019	**6 073**	**2 132**	**269 932**	**548**	**-**	**127 415**	**164 856**	**28**	**222**	**3 061**	**327**	**18 834**	**593 428**
Changes in the loss allowance													
- Transfer to Stage 1	50	(50)	-	-	-	-	-	-	-	-	-	-	-
- Transfer to Stage 2	(177)	177	-	(1 528)	1 528	-	-	-	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-	-	-	-	-	-	(21 788)	21 788	-
Net changes, resulting from changes in credit risk parameters	-	138	-	980	-	-	-	-	-	-	-	-	1 118
New financial assets originated or purchased	1 920	-	-	-	-	-	-	10	-	-	22 080	-	24 010
Repayments	(2 693)	-	(13 729)	-	-	(99)	(117 060)	(28)	(222)	(1 099)	-	-	(134 930)
Changes in exchange rates and other changes	-	-	(779)	-	-	(277)	-	-	-	-	-	36	(1 020)
Loss allowance for expected credit losses as at 31 December	**5 173**	**2 397**	**255 424**	**-**	**1 528**	**127 039**	**47 796**	**10**	**-**	**1 962**	**619**	**40 658**	**482 606**

CONTENT

23 NET REALISED GAIN ON FOREIGN CURRENCIES AND GOLD OPERATIONS

	Year ended 31 December 2020	Year ended 31 December 2019
Realised gain from operations with foreign currencies and gold	8 870 337	1 420 954
Income from spot transactions	508 529	28 887
	9 378 866	**1 449 841**

24 ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Personnel expenses		
Employee compensation	532 691	459 718
Payments to the Social fund	91 613	79 363
	624 304	**539 081**
Depreciation and amortisation	284 212	230 660
Repair and maintenance	123 234	140 400
Security	49 198	38 104
Communications and information services	26 188	24 677
Publication and subscription	18 148	8 040
Professional services	16 062	12 159
Expenses for social events	6 695	9 928
Office supplies and stationery	5 379	4 011
Business trip expenses	2 483	10 077
Staff training	2 075	9 378
Other	9 130	14 284
	1 167 108	**1 040 799**

25 RISK MANAGEMENT

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

(a) Risk management policies and procedures

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

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

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

25 RISK MANAGEMENT, CONTINUED

(a) Risk management policies and procedures, continued

In accordance with Investment Strategy on International Reserve Management of the National Bank (the "Investment Strategy") approved by the Board on 18 December 2019, the main goals of risk management are safety and liquidity of the assets and profitability growth of the National Bank. Operations are conducted within the limitations imposed by this Investment strategy.

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of 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.

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

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

(i) Interest rate risk

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

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2020 and 2019. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates, continued

	Weighted average effective interest rate,% 31 December 2020	Weighted average effective interest rate,% 31 December 2019
Interest-bearing assets		
Gold		
Gold in accounts with foreign banks	-	0.01
Due from banks and other financial institutions		
Nostro accounts		
- USD	0.003	1.46
- EUR	(0.51)	(0.51)
- CAD	0.01	0.45
- GBP	-	0.04
- CNY	1.90	2.40
- NOK	0.01	1.25
- SGD	-	0.05
- KRW	0.10	0.10
- CHF	(1.32)	(1.19)
- SDR	0.08	0.74
Term deposits		
- USD	0.24	1.98
- CAD	0.15	1.65
- GBP	0.04	0.83
- AUD	0.06	1.14
- RUB	3.01	5.78
- CNY	2.49	2.54
- NOK	-	1.63
- SGD	0.03	1.44
- KRW	-	1.46
Loans to banks and international organisations		
- KGS	4.89	4.60
Investments at fair value through other comprehensive income		
- USD	0.30	1.94
- AUD	0.08	0.78
- CAD	0.23	1.72
- GBP	0.02	0.73
- CNY	2.86	-
- KRW	-	1.49
Investments at amortised cost		
- KGS	11.11	6.35
Interest bearing liabilities		
Debt securities issued		
- KGS	4.71	4.06
Liabilities to the IMF in respect of SDR allocations	0.08	0.74

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets measured at fair value through other comprehensive income due to changes in the interest rates based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 10 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2020		31 December 2019	
	Profit or loss	**Comprehensive income and equity**	**Profit or loss**	**Comprehensive income and equity**
10 bp parallel rise	-	(41 191)	-	(13 977)
10 bp parallel fall	-	46 511	-	18 228

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

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

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk

The National 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 currency exchange rates. Although the National Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2020 is presented in the table below:

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2020
Financial assets											
Cash on hand, due from banks and other financial institutions	-	37 586 254	4 699 249	1 851 605	3 936 244	10 357 826	1 717 407	11 116 884	2 032 633	1 748 561	75 046 663
Loans to banks and international organisations	9 007 592	-	-	-	-	-	-	-	-	-	9 007 592
Investments at fair value through other comprehensive income	-	64 498 418	-	5 998 966	697 291	-	999 866	744 302	-	-	72 938 843
Investments at amortised cost	2 967 212	-	-	-	-	-	-	-	-	-	2 967 212
Other financial assets	399 183	-	-	-	-	-	-	-	-	-	399 183
Total financial assets	**12 373 987**	**102 084 672**	**4 699 249**	**7 850 571**	**4 633 535**	**10 357 826**	**2 717 273**	**11 861 186**	**2 032 633**	**1 748 561**	**160 359 493**

