



КЫРГЫЗ БАНКЫ

ANNUAL REPORT

2019



Bishkek-2020

Annual Report of the National Bank of the Kyrgyz Republic for 2019

The report of the National Bank of the Kyrgyz Republic for the year of 2019 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 2019 is approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2020-II-10/15-1-(BII)* of March 24, 2020.

The consolidated financial statements of the National Bank for the year ended on December 31, 2019 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2020-II-15/21-2-(BII)* of April 9, 2020.

The separate financial statements of the National Bank for the year ended on December 31, 2019 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2020-II-15/21-3-(BII)* of April 9, 2020.

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Translation into the English language was by GlobalOneTranslation LLC
Prepared for publication by M-MAXIMA LLC, Tynystanov Street, 197/1, Bishkek

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Dear Readers!

In 2019, in the context of the global economic instability, the National Bank of the Kyrgyz Republic focused its activities on ensuring price stability, improving the quality and accessibility of financial services for the population, creating an environment and infrastructure favorable for the emergence and development of innovative financial instruments as well as the digitalization of the economy in the Kyrgyz Republic.

Joint actions of the National Bank and the Government of the Kyrgyz Republic ensured moderately low inflation rates in the reporting year. In these conditions, the stimulating monetary policy was focused on supporting economic activities in the country. Tactical monetary policy measures accounted for need for lending to priority sectors of the economy, including support for regional development, and further reduction of market rates on credit resources for borrowers. Efforts to improve monetary policy mechanism contributed to activation of the interbank credit market and formation of the money market rates near the key policy rate. The National Bank continued policy of accumulating international reserves of the country: as of the end of 2019, the volume of international reserves reached its historical maximum.

The results of the activities of banking and non-banking financial-credit organizations in the reporting year indicate their progressive advance. An increase in the deposit base and in the volume of lending to the economy, including broader types and products of lending and lower rates on loans, reflects growing public confidence in the banking system. The loan repayment rate remained at a rather high level.

In 2019, the National Bank continued its active work to prevent potential risks as part of the risk-based supervision. Improvement of the supervision tools and mechanisms, along with other measures, was aimed at increasing the financial stability and reliability of the banking system. The dollarization level of the banking system has reached the lowest historic values due to actions taken to reduce the dollarization of the economy.

As part of creating the EAEU common financial market, initiated measures were ensuring financial stability, maintaining the capital base of the banking sector, reducing the risks and introducing the international standards aimed at improving the competitiveness of the domestic commercial banks. Attention is focused on ensuring information security of the financial market and countering computer attacks in the credit and financial sector.

In the reporting year, undertaken measures were aimed at developing the regions and digitalizing the country by expanding the payment infrastructure, increasing public access to payment services and developing new digital payment technologies. The standards for using QR codes to pay for goods and services in the Kyrgyz Republic were introduced, and remote servicing and issue of payment cards for the microfinance organizations were regulated to create conditions for use of the innovative payment instruments, mainly in the regions.

The National Bank has completed the project to create the Data Processing Center (Data Center) that meets the IT advanced international standards and has been certified by the independent international organization. The Data Center is an important element in the digital information space of Kyrgyzstan, which will help to expand the list of banking services and implement the promising projects to digitalize the financial sector.

The annual report of the National Bank for 2019 was prepared in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, reflects the activities of the central bank in fulfilling its functions and objectives, and includes the financial statements confirmed by an independent international audit. In preparing the Annual Report, the National Bank traditionally adhered to the principles of openness, reliability and completeness of the submitted information.

Chairman



T. Abdygulov

ECONOMIC SITUATION
IN THE KYRGYZ REPUBLIC
IN 2019



CHAPTER 1. ECONOMIC DEVELOPMENT OF THE KYRGYZ REPUBLIC IN 2019

In 2019, the economic development of the Kyrgyz Republic still demonstrated stable growth. The inflation rate was moderate and did not exceed the targets of the National Bank. Economic growth was supported by the main sectors of economy. Stimulating monetary policy contributed to increase in lending to the economy and continued activity in the sectors of industry, construction, cargo transportation, trade and agriculture.

Continued policy of the Government of the Kyrgyz Republic on fiscal consolidation allowed reducing the state budget deficit and limiting the net injection of liquidity into the system. The current state budget deficit was mainly financed from the internal sources.

Improvement in the balance of goods and services contributed to reduction of the current account deficit in the external economic sector. The current account deficit was funded by capital inflows on the capital and financial account. The overall balance of payments was positive. At the end of 2019, the volume of gross international reserves was sufficient to cover 5.0 months of the future imports of goods and services.

1.1. Real Sector of Economy¹

In 2019, the economy of the Kyrgyz Republic still demonstrated an upward trend. According to preliminary data of the National Statistical Committee of the Kyrgyz Republic (NSC KR), GDP at then-current prices increased by 4.5 percent in real terms (in 2018, the growth was 3.8 percent) and amounted to KGS 590.0 billion.

Table 1.1.1.

Structure of the Gross Domestic Product

	2018			2019		
	Share, percent	Growth rate, percent	Contribution to growth, percentage points	Share, percent	Growth rate, percent	Contribution to growth, percentage points
GDP	100.0	3.8	3.8	100.0	4.5	4.5
Agriculture, forestry and fishery	11.7	2.6	0.3	12.1	2.6	0.3
Industry	18.5	5.1	1.0	17.9	6.9	1.3
<i>Mining</i>	1.0	-2.1	-0.02	1.0	18.4	0.2
<i>Manufacturing (processing)</i>	14.3	5.1	0.8	14.3	8.3	1.2
<i>Provision (supply) of electricity, gas, steam and conditioned air</i>	2.8	5.3	0.1	2.2	-3.4	-0.1
<i>Water supply, purification and treatment of waste and generation of secondary materials</i>	0.4	30.0	0.1	0.3	-2.8	-0.01
Construction	9.0	7.8	0.7	9.7	10.6	1.0
Services	46.7	2.8	1.3	46.9	2.9	1.3
<i>Wholesale and retail trade; repair of motor vehicles and motorcycles</i>	17.9	5.7	1.0	18.3	4.9	0.9
<i>Transportation and storage of goods</i>	3.8	2.9	0.1	3.8	4.8	0.2
<i>Information and communication</i>	2.6	-0.9	-0.03	2.6	1.2	0.03
<i>Other</i>	22.4	1.0	0.2	22.3	1.1	0.2
Net (less subsidies) taxes on products	14.1	3.8	0.5	13.4	4.5	0.6

Source: NSC of KR

Excluding the enterprises involved in the Kumtor Gold Mine development, GDP growth reached 3.8 percent (in 2018, it was 3.7 percent). The GDP deflator was negative at 0.8 percent against 3.4 percent in 2018. The economic growth was supported

¹ Data are preliminary and given according to the gross value added (GVA).

by increased production output in all main sectors of economy, meanwhile, the sectors of industry, construction and trade made the most significant contribution to GDP growth.