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

	KGS	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2020
Financial liabilities											
Banknotes and coins in circulation	134 629 161	-		-	-	-	-	-	-	-	134 629 161
Due to banks and other financial institutions	22 178 743	6 298 632	363 234	-	-	-	-	-	-	-	28 840 609
Due to the Government of the Kyrgyz Republic	6 561 513	8 731 714	1 295 742	-	-	-	-	-	150 715	8 841	16 748 525
Debt securities issued	12 990 663	-	-	-	-	-	-	-	-	-	12 990 663
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	9 994 865	-	-	-	-	9 994 865
Other financial liabilities	90 116	-	2 005	-	-	-	-	-	-	-	92 121
Total financial liabilities	**176 450 196**	**15 030 346**	**1 660 981**	**-**	**-**	**9 994 865**	**-**	**-**	**150 715**	**8 841**	**203 295 944**
Net balance sheet position	**(164 076 209)**	**87 054 326**	**3 038 268**	**7 850 571**	**4 633 535**	**362 961**	**2 717 273**	**11 861 186**	**1 881 918**	**1 739 720**	**(42 936 451)**

CONTENT

CONTENT

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2019 is presented in the table below:

	KGS	Gold	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2019
Financial assets												
Gold in deposits	-	8 765 609	-	-	-	-	-	-	-	-	-	8 765 609
Cash on hand, due from banks and other financial institutions	-	-	52 148 573	1 770 868	3 358 558	1 541 032	10 261 521	994 489	9 355 966	2 401 090	5 058 858	86 890 955
Loans to banks and international organisations	7 532 693	-	-	-	-	-	-	-	-		-	7 532 693
Investments at fair value through other comprehen-sive income	-	-	25 918 925	-	3 150 377	2 042 029	-	1 273 293	-		598 532	32 983 156
Investments at amortised cost	125 052	-	-	-	-	-	-	-	-		-	125 052
Other financial assets	327 152	-	-	-	-	-	-	-	-		-	327 152
Total financial assets	**7 984 897**	**8 765 609**	**78 067 498**	**1 770 868**	**6 508 935**	**3 583 061**	**10 261 521**	**2 267 782**	**9 355 966**	**2 401 090**	**5 657 390**	**136 624 617**

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

	KGS	Gold	USD	EUR	CAD	AUD	SDR	GBP	CNY	RUB	Other currencies	Total 31 December 2019
Financial liabilities												
Banknotes and coins in circulation	106 244 754	-	-	-	-	-	-	-	-	-	-	106 244 754
Due to banks and other financial institutions	17 684 186	-	4 187 623	8 188	-	-	-	-	-	-	-	21 879 997
Due to the Government of the Kyrgyz Republic	4 965 935	-	10 956 579	971 466	-	-	-	-	-	130 712	8 462	17 033 154
Debt securities issued	8 048 501	-	-	-	-	-	-	-	-	-	-	8 048 501
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	-	8 146 676	-	-	-	-	8 146 676
Other financial liabilities	72 026	-	16 106	540	-	-	-	-	-	-	-	88 672
Total financial liabilities	**137 015 402**	**-**	**15 160 308**	**980 194**	**-**	**-**	**8 146 676**	**-**	**-**	**130 712**	**8 462**	**161 441 754**
Net balance sheet position	**(129 030 505)**	**8 765 609**	**62 907 190**	**790 674**	**6 508 935**	**3 583 061**	**2 114 845**	**2 267 782**	**9 355 966**	**2 270 378**	**5 648 928**	**(24 817 137)**

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

Depreciation of KGS, as indicated in the table below, against following currencies as at 31 December 2020 and 2019 would have given a rise to the below increase (decrease) of equity and other comprehensive income. The given analysis is based on the change of exchange rates, which, according to the National Bank's opinion, are reasonably possible as at the end of the reporting period. The given level of sensitivity is used within the National Bank for preparation of report on currency risk for the key management of the National Bank. The analysis implies that all other variables, especially interest rates, are constant.

	31 December 2020		31 December 2019	
	Profit or loss	Compre-hensive income and equity	Profit or loss	Compre-hensive income and equity
10% appreciation of USD against KGS	-	8 705 433	-	6 290 719
10% appreciation of CNY against KGS	-	1 186 119	-	935 597
10% appreciation of CAD against KGS	-	785 057	-	650 894
10% appreciation of AUD against KGS	-	463 354	-	358 306
10% appreciation of EUR against KGS	-	303 827	-	79 067
10% appreciation of GBP against KGS	-	271 727	-	226 778
10% appreciation of RUB against KGS	-	188 192	-	227 038
10% appreciation of other currencies against KGS	-	173 972	-	564 892

Appreciation of the KGS against the above currencies at 31 December 2020 and 2019 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.