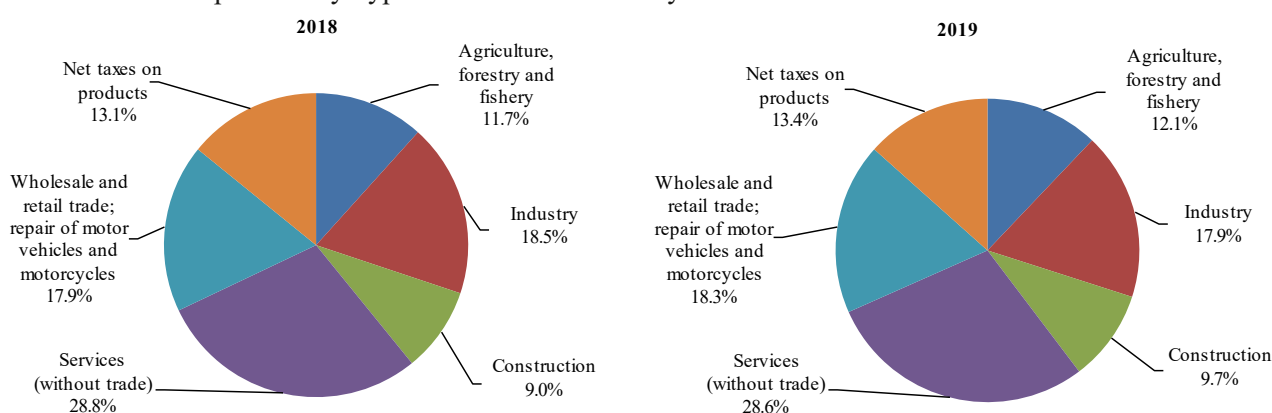
Following the results of 2019, the industrial sector showed 6.9 percent growth against 5.1 percent in 2018. Meanwhile, excluding the enterprises involved in the Kumtor Gold Mine development, the output of industrial sector increased by 2.5 percent (in 2018, it was 6.1 percent). The contribution of industry to the economic growth amounted to 1.3 percentage points, having increased by 0.3 percentage points as compared to 2018.

An increase in industrial production was caused by the growth in production of metal ores (by 28.5 percent), clothes (by 18.3 percent), crude oil and natural gas (by 17.0 percent), basic metals (by 12.3 percent), other non-metallic mineral products (by 8.8 percent), coal (by 6.9 percent), as well as food products (by 4.3 percent).

In 2019, the share of industry in the GDP structure was 17.9 percent, having decreased by 0.6 percentage points as compared to 2018.

Chart 1.1.1.

GDP Sector Composition by Types of Economic Activity



Following the results of 2019, the real production output in the agricultural sector increased by 2.6 percent, which corresponds to the same indicator in 2018. The contribution of agriculture to GDP growth, as in 2018, was 0.3 percentage points and was conditioned by increased production in livestock breeding and crop growing sectors.

In 2019, the share of agriculture in the GDP structure was 12.1 percent against 11.7 percent in 2018.

The services sector demonstrated growth by 2.9 percent (in 2018, it was 2.8 percent) mainly due to the increase in the volume of wholesale and retail trade, cars and motorcycles maintenance (by 4.9 percent), and rise in the volume of transport activities and cargo storage (4.8 percent). The positive results in the information and communication sector (an increase by 1.2 percent) after a long-term reduction made a positive contribution to the growth of the services sector.

In 2019, the share of the services sector in the GDP structure was 46.9 percent, having increased by 0.2 percentage points as compared to 2018.

The growth in the turnover of the wholesale, retail trade, cars and motorcycles maintenance was conditioned by the increase in all sectors of this industry, in particular, in the retail (by 4.6 percent) and wholesale (by 3.6 percent) trade. In 2019, the contribution of this sector to GDP growth was 0.9 percentage points against 1.0 percentage point in 2018.

In 2019, the volume of output in the construction sector increased by 10.6 percent as compared to 2018 (in 2018, growth in the construction sector made 7.8 percent), which was conditioned by the growth of capital investments. This sector contributed 1.0 percentage point to the GDP formation against 0.7 percentage points in 2018.

Industry

Agriculture

Trade and services sector

Construction

Investment

The volume of capital investments spent in the reporting period increased by 5.8 percent (in 2018, the increase of the same indicator was 3.4 percent). The increase in capital investments was due to the growth of investments financed from the local budget (by 36.8 percent), foreign loans (by 27.2 percent) and grants (by 16.5 percent), funds of the local population (by 7.8 percent), as well as the enterprises and organizations (by 7.4 percent). At the same time, the decrease in investments funded from the republican budget (by 39.5 percent), the bank loans (by 38.8 percent) and foreign direct investment (by 7.1 percent) had a restraining impact on the growth of capital investments.

1.2. Public Finance Sector¹

Fiscal policy

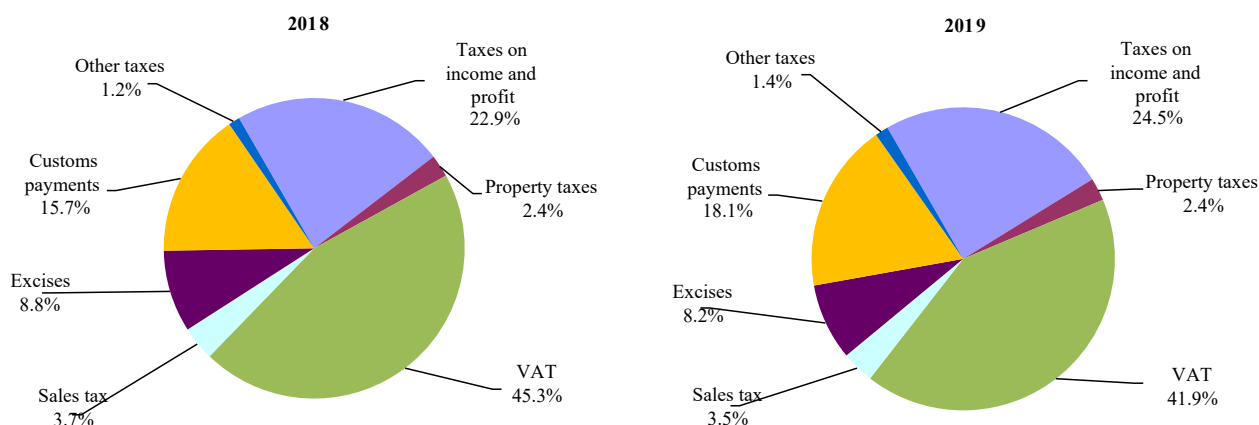
Following the results of 2019, the fiscal consolidation policy was still conducted: the budget deficit decreased from 1.1 percent of GDP in 2018 to 0.1 percent of GDP (KGS 0.4 billion). Social orientation of public expenditures was still observed in the fiscal policy. The primary budget surplus² was 1.2 percent of GDP.

The state budget revenues from operating activities increased by 10.3 percent or KGS 15.6 billion as compared to 2018 and amounted to KGS 167.1 billion or 28.3 percent of GDP. Tax revenues, having the major share in the revenue structure, amounted to KGS 121.5 billion, having increased by 4.2 percent as compared to 2018. In general, the structure of tax revenues did not suffer significant changes. 64.4 percent of tax revenues were provided by the State Tax Service of the Kyrgyz Republic and 35.6 percent – by the State Customs Service of the Kyrgyz Republic (in 2018, the ratio was 64.3 and 35.7 percent, respectively). Non-tax revenues (+4.4 percentage points) and official transfers (+2.7 percentage points) also made a positive contribution to the growth of budget revenues.