Limitations of sensitivity analysis

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

(iii) Other price risks

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

As at 31 December 2019 the National Bank was exposed to price risk of gold in deposits with foreign banks. As at 31 December 2020 gold is represented by physical gold held at the vault. Although gold is not considered to be a financial asset under IFRS, the bank is exposed to price changes in physical gold due to the fact that its accounting policy is to measure gold at fair value.

25 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(iii) Other price risks, continued

An increase or decrease in prices in KGS equivalent of gold, as indicated below, at 31 December 2020 and 2019 would have increased or decreased equity and other comprehensive income by the amounts shown below. This analysis is based on gold price movements that the National Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

	31 December 2020		31 December 2019	
	Profit or loss	Compre-hensive income and equity	Profit or loss	Compre-hensive income and equity
10% appreciation of gold prices in KGS equivalent	-	8 412 976	-	4 883 336
10% depreciation of gold prices in KGS equivalent	-	(8 412 976)	-	(4 883 336)

(c) Credit risk

Credit risk is the risk of financial losses occurring as a result of default by a borrower or counterparty of the National Bank. The National Bank has developed policies and procedures for credit risk management, including guidelines to limit portfolio concentration. There is an Investment Committee, which is responsible for the monitoring of credit risk on management of international reserves.

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

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

Category A

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

Category B

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

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

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

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

The National Bank's maximum exposure to credit risk per one counterparty varies significantly and is dependent on both individual risks and general market economy risks. The National Bank's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. 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 at the reporting date is as follows:

	31 December 2020	31 December 2019
FINANCIAL ASSETS		
Gold in deposits	-	8 765 609
Cash on hand, due from banks and other financial institutions*	71 723 982	85 431 997
Loans to banks and international organisations	9 007 592	7 532 693
Investments at fair value through other comprehensive income	72 938 843	32 983 156
Investments at amortised cost	2 967 212	125 052
Other financial assets	399 183	327 152
Total maximum exposure	**157 036 812**	**135 165 659**

* This amount does not include cash on hand in foreign currencies

Internal credit risk ratings

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

Internal credit ratings	Description
1	Low or moderate risk
2	Low or moderate risk
3	Low or moderate risk
4	Watch
5	Watch
6	Watch
7	Substandard
8	Substandard
9	Doubtful
10	Impaired

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

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

	31 December 2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Cash on hand, due from banks and other financial institutions				
Credit rating 1–3: Low or moderate risk	75 037 898	-	-	75 037 898
Credit rating 4–6: Watch	-	10 534	-	10 534
Total gross carrying amount	**75 037 898**	**10 534**	**-**	**75 048 432**
Loss allowance for expected credit losses as at 31 December 2020	(1 769)	-	-	(1 769)
Carrying amount	**75 036 129**	**10 534**	**-**	**75 046 663**

	31 December 2020				
	Stage 1	Stage 2	Stage 3		
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Originated or purchased credit-impaired financial assets	Total
Loans to banks and international organisations					
Credit rating 1–3: Low or moderate risk	8 524 035	-	-	-	8 524 035
Credit rating 4–6: Watch	-	326 137	-	-	326 137
Credit rating 7–8: Substandard	-	-	-	384 235	384 235
Credit rating 10: Impairment	-	-	148 118	-	148 118
Total gross carrying amount	**8 524 035**	**326 137**	**148 118**	**384 235**	**9 382 525**
Loss allowance for expected credit losses as at 31 December 2020	(213 297)	(13 518)	(148 118)	-	(374 933)
Carrying amount	**8 310 738**	**312 619**	**-**	**384 235**	**9 007 592**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments at fair through other comprehensive income				
Credit rating 1–3: Low or moderate risk	72 938 843	-	-	72 938 843
Total carrying amount	**72 938 843**	**-**	**-**	**72 938 843**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments at amortised cost				
Credit rating 1–3: Low or moderate risk	3 021 258	-	-	3 021 258
Total gross carrying amount	**3 021 258**	**-**	**-**	**3 021 258**
Loss allowance for expected credit losses as at 31 December 2020	(54 046)	-	-	(54 046)
Carrying amount	**2 967 212**	**-**	**-**	**2 967 212**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Other financial assets				
Credit rating 1–3: Low or moderate risk	405 329	-	-	405 329
Credit rating 10: Impaired	-	-	43 198	43 198
Total gross carrying amount	**405 329**	**-**	**43 198**	**448 527**
Loss allowance for expected credit losses as at 31 December 2020	(7 391)	-	(41 953)	(49 344)
Carrying amount	**397 938**	**-**	**1 245**	**399 183**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Cash on hand, due from banks and other financial institutions				
Credit rating 1–3: Low or moderate risk	85 947 768	-	-	85 947 768
Credit rating 4–6: Watch	-	950 757	-	950 757
Credit rating 10: Impaired	-	-	255 424	255 424
Total gross carrying amount	**85 947 768**	**950 757**	**255 424**	**87 153 949**
Loss allowance for expected credit losses as at 31 December 2019	(5 173)	(2 397)	(255 424)	(262 994)
Carrying amount	**85 942 595**	**948 360**	**-**	**86 890 955**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2019				
	Stage 1	Stage 2	Stage 3		
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	New originated or purchased credit -impaired financial assets	Total
Loans to banks and international organisations					
Credit rating 1–3: Low or moderate risk	6 858 210	-	-	-	6 858 210
Credit rating 4–6: Watch	-	183 243	-	-	183 243
Credit rating 7–8: Substandard	-	-	-	540 564	540 564
Credit rating 10: Impaired	-	-	127 039	-	127 039
Total gross carrying amount Cost	**6 858 210**	**183 243**	**127 039**	**540 564**	**7 709 056**
Loss allowance for expected credit losses as at 31 December 2019	-	(1 528)	(127 039)	(47 796)	(176 363)
Carrying amount	**6 858 210**	**181 715**	**-**	**492 768**	**7 532 693**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments at fair value through other comprehensive income				
Credit rating 1–3: Low or moderate risk	32 983 156	-	-	32 983 156
Total carrying amount	**32 983 156**	**-**	**-**	**32 983 156**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments at amortised cost				
Credit rating 1–3: Low or moderate risk	127 014	-	-	127 014
Total gross carrying amount	**127 014**	**-**	**-**	**127 014**
Loss allowance for expected credit losses as at 31 December 2019	(1 962)	-	-	(1 962)
Carrying amount	**125 052**	**-**	**-**	**125 052**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	31 December 2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Other financial assets				
Credit rating 1–3: Low or moderate risk	326 586	-	-	326 586
Credit rating 10: Impaired	-	-	41 843	41 843
Total gross carrying amount	**326 586**	**-**	**41 843**	**368 429**
Loss allowance for expected credit losses as at 31 December 2019	(619)	-	(40 658)	(41 277)
Carrying amount	**325 967**	**-**	**1 185**	**327 152**

The tables below analyse information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in loss allowance during the year 2020, by classes of financial assets:

	2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Cash on hand, due from banks and other financial institutions				
Gross carrying amount as at 1 January 2020	**85 947 768**	**950 757**	**255 424**	**87 153 949**
Changes in gross carrying amount				
– Transfer to stage 1	941 925	(941 925)	-	-
Write-off of assets against allowance	-	-	(303 344)	(303 344)
New financial assets originated or purchased	400 409 708	45	-	400 409 753
Repayments	(427 892 899)	-	-	(427 892 899)
Foreign exchange and other changes	15 631 396	1 657	47 920	15 680 973
Gross carrying amount as at 31 December 2020	**75 037 898**	**10 534**	**-**	**75 048 432**
Loss allowance for expected credit losses as at 31 December 2020	**(1 769)**	**-**	**-**	**(1 769)**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2020				
	Stage 1	Stage 2	Stage 3		
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	New financial assets originated or purchased, credit -impaired	Total
Loans to banks and international organisations					
Gross carrying amount as at 1 January 2020	**6 858 210**	**183 243**	**127 039**	**540 564**	**7 709 056**
Changes in gross carrying amount					
New financial assets originated or purchased	2 939 131	291 638	-	-	3 230 769
Repayments	(1 273 306)	(148 744)	(2 614)	(156 329)	(1 580 993)
Write-off	-	-	94	-	94
Foreign exchange and other changes	-	-	23 599	-	23 599
Gross carrying amount at 31 December 2020	**8 524 035**	**326 137**	**148 118**	**384 235**	**9 382 525**
Loss allowance for expected credit losses as at 31 December 2020	**(213 297)**	**(13 518)**	**(148 118)**	**-**	**(374 933)**

	2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments measured at fair value through other comprehensive income				
Gross carrying amount as at 1 January 2020	**32 983 156**	**-**	**-**	**32 983 156**
Changes in gross carrying amount				
New financial assets originated or purchased	95 186 566	-	-	95 186 566
Repayments	(64 852 218)			(64 852 218)
Foreign exchange and other changes	9 621 339	-	-	9 621 339
Carrying amount as at 31 December 2020	**72 938 843**			**72 938 843**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments at amortised cost				
Gross carrying amount as at 1 January 2020	**127 014**	**-**	**-**	**127 014**
Changes in gross carrying amount	2 957 377			2 957 377
Repayments	(63 133)	-	-	(63 133)
Gross carrying amount as at 31 December 2020	**3 021 258**	**-**	**-**	**3 021 258**
Loss allowance for expected credit losses as at 31 December 2020	**(54 046)**	**-**	**-**	**(54 046)**

	2020			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Other financial assets				
Gross carrying amount as at 1 January 2020	**326 586**	**-**	**41 843**	**368 429**
Changes in gross carrying amount	-	-	-	-
New financial assets originated or purchased	81 666	-	3 519	85 185
Repayments	(2 923)		(2 162)	(5 085)
Foreign exchange and other changes	-	-	(2)	(2)
Gross carrying amount as at 31 December 2020	**405 329**	**-**	**43 198**	**448 527**
Loss allowance for expected credit losses as at 31 December 2020	**(7 391)**	**-**	**(41 953)**	**(49 344)**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

The tables below analyse information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in loss allowance during the year 2019, by classes of financial assets:

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Cash on hand, due from banks and other financial institutions				
Gross carrying amount as at 1 January 2019	**83 715 220**	**896 160**	**269 932**	**84 881 312**
Changes in gross carrying amount				
- Transfer to Stage 1	106 295	(106 295)	-	-
- Transfer to Stage 2	(20 686 725)	20 686 725	-	-
New financial assets originated or purchased	114 882 725	-	-	114 882 725
Repayments	(91 752 610)	(20 602 264)	(13 730)	(112 368 604)
Foreign exchange and other changes	(317 137)	76 431	(778)	(241 484)
Gross carrying amount as at 31 December 2019	**85 947 768**	**950 757**	**255 424**	**87 153 949**
Loss allowance for expected credit losses as at 31 December 2019	**(5 173)**	**(2 397)**	**(255 424)**	**(262 994)**

	2019				
	Stage 1	Stage 2	Stage 3		
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	New originated or purchased credit -impaired financial assets	Total
Loans to banks and international organisations					
Gross carrying amount as at 1 January 2019	**9 137 470**	**94 059**	**127 415**	**813 309**	**10 172 253**
Changes in gross carrying amount					
- Transfer to Stage 2	(183 243)	183 243	-	-	-
New financial assets originated or purchased	2 336 674		-	2 243	2 338 917
Repayments	(4 432 691)	(94 059)	(99)	(274 988)	(4 801 837)
Foreign exchange and other changes	-	-	(277)	-	(277)
Gross carrying amount as at 31 December 2019	**6 858 210**	**183 243**	**127 039**	**540 564**	**7 709 056**
Loss allowance for expected credit losses as at 31 December 2019	**-**	**(1 528)**	**(127 039)**	**(47 796)**	**(176 363)**

25 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments measured at fair value through other comprehensive income				
Gross carrying amount as at 1 January 2019	**33 561 367**	**70 877**	**-**	**33 632 244**
Changes in gross carrying amount				
New financial assets originated or purchased	94 950 350	-	-	94 950 350
Repayments	(95 555 640)	(70 877)	-	(95 626 517)
Write-off	-	-	-	-
Foreign exchange and other changes	27 079	-	-	27 079
Carrying amount as at 31 December 2019	**32 983 156**	**-**	**-**	**32 983 156**

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Investments at amortised cost				
Gross carrying amount as at 1 January 2019	**189 485**	**-**	**-**	**189 485**
Changes in gross carrying amount				
Repayments	(62 471)	-	-	(62 471)
Gross carrying amount as at 31 December 2019	**127 014**			**127 014**
Loss allowance for expected credit losses as at 31 December 2019	**(1 962)**	**-**	**-**	**(1 962)**

	2019			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Total
Other financial assets				
Gross carrying amount as at 1 January 2019	**299 766**	**-**	**18 834**	**318 600**
Changes in gross carrying amount				
- Transfer to Stage 3	(22 973)	-	22 973	-
New financial assets originated or purchased	49 793	-	-	49 793
Foreign exchange and other changes	-	-	36	36
Gross carrying amount as at 31 December 2019	**326 586**	**-**	**41 843**	**368 429**
Loss allowance for expected credit losses as at 31 December 2019	**(619)**	**-**	**(40 658)**	**(41 277)**

25 RISK MANAGEMENT, CONTINUED

(d) Geographical concentrations

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

The following table shows the geographical concentration of assets and liabilities at 31 December 2020:

	The Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2020 Total
Financial assets					
Cash on hand, due from banks and other financial institutions	3 322 681	36 278 771	15 828 414	19 616 797	75 046 663
Loans to banks and international organisations	9 007 592	-	-	-	9 007 592
Investments at fair value through other comprehensive income income	-	31 792 946	-	41 145 897	72 938 843
Investments at amortised cost	2 967 212	-	-	-	2 967 212
Other financial assets	399 183	-	-	-	399 183
Total financial assets	**15 696 668**	**68 071 717**	**15 828 414**	**60 762 694**	**160 359 493**
Financial liabilities					
Banknotes and coins in circulation	134 629 161	-	-	-	134 629 161
Due to banks and other financial institutions	28 567 372	-	236 609	36 628	28 840 609
Due to the Government of the Kyrgyz Republic	16 748 525	-	-	-	16 748 525
Debt securities issued	12 990 663	-	-	-	12 990 663
Liabilities to the IMF in respect of SDR allocations	-	-	-	9 994 865	9 994 865
Other financial liabilities	88 118	3 983	20	-	92 121
Total financial liabilities	**193 023 839**	**3 983**	**236 629**	**10 031 493**	**203 295 944**
Net balance sheet position	**(177 327 171)**	**68 067 734**	**15 591 785**	**50 731 201**	**(42 936 451)**

25 RISK MANAGEMENT, CONTINUED

(d) Geographical concentrations, continued

The following table shows the geographical concentration of assets and liabilities at 31 December 2019:

	The Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2019 Total
Financial assets					
Gold in deposits	-	8 765 609	-	-	8 765 609
Cash on hand, due from banks and other financial institutions	1 458 958	50 800 982	17 531 038	17 099 977	86 890 955
Loans to banks and international organisations	7 532 693	-	-	-	7 532 693
Investments at fair value through other comprehensive income income	-	11 616 712	-	21 366 444	32 983 156
Investments at amortised cost	125 052	-	-	-	125 052
Other financial assets	327 152	-	-	-	327 152
Total financial assets	**9 443 855**	**71 183 303**	**17 531 038**	**38 466 421**	**136 624 617**
Financial liabilities					
Banknotes and coins in circulation	106 244 754	-	-	-	106 244 754
Due to banks and other financial institutions	21 656 894	-	149 940	73 163	21 879 997
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	-	17 033 154
Debt securities issued	8 048 501	-	-	-	8 048 501
Liabilities to the IMF in respect of SDR allocations	-	-	-	8 146 676	8 146 676
Other financial liabilities	68 178	2 099	18 395	-	88 672
Total financial liabilities	**153 051 481**	**2 099**	**168 335**	**8 219 839**	**161 441 754**
Net balance sheet position	**(143 607 626)**	**71 181 204**	**17 362 703**	**30 246 582**	**(24 817 137)**

(e) Liquidity risk

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

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

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

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

25 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

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;
- Maintaining a portfolio of highly marketable assets that can easily be sold as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans;
- Monitoring balance sheet liquidity ratios of the National Bank against regulatory requirements.

25 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

The maturity analysis for financial assets and liabilities as at 31 December 2020 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	31 December 2020 Carrying amount
Due to banks and other financial institutions	28 840 609	-	-	-	-	28 840 609	28 840 609
Due to the Government of the Kyrgyz Republic	16 748 525	-	-	-	-	16 748 525	16 748 525
Debt securities issued	11 361 900	1 662 850	-	-	-	13 024 750	12 990 663
Liabilities to the IMF in respect of SDR allocations	9 993 127	1 738	-	-	-	9 994 865	9 994 865
Other financial liabilities	35 069	5 864	16	46 177	4 995	92 121	92 121
	66 979 230	**1 670 452**	**16**	**46 177**	**4 995**	**68 700 870**	**68 666 783**

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

The maturity analysis for financial assets and liabilities as at 31 December 2019 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow of financial liabilities	31 December 2019 Carrying amount
Due to banks and other financial institutions	21 879 997	-	-	-	-	21 879 997	21 879 997
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	-	-	17 033 154	17 033 154
Debt securities issued	7 761 200	300 000	-	-	-	8 061 200	8 048 501
Liabilities to the IMF in respect of SDR allocations	8 136 099	10 577	-	-	-	8 146 676	8 146 676
Other financial liabilities	28 504	7 415	78	36 063	16 612	88 672	88 672
	54 838 954	**317 992**	**78**	**36 063**	**16 612**	**55 209 699**	**55 197 000**

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

25 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	31 December 2020 Total
FINANCIAL ASSETS							
Cash on hand, due from banks and other financial institutions	55 525 077	11 004 426	8 517 160	-	-	-	75 046 663
Loans to banks and international organisations	253 423	3 265 529	5 488 640	-	-	-	9 007 592
Investments at fair value through other comprehensive income	3 480 527	25 981 900	35 770 736	7 705 680	-	-	72 938 843
Investments at amortised cost	-	-	82 388	-	2 884 824	-	2 967 212
Other financial assets	15 297	6 887	29 266	166 919	180 814	-	399 183
	59 274 324	**40 258 742**	**49 888 190**	**7 872 599**	**3 065 638**	-	**160 359 493**
FINANCIAL LIABILITIES							
Banknotes and coins in circulation	-	-	-	-	-	134 629 161	134 629 161
Due to banks and other financial institutions	28 840 609	-	-	-	-	-	28 840 609
Due to the Government of the Kyrgyz Republic	16 748 525	-	-	-	-	-	16 748 525
Debt securities issued	11 341 590	1 649 073	-	-	-	-	12 990 663
Liabilities to the IMF in respect of SDR allocations	9 993 127	1 738	-	-	-	-	9 994 865
Other financial liabilities	35 069	5 864	16	46 177	4 995	-	92 121
	66 958 920	**1 656 675**	**16**	**46 177**	**4 995**	**134 629 161**	**203 295 944**
Net position	**(7 684 596)**	**38 602 067**	**49 888 174**	**7 826 422**	**3 060 643**	**(134 629 161)**	**(42 936 451)**

CONTENT

25 RISK MANAGEMENT, CONTINUED

(e) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2019:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	31 December 2019 Total
FINANCIAL ASSETS							
Gold in deposits	7 605 185	1 160 424	-	-	-	-	8 765 609
Cash on hand, due from banks and other financial institutions	55 658 164	12 016 456	19 216 335	-	-	-	86 890 955
Loans to banks and international organisations	237 785	3 449 510	3 845 398	-	-	-	7 532 693
Investments at fair value through other comprehensive income	3 853 304	6 974 487	22 155 365	-	-	-	32 983 156
Investments at amortised cost	-	-	61 471	63 581	-	-	125 052
Other financial assets	10 240	6 075	26 081	142 291	142 465	-	327 152
	67 364 678	**23 606 952**	**45 304 650**	**205 872**	**142 465**	**-**	**136 624 617**
FINANCIAL LIABILITIES							
Banknotes and coins in circulation	-	-	-	-	-	106 244 754	106 244 754
Due to banks and other financial institutions	21 879 997	-	-	-	-	-	21 879 997
Due to the Government of the Kyrgyz Republic	17 033 154	-	-	-	-	-	17 033 154
Debt securities issued	7 751 469	297 032	-	-	-	-	8 048 501
Liabilities to the IMF in respect of SDR allocations	8 136 099	10 577	-	-	-	-	8 146 676
Other financial liabilities	28 504	7 415	36 141	16 612	-	-	88 672
	54 829 223	**315 024**	**36 141**	**16 612**	**-**	106 244 754	**161 441 754**
Net position	**12 535 455**	**23 291 928**	**45 268 509**	**189 260**	**142 465**	**(106 244 754)**	**(24 817 137)**