In accordance with the Law of the Kyrgyz Republic “On Introduction of Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, 90 percent of the National Bank’s profits was transferred to the state budget, which amounted to KGS 1,893.5 million.

Chart 1.2.1.

State Budget Tax Revenue Structure



The state budget expenditures for operating activities amounted to KGS 136.1 billion or 23.1 percent of GDP, having increased in annual terms by 5.4 percent or KGS 7.0 billion. Labor costs (+3.1 percentage points), subsidies and social security benefits (+1.0 percentage

¹ Preliminary data of the Ministry of Finance of the Kyrgyz Republic.

² Primary surplus is the excess of state budget revenues over state budget expenditures excluding the amount of interest payments for public debt service.

points), and interest payments on government loans (+0.5 percentage points) made the largest contribution to the increase in current expenditures, meanwhile the expenditures on the item “purchase and use of goods and services” made a negative contribution in the amount of 0.4 percentage points.

Change in the functional classification of expenses was observed due to the introduction of the new budget classification. Transfers to the budgets of the Social Fund and the MHIF (Mandatory Health Insurance Fund) of the Kyrgyz Republic are reflected in the section “general public services”, and, in 2018, they were reflected in the sections “social security and healthcare”. The remaining items of the expenses functional classification did not suffer significant changes.

The net outflow of budget funds for operations related to acquisition of non-financial assets amounted to KGS 31.4 billion or 5.3 percent of GDP.

As of December 31, 2019, the public debt amounted to KGS 319.5 billion or 54.1 percent of GDP against KGS 311.8 billion or 54.8 percent of GDP in 2018. The share of external debt remains significant in the structure of public debt – 83.9 percent; the share of internal debt was 16.1 percent. Public debt service expenses amounted to KGS 28.1 billion or 4.8 percent of GDP, while interest payments amounted to KGS 7.9 billion or 1.3 percent of GDP.

In 2019, the current state budget deficit, as in 2018, was financed mainly from domestic sources. In the reporting period, the Ministry of Finance of the Kyrgyz Republic issued the State Treasury Bills (ST-Bills)¹ and the State Treasury Bonds (ST-Bonds)² to finance the budget deficit. The auctions on a primary placement of ST-Bills and ST-Bonds were held by the National Bank, being the agent for their placement and settlement.

In the reporting period, the volume of ST-Bills offered at the auctions increased by 2.2 times (up to KGS 6.8 billion) as compared to 2018 due to recovered issue of 3- and 6-month ST-Bills. Moreover, the overall demand for ST-Bills at the auctions increased by 1.5 times, up to KGS 6.6 billion. According to the results of the auctions, as well as additional placements, the total sales of this asset amounted to KGS 5.4 billion with a weighted average yield of 5.1 percent (in 2018, KGS 2.6 billion with a weighted average yield of 5.6 percent). As a result, as of the end of 2019, the volume of ST-Bills in circulation increased by 56.5 percent year-to-date and amounted to KGS 4.1 billion.

In the reporting period, the issuer offered 2-, 3-, 5-, 7- and 10-year ST-Bonds. In 2019, supply of ST-Bonds at the auctions decreased by 12.7 percent, down to KGS 13.2 billion, mainly due to the small issue of 10-year securities. At the same time, the investors’ demand for ST-Bonds decreased slightly from KGS 30.1 billion in 2018 down to KGS 12.8 billion in 2019. 7-year ST-Bonds were in great demand; the share thereof in the overall demand for ST-Bonds was 42.2 percent. According to the results of the auctions, the total sales of ST-Bonds taking into account additional placements amounted to KGS 11.5 billion (in 2018 – KGS 19.5 billion). The total weighted average yield of ST-Bonds decreased from 11.8 percent in 2018 down to 10.3 percent in 2019 due to a decrease in yields on all maturities.

At the end of the reporting period, the volume of ST-Bonds³ in circulation increased by 14.0 percent year-to-date and amounted to KGS 42.9 billion. In 2019, the auctions for placement of foreign-currency-denominated ST-Bonds were not held. Therefore, the volume of this asset in circulation has not changed year-to-date and amounted to USD 49.4 million.

*ST-Bills and
ST-Bonds market*

¹ ST-Bills are the short-term discount government securities of the Government of the Kyrgyz Republic with a maturity of 3, 6 and 12 months.

² ST-Bonds are the long-term government securities of the Government of the Kyrgyz Republic with the interest income (coupon) and maturity over one year.

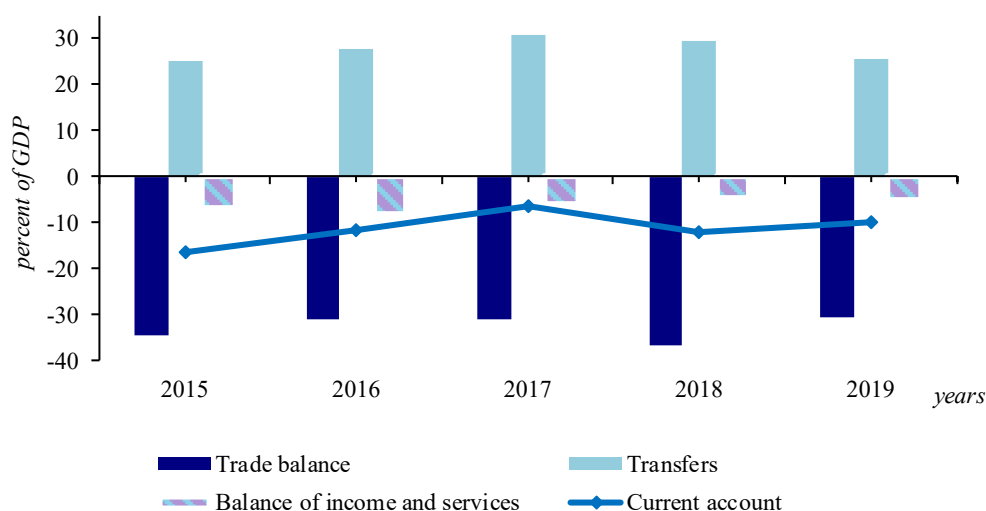
³ Excluding foreign-currency-denominated ST-Bonds.

1.3. Balance of Payments of the Kyrgyz Republic

According to the preliminary data, in 2019, the current account deficit decreased and amounted to USD 835.2 million or 9.9 percent of GDP (in 2018, the current account deficit was 12.1 percent of GDP). Reduction of the current account deficit was conditioned by improved balance of goods and services.

Chart 1.3.1.

Current Account



Foreign trade

The reporting period was characterized by an increase in export supplies; meanwhile import of goods decreased. As a result, the trade deficit decreased by 15.4 percent as compared to 2018 (down to USD 2.6 billion).

In the reporting year, export of goods (in FOB prices) increased by 5.5 percent and amounted to USD 2.0 billion¹. In the reporting period, the volume of gold export increased by 25.4 percent due to an increase in physical volume and average contract prices of supplies. At the same time, export excluding gold decreased by 5.0 percent and amounted to USD 1.2 billion. The decrease was noted in the supplies of clothes, scrap metal, electricity, sugar, footwear, cotton and a number of other goods. Moreover, the increase was observed in export of vegetables and fruits, coal, portland cement, dairy products and other of goods.

In the reporting year, export supplies to the EAEU countries decreased by 3.1 percent, mainly due to the reduction in the supply of clothes, cotton, footwear, live animals and incandescent lamps.

In 2019, import of goods (in FOB prices) amounted to USD 4.6 billion, having decreased by 7.3 percent. Imports reduced mainly due to a decrease in the volume of imported petroleum products by 24.2 percent conditioned by a decline in the physical volume of supplies.

In the reporting year, there was a decrease in supplies of such goods as clothes, footwear, fabrics, coal and other goods. Moreover, there was growth in imports of electrical apparatus for line telephony, medicaments, construction materials, fertilizers and a number of other goods.

In the reporting year, import supplies from the EAEU countries decreased by 6.5 percent, mainly due to a decrease in import of such goods as petroleum products, cigarettes, cast iron and steel, sugar.

¹ Including additional estimates of the National Bank of the Kyrgyz Republic.

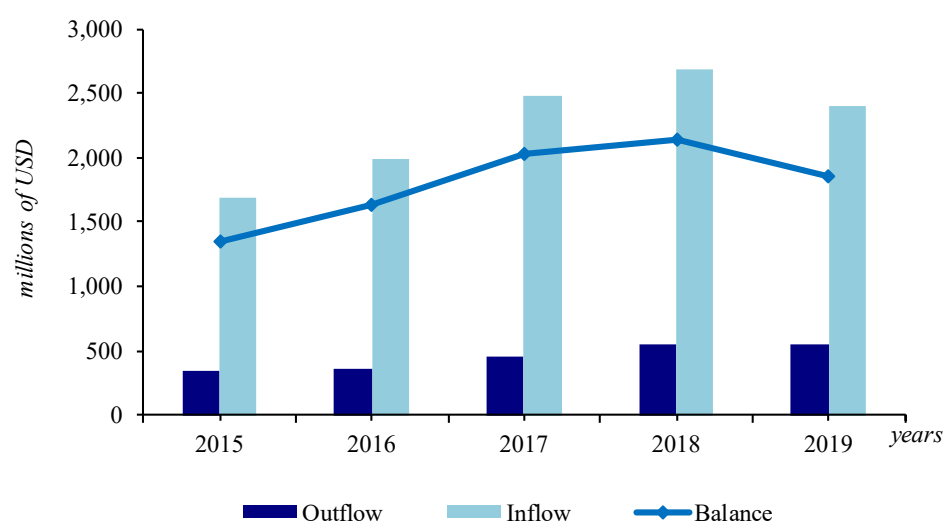
Following the preliminary results of 2019, there was an increase in export of services by 38.5 percent and in import of services by 0.7 percent. As a result, balance of services was positive and amounted to USD 180.3 million. The aforementioned dynamics was predetermined mainly by improved balance of transport services and travels.

Net inflow of current transfers amounted to USD 2.2 billion, having decreased by 10.4 percent as compared to 2018. In structure of current transfers, a significant volume of inflow was provided by remittances. Following the results of 2019, the net inflow of remittances of individuals through money transfer systems amounted to USD 1.9 billion (USD 2.1 billion in 2018).

Remittances

Chart 1.3.2.

Remittances of Individuals through the Money Transfer Systems



The negative balance of income increased up to USD 617.8 million (USD 251.0 million in 2018). It was formed under the influence of increasing direct investment income accrued to be paid to non-residents.

In the reporting period, the balance of the capital and financial account decreased by 4.4 percent as compared to 2018 and amounted to USD 512.9 million. Direct and other investments provided a significant share of receipts on the financial account. Net inflow of foreign direct investment into the country increased by 49.8 percent and amounted to USD 208.6 million.

Capital account

The positive balance of the item “Other investments” increased as compared to 2018 (USD 71.6 million) and amounted to USD 190.9 million. This trend was conditioned by an increase in liabilities of the residents of the Kyrgyz Republic.

Following the results of 2019, the balance of the item “Errors and omissions” was positive in the amount of USD 368.9 million, which may reflect statistical discrepancies related to the moment of transactions registry, incomplete coverage or using data from various sources.

The balance of payments was positive and amounted to USD 46.7 million (in 2018, the negative balance was USD 163.6 million).

Overall balance

At the end of the reporting year, gross international reserves amounted to USD 2,424.1 million, which corresponded to 5.0 months of coverage of the future volume of import of goods and services.

ACTIVITY
OF THE NATIONAL BANK
OF THE KYRGYZ REPUBLIC
IN 2019



CHAPTER 2. MONETARY POLICY

In 2019, the National Bank continued conducting the policy focused on maintaining price stability in the Kyrgyz Republic. The National Bank took measures to promote the long-term economic growth in the country and development of the regions within the selected direction of the monetary policy.

During the reporting year, the inflation rate did not exceed the medium-term monetary policy target of 5-7 percent and in December 2019 it amounted to 3.1 percent in annual terms.

In 2019, the National Bank continued conducting a stimulating monetary policy amid existing moderately low inflation rate and taking into account forecasts of its dynamics in the medium term. The key rate was reduced by 50 basis points: from 4.75 to 4.25 percent.

In 2019, the National Bank jointly with the commercial banks issued credits in the amount of KGS 4.04 billion to promote the economic development in the Kyrgyz Republic and decrease the interest rates on credits through the credit auctions. These funds were allocated for projects lending to support regional development of the country, as well as to implement the project of the Government of the Kyrgyz Republic “Agriculture Financing”.

The interest rates on credits in the national currency still demonstrated gradual downward trend.

Following the floating exchange rate regime, the National Bank conducted interventions in the domestic foreign exchange market to prevent sharp exchange rate fluctuations.

The active communication policy conducted by the National Bank remained an important element in the process of gradual transition to the inflation targeting regime. Transparent monetary policy was ensured to form a better understanding of the public and to increase confidence in the measures taken by the National Bank.

International reserves were managed taking into account liquidity and security priorities. In 2019, the volume of international reserves of the Kyrgyz Republic reached a historic maximum and amounted to USD 2,424.1 million.

2.1. Goal and Objectives of Monetary Policy

The National Bank's goal

The objective of the National Bank is to achieve and maintain price stability through appropriate monetary policy. Meanwhile, the National Bank used a wide range of monetary policy tools.