26 COMMITMENTS

(a) 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 National Bank does not have full coverage for its premises and equipment, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the National Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on its operations and financial position.

(b) Litigation

In the ordinary course of business, the National Bank is subject to legal actions and complaints. Management of the National Bank believes that the ultimate liability, if any, arising from such actions or complaints, will not have a significant adverse impact on the National Bank's financial position and operating results.

(c) Taxation contingencies

The taxation system in the Kyrgyz Republic continues to develop 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 various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open within six calendar years.

Taking into consideration that the National Bank has exemption from income tax and some other taxes, tax liabilities origination is not obvious and their influence on the financial statements of the National Bank is not significant.

CONTENT

27 AGENCY FUNCTIONS

Membership quota of the Kyrgyz Republic in the International Monetary Fund

In 1992 the Kyrgyz Republic joined the International Monetary Fund ("the IMF"). A membership quota expressed in Special Drawing Rights ("SDRs") is assigned to each member of the IMF. The membership quota is the basis for determining access of the country to the IMF financing. As at 31 December 2020 and 2019, the quota of the Kyrgyz Republic amounted to SDR 177 600 thousand.

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

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

	31 December 2020	31 December 2019
IMF membership quota	**20 733 276**	**17 116 917**
Securities for the account of the IMF	(20 645 118)	(17 060 136)
Current accounts of the IMF	(67 849)	(43 187)
	(20 712 967)	**(17 103 323)**

28 RELATED PARTY TRANSACTIONS

(a) Control relationship

In considering each possible related party, substance of the relationship is considered and not only the legal form.

In accordance with the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity" the National Bank is the central bank of the Kyrgyz Republic and is owned by the Kyrgyz Republic. The National Bank has the authority to independently run its own operations within the powers provided for by the Law.

(b) Transactions with the members of the Management Board

Total remuneration received by the members of the National Bank's Management Board for the years ended 31 December 2020 and 2019 was KGS 27 960 thousand and KGS 21 724 thousand, respectively. The remuneration consists of salary and other payments. The outstanding balances of loans issued to the members of the Management Board as at 31 December 2020 and 2019 were KGS 17 646 thousand and KGS 24 605 thousand, respectively. The loans are KGS-denominated and repayable by 2032. Interest income from loans to the Management Board for the years ended 31 December 2020 and 2019 was KGS 192 thousand and KGS 263 thousand, respectively.

(c) Transactions with other related parties

The following related party transactions took place during the year, which are not separately disclosed elsewhere in these financial statements.

	Subsidiaries	Average interest rate%	Associates	31 December 2020 Total
Separate statement of financial position				
Loans to banks and international organisations, in KGS	384 235	5.00	-	384 235
Investments in subsidiaries and associates	11 764 574	-	271 742	12 036 316
Due to banks and other financial institutions, in KGS	3 390 256	2.75	-	3 390 256
Debt securities issued, in KGS	1 497 572	4.68	-	1 497 572

As at 31 December 2019, the outstanding balances with related parties which are not separately disclosed elsewhere in these financial statements were as follows:

	Subsidiaries	Average interest rate%	Associates	31 December 2019 Total
Separate statement of financial position				
Loans to banks and international organisations, in KGS	540 564	5.00	-	540 564
Loss allowance on loans to banks and international institutions	(47 796)	-	-	(47 796)
Investments in subsidiaries and associates	3 856 575	-	813 179	4 669 754
Due to banks and other financial institutions, in KGS	258 427	-	-	258 427

28 RELATED PARTY TRANSACTIONS, CONTINUED

(c) Transactions with other related parties, continued

Related profit or loss amounts of transactions for the year ended 31 December 2020 with other related parties are as follows:

	Subsidiaries	Associates	The year ended 31 December2020 Total
Separate statement of profit or loss			
Share of profit of associates	-	38 442	38 442
Interest income	24 446	-	24 446
Fee and commission income	2 881	240	3 121
Other income	15 561	734	16 295
Interest expense	(41 579)	-	(41 579)
Other expenses	(879)	-	(879)

Related profit or loss amounts of transactions for the year ended 31 December 2019 with other related parties are as follows:

	Subsidiaries	Associates	The year ended 31 December 2019 Total
Separate statement of profit or loss			
Share of profit of associates	-	140 100	140 100
Interest income	35 370	-	35 370
Fee and commission income	2 575	240	2 815
Other income	847	8 655	9 502
Interest expense	(21 557)	-	(21 557)
Other expenses	(825)	(297)	(1 122)