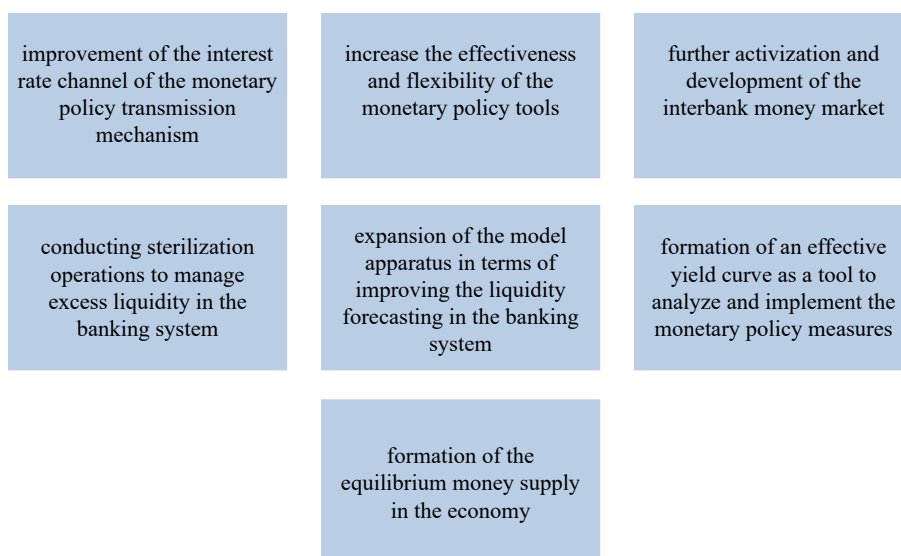
The monetary policy target was to restrain the inflation rate within 5-7 percent in the medium term, indicated in the Main Directions of the Monetary Policy for the medium term¹.

Monetary policy main objectives

In 2019, the National Bank continued implementing measures to improve the monetary policy transmission mechanism, to further enhance and develop the interbank money market, as well as to increase the effectiveness and flexibility of the monetary policy tools within the framework of gradual transition to the inflation targeting regime in the medium term.

¹ Approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No.2017-II-07/51-1-(ДКП) dated December 13, 2017.

Monetary Policy Main Objectives in 2019



2.2. Monetary Policy Implementation

In 2019, the National Bank conducted the monetary policy amid volatility in the world oil markets and relatively stable prices for food products in the world markets. The Kyrgyz Republic's main trading partners maintained restrained economic growth rates, which formed corresponding demand for domestic goods and services.

Tactical measures of the monetary policy were taken during the year based on the situation with liquidity in the banking system and the prospects for development of the money and foreign exchange markets in the country.

The policy rate of the National Bank (key rate) remained the main monetary policy tool and served as a target for the funds value in the money market. The decisions on the key rate were made based on a medium-term forecast of economic development, designed using a wide model apparatus.

In the reporting year, the National Bank continued conducting a stimulating monetary policy amid low inflation dynamics during the year, and also taking into account its forecasts for the medium term. In 2019, the policy rate of the National Bank was twice reduced: in February – from 4.75 percent to 4.50 percent, in May – to 4.25 percent.

The rates of the interest rate corridor were adjusted: the rate on “overnight” credit determining the upper limit, was reduced from 6.00 to 5.75 percent, the rate on “overnight” deposit being the low level, was raised from 1.50 to 2.00 percent due to changed key rate, as well as to increase the efficiency of the monetary policy transmission mechanism.

In 2019, the banking system continued to operate under the conditions of a high level of excess liquidity. Excess reserves were formed in the banking sector mainly due to the inflow of funds through the monetary and budget channels. The average daily volume of this indicator before the sterilization operations conducted by the National Bank amounted to KGS 11.7 billion, after sterilization operations – KGS 0.4 billion (in 2018 – KGS 0.7 billion).

The National Bank regulated the level of excess liquidity in the banking system through conducting operations in the open market and placing of the commercial banks' available funds on “overnight” deposits at the National Bank. The average daily volume of excess liquidity withdrawn from the banking system amounted to KGS 11.4 billion (in 2018 – KGS 12.3 billion).

Interest rate policy

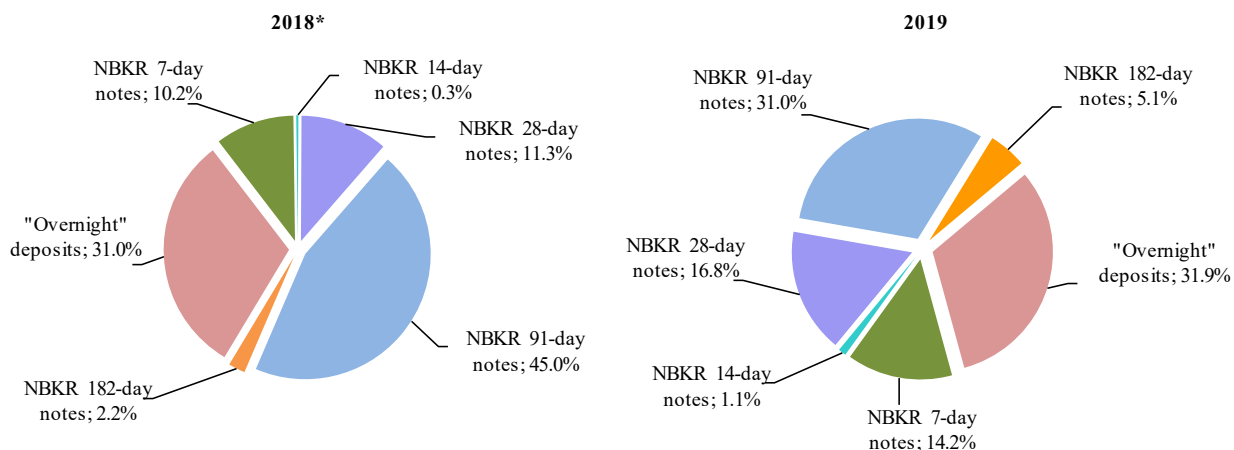
Liquidity regulation

The notes of the National Bank remained the main instrument to withdraw excess liquidity. In the structure of sterilization operations, the share of 91-day notes decreased amid an increase in operations to absorb liquidity with 7- and 28-day notes. At the same time, the average daily volume of notes in circulation decreased from KGS 8.6 billion in 2018 to KGS 8.2 billion in 2019.

In 2019, the average daily volume of “overnight” deposits at the National Bank remained unchanged and amounted to KGS 3.9 billion.

Chart 2.2.1.

Structure of National Bank Sterilization Operations



* data for 2018 are given taking into account changes in the methods for calculating these indicators

Lending policy

The National Bank kept conducting a policy focused on expanding lending to the real sector of economy to promote long-term economic growth in the country.

The lending funds were provided to the regions of the republic and priority sectors of the economy through monetary policy instruments. At the end of 2019, KGS 54.5 billion were offered to the commercial banks through the credit auctions, meanwhile, the volume of credit resources actually received by the commercial banks amounted to KGS 2.0 billion. The most important condition for obtaining these funds was to issue thereof to the final borrowers at an interest rate not exceeding 12 percent.

Communication policy

Communication policy remains an integral part of the monetary policy conducted by the National Bank.

Issues of increasing information transparency in the field of monetary policy are particularly relevant under the conditions of gradual transition to inflation targeting. Active informational work with the general public contributes to formation of the rational inflationary expectations and expectations regarding future decisions in the monetary sphere among economic entities.

The National Bank published the strategic monetary policy targets for the near future, issued regular press releases about the decisions taken on the policy rate, and held press conferences on monetary policy issues to increase public understanding and credibility of the current monetary policy. On a quarterly basis, the National Bank posted the monetary policy reports on the official website.

2.2.1. Open Market Operations

The National Bank notes

During 2019, the National Bank notes were the main instrument used by the National Bank in the open market. Notes are discount securities of the National Bank with various maturities placed at the auctions to regulate liquidity in the banking system. In the

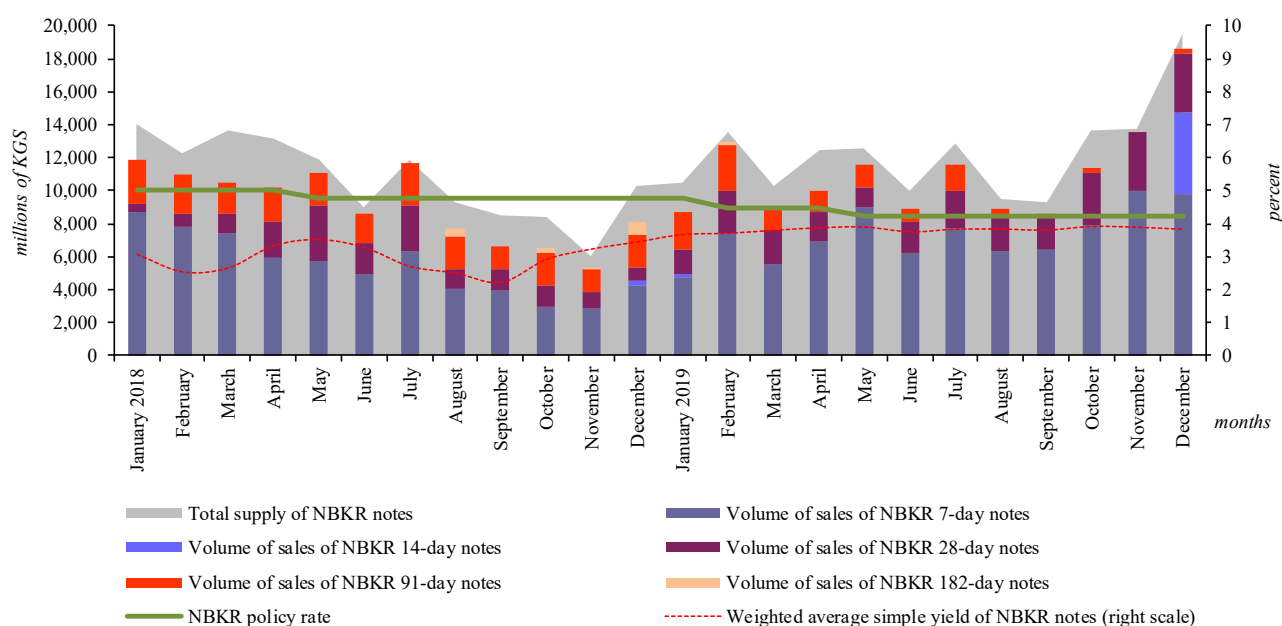
reporting period, the market of the National Bank notes was represented by 7-, 14-, 28-, 91- and 182-day notes.

In 2019, the volume of notes supplied by the National Bank amounted to KGS 149.0 billion (taking into account the volume of notes supply for additional placement in the amount of KGS 1.0 billion). At the same time, the volume of demand for notes amounted to KGS 153.5 billion, having increased by 14.2 percent as compared to 2018. The total sales of notes increased by 22.5 percent as compared to 2018 and amounted to KGS 133.7 billion.

The largest volume of sales was accounted for the National Bank notes with a maturity of 7 days (65.8 percent), sales of notes with a maturity of 14 days amounted to 3.8 percent, 28 days – 20.8 percent, 91 days – 9.5 percent, and 182 days – 0.1 percent.

Chart 2.2.1.1.

Sales Volume of Notes of National Bank and Policy Rate Developments



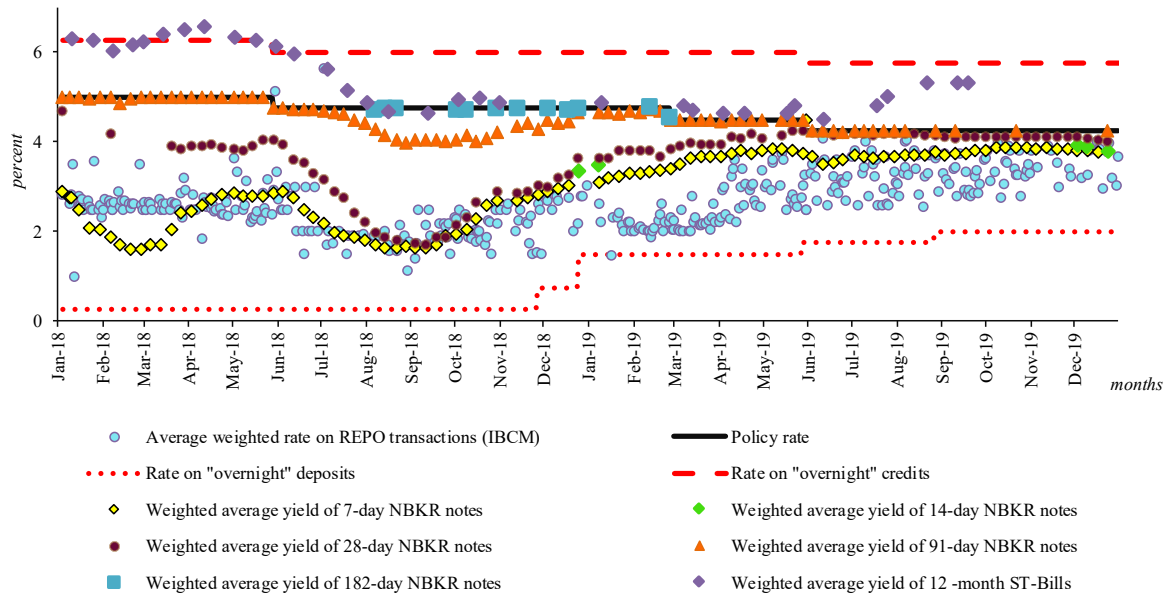
During the reporting period, the weighted average yield of the National Bank notes was relatively stable, there were no significant fluctuations. The weighted average yield of notes increased by 0.8 percentage points as compared to 2018 and amounted to 3.8 percent.

At the end of 2019, the volume of the National Bank notes in circulation slightly increased year-to-date (KGS 8.0 billion) and amounted to KGS 8.1 billion. The commercial banks – 89.5 percent, institutional investors – 9.7 percent, resident legal entities and individuals – 0.8 percent were the main holders of notes as of the end of the reporting period.

2.2.2. Operations in the Interbank Money Market

Monetary policy measures conditioned a decrease in the short-term interest rates volatility in the money market and formation thereof near the key rate. During the year, the short-term rates of the money market were within the interest rate corridor set by the National Bank.