29 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

	At amortised cost	At fair value through other comprehensive income	31 December 2020 Total carrying amount	31 December 2020 Fair value
Cash on hand, due from banks and other financial institutions	25 791 681	49 254 982	75 046 663	75 046 663
Loans to banks and international organisations	9 007 592	-	9 007 592	9 007 592
Investments at fair value through other comprehensive income	-	72 938 843	72 938 843	72 938 843
Investments at amortised cost	2 967 212	-	2 967 212	3 089 250
Other financial assets	399 183	-	399 183	399 183
	38 165 668	**122 193 825**	**160 359 493**	**160 481 531**
Banknotes and coins in circulation	134 629 161	-	134 629 161	134 629 161
Due to banks and other financial institutions	28 840 609	-	28 840 609	28 840 609
Due to the Government of the Kyrgyz Republic	16 748 525	-	16 748 525	16 748 525
Debt securities issued	12 990 663	-	12 990 663	12 966 662
Liabilities to the IMF in respect of SDR allocations	9 994 865	-	9 994 865	9 994 865
Other financial liabilities	92 121	-	92 121	92 121
	203 295 944	**-**	**203 295 944**	**203 271 943**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

	At amortised cost	At fair value through other comprehensive income	31 December 2019 Total carrying amount	31 December 2019 Fair value
Gold in deposits	8 765 609	-	8 765 609	8 765 609
Cash on hand, due from banks and other financial institutions	36 658 196	50 232 759	86 890 955	86 890 955
Loans to banks and international organisations	7 532 693	-	7 532 693	7 532 693
Investments at fair value through other comprehensive income	-	32 983 156	32 983 156	32 983 156
Investments at amortised cost	125 052	-	125 052	125 052
Other financial assets	327 152	-	327 152	327 152
	53 408 702	**83 215 915**	**136 624 617**	**136 624 617**
Banknotes and coins in circulation	106 244 754	-	106 244 754	106 244 754
Due to banks and other financial institutions	21 879 997	-	21 879 997	21 879 997
Due to the Government of the Kyrgyz Republic	17 033 154	-	17 033 154	17 033 154
Debt securities issued	8 048 501	-	8 048 501	8 048 501
Liabilities to the IMF in respect of SDR allocations	8 146 676	-	8 146 676	8 146 676
Other financial liabilities	88 672	-	88 672	88 672
	161 441 754	**-**	**161 441 754**	**161 441 754**

29 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES, CONTINUED

(a) Accounting classifications and fair values, continued

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

(b) Fair value hierarchy

The National Bank measures fair values of financial instruments recognised in the separate statement of financial position using the following fair value hierarchy, which 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: valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's measurement. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2020 Total
Cash on hand, term deposits in banks and other financial institutions	-	49 254 982	-	**49 254 982**
Investments measured at fair value through other comprehensive income	72 938 843	-	-	**72 938 843**

The table below analyses financial instruments measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2019 Total
Cash on hand, term deposits in banks and other financial institutions	-	50 232 759	-	**50 232 759**
Investments measured at fair value through other comprehensive income	32 983 156	-	-	**32 983 156**

29 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES, CONTINUED

(b) Fair value hierarchy, continued

The table below analyses financial instruments not measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2020 Total
Cash on hand, term deposits in banks and other financial institutions	-	25 791 681	-	**25 791 681**
Loans to banks and international organisations	-	9 007 592	-	**9 007 592**
Investments at amortised cost	-	3 089 250	-	**3 089 250**
Other financial assets	-	399 183	-	**399 183**
Banknotes and coins in circulation	-	134 629 161	-	**134 629 161**
Due to banks and other financial institutions	-	28 840 609	-	**28 840 609**
Due to the Government of the Kyrgyz Republic	-	16 748 525	-	**16 748 525**
Debt securities issued	-	12 966 662	-	**12 966 662**
Liabilities to the IMF in respect of SDR allocations	-	9 994 865	-	**9 994 865**
Other financial liabilities	-	92 121	-	**92 121**

The table below analyses financial instruments not measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	31 December 2019 Total
Gold in deposits	8 765 609	-	-	**8 765 609**
Cash on hand, term deposits in banks and other financial institutions	-	36 658 196	-	**36 658 196**
Loans to banks and international organisations	-	7 532 693	-	**7 532 693**
Investments at amortised cost	-	125 052	-	**125 052**
Other financial assets	-	327 152	-	**327 152**
Banknotes and coins in circulation	-	106 244 754	-	**106 244 754**
Due to banks and other financial institutions	-	21 879 997	-	**21 879 997**
Due to the Government of the Kyrgyz Republic	-	17 033 154	-	**17 033 154**
Debt securities issued	-	8 048 501	-	**8 048 501**
Liabilities to the IMF in respect of SDR allocations	-	8 146 676	-	**8 146 676**
Other financial liabilities	-	88 672	-	**88 672**

30 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2020 and 2019, the National Bank had no financial assets or financial liabilities that would have met the criteria for offsetting in the statement of financial position, and the National Bank had not entered into any master netting or similar agreements.