Chart 2.2.2.1.
Dynamics of the Interest Rates in the Money Market
(percent)

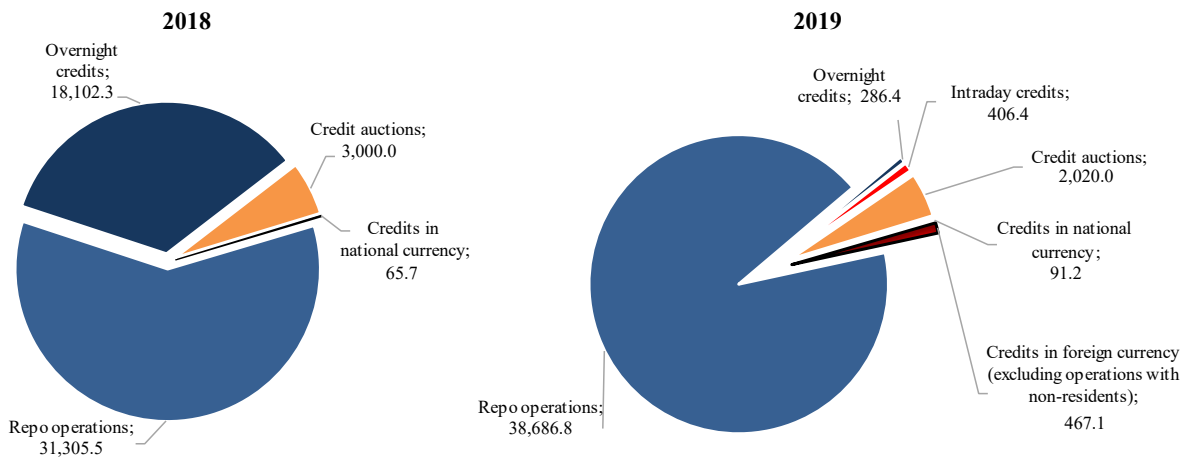


Interbank credit market

In the reporting year, participants’ activity in the interbank credit market remained resilient. The volume of repo transactions increased by 23.6 percent compared to 2018, from KGS 31.3 up to KGS 38.7 billion.

In the reporting year, the total volume of operations in the interbank credit market (including loans issued by the National Bank of the Kyrgyz Republic) decreased by 20.0 percent compared to 2018 and amounted to KGS 42.0 billion.

Chart 2.2.2.2.
Volume of Domestic Interbank Credit Market Transactions
(millions of KGS)



In 2019, the weighted average interest rate on repo transactions increased by 0.6 percentage points up to 3.0 percent. The interest rates on loans in the national currency stood at 2.3 percent, and those in foreign currency – at 3.2 percent. For comparison: in 2018, standard transactions in the national currency were conducted on an interest-free basis, and in foreign currency, standard loan transactions were not conducted.

The average maturity of repo transactions remained unchanged at the level of 5 days, the maturity of loans in the national currency decreased from 9 to 2 days, and the maturity of loans in foreign currency was 13 days.

Table 2.2.2.1.

Weighted Average Interbank Market Interest Rates and the National Bank Rates (over the period)
(percent)

	2018	2019
Interbank market rates		
Rates of credits in national currency	0.0	2.3
Rates of credits in foreign currency	-	3.2
Rates of repo operations	2.4	3.0
National Bank operations rates		
"Overnight" credits rates	6.2	5.9
"Overnight" deposits rates	0.3	1.7
Credit auctions rates	5.2	4.4

In 2019, there was an increase in the volume of supply amid resumed issue of 3- and 6-month ST-Bills in the short-term segment of the government securities market. The total weighted average yield of the ST-Bills decreased compared to 2018 and amounted to 5.09 percent (in 2018 – 5.65 percent).

Government securities market

In the long-term segment of the financial market, the Ministry of Finance of the Kyrgyz Republic placed the ST-Bonds with a maturity from 2 to 10 years. The total weighted average yield of the ST-Bonds decreased from 11.84 percent in 2018 to 10.30 percent in 2019.

2.2.3. Operations on Banks Refinancing

Refinancing of banks is one of the instruments designed to maintain liquidity of the commercial banks and smooth its fluctuations.

The National Bank has the following types of refinancing instruments:

- the intraday credit provided in the national currency on the interest-free basis during the trading day on collateral, to enhance efficiency of the payment system;
- the “overnight” credit provided in the national currency for one day on the repayment basis on collateral, to maintain short-term liquidity of the banks;
- the 7-day credit provided in the national currency for 7 days on the repayment basis on collateral, to maintain short-term liquidity;
- the credit auctions aimed at refinancing and maintaining liquidity held in the national currency to provide the commercial banks with credits in the national currency on the repayment basis to maintain liquidity and lending to certain sectors of the economy and regions;
- the credits for liquidity support provided on the repayment basis on collateral to protect integrity of the banking system, maintaining the bank’s liquidity and protecting the interests of the depositors;
- the credits provided on the repayment basis on collateral to the international organizations established by the Kyrgyz Republic jointly with other states within the EAEU;
- the credits of last resort extended in exceptional cases to the commercial banks experiencing serious financial problems;
- the credits provided to the Deposit Protection Agency of the Kyrgyz Republic to ensure the financial stability of the Deposit Protection System of the Kyrgyz

Republic, protect the depositors' interests, prevent the systemic risk and provide stability of the banking system.

In 2019, the volume of extended intraday credits amounted to KGS 406.4 million; in 2018, intraday credits were not extended.

The volume of issued "overnight" credits amounted to KGS 286.4 million, in 2018 – KGS 18,102.3 million.

In 2019, the National Bank jointly with the commercial banks issued credits in the amount of KGS 4.04 billion to promote the economic development in the Kyrgyz Republic and decrease the interest rates on credits through the credit auctions. These funds were allocated for projects lending to support regional development of the country, as well as to implement the project of the Government of the Kyrgyz Republic "Agriculture Financing".

In addition, in the reporting period, the National Bank extended credits in the amount of KGS 300.0 million (in 2018 – KGS 300.0 million) to the international organizations established by the Kyrgyz Republic jointly with other states within the EAEU to support a long-term economic development.

The 7-day credits, credits for liquidity support, credits of the last resort to the commercial banks, as well as the credits to the Deposit Protection Agency of the Kyrgyz Republic were not extended in 2019.

Table 2.2.3.1.

Credits Extended by the National Bank of the Kyrgyz Republic
(millions of KGS)

	Q1	Q2	Q3	Q4	Total
Intraday credits					
2018	-	-	-	-	-
2019	-	179.1	227.3	-	406.4
"Overnight" credits					
2018	10,493.9	7,608.4	-	-	18,102.3
2019	-	286.4	-	-	286.4
Credit auctions					
2018	664.9	2,335.1	-	-	3,000.0
2019	695.0	1015.0	170.0	140.0	2,020.0
Credits for liquidity support					
2018	-	141.4	430.2	-	571.7
2019	-	-	-	-	-
Credits to international organizations					
2018	100.0	-	150.0	50.0	300.0
2019	-	200.0	-	100.0	300.0

2.2.4. Domestic Foreign Exchange Market Operations

There was stable situation in the domestic foreign exchange market during 2019. The participation of the National Bank in the foreign exchange auctions depended on the domestic market environment and was implemented amid existing regime of the floating exchange rate.

In 2019, the National Bank sold USD 143.5 million to smooth the sharp exchange rate fluctuations. Operations on purchase of foreign currency were not conducted by the National Bank during the reporting period. In 2018, net sales amounted to USD 147.7 million.

At the beginning of the first quarter, there was an excess of demand for foreign currency over supply thereof in the domestic foreign exchange market. Thus, in January,

Foreign exchange interventions

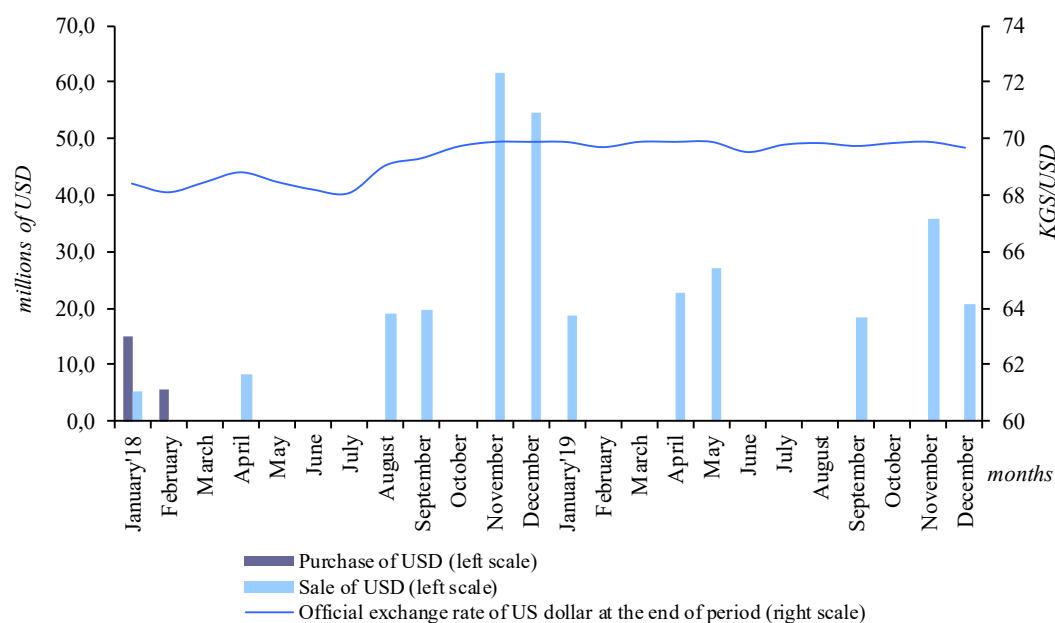
the National Bank sold USD 18.8 million to smooth sharp fluctuations of the exchange rate.

In the second quarter, the pressure on the exchange rate was conditioned by growing demand for foreign currency. In the second quarter, the National Bank sold USD 49.8 million to mitigate the pressure on the exchange rate.

At the end of the third quarter, there were short-term fluctuations in the exchange rate being smoothed by the National Bank through the sale of foreign currency in the amount of USD 18.4 million.

Chart 2.2.4.1.

Foreign Exchange Operations of National Bank in 2019



In the fourth quarter, there was a seasonal growth in demand for the US dollars in the domestic foreign exchange market due to the reduction in supply of foreign currency. The National Bank sold USD 56.5 million to smooth the exchange rate fluctuations, as well as to satisfy the demand for US dollars.

In 2019, the official US dollar-Kyrgyz som exchange rate decreased by 0.3 percent and amounted to KGS 69.6439 per USD 1 due to stable situation in the foreign exchange market during the reporting period.

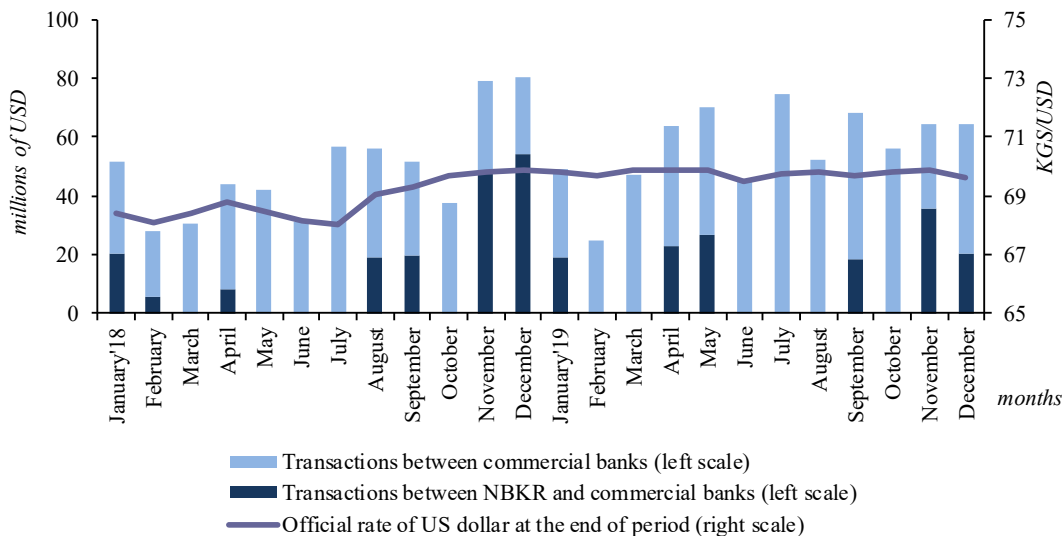
In the reporting period, the volume of operations on purchase/sale of foreign currency in the interbank foreign exchange market¹ and operations of the exchange offices increased by 58.6 percent, up to KGS 1,171.4 billion. This indicator increased due to growth of the operations conducted by the exchange offices by 97.5 percent. The increase in the volume of operations was observed in all currencies. Significant volumes of foreign exchange operations were conducted in US dollars (+55.7 percent) and in Russian rubles (+67.1 percent).

Total volume of operations in the foreign exchange market

¹ Excluding operations with non-cash foreign currency conducted by the commercial banks with their clients.

Chart 2.2.4.2.

Exchange Rate Movement and Volume of Interbank Foreign Exchange Auction Transactions



Swap-operations

In 2019, the total volume of swap-operations conducted by the commercial banks in the domestic market and with non-resident banks decreased by 12.0 percent compared to the indicator of 2018 and amounted to USD 581.3 million. The National Bank did not conduct swap-operations during the reporting period.

Exchange rate movement at exchange offices

At the end of 2019, the weighted average selling rate of Russian rubles in the exchange offices increased by 11.3 percent compared to 2018 and amounted to KGS 1.1168 per Russian ruble. The weighted average selling rates of euro, Kazakh tenge and US dollar in the exchange offices on the contrary decreased by 3.0 percent (down to KGS 77.7386 per euro), by 0.8 percent (down to KGS 0.1827 per tenge) and to 0.4 percent (down to KGS 69.4942 per US dollar), respectively.

2.2.5. Reserve Requirements

RR standard

Reserve requirements (RR) being among the instruments of monetary regulation and, along with other instruments are used to achieve target inflation rates. RR is the amount of money that the commercial banks and microfinance companies attracting deposits are obliged to maintain for a certain period of time (28 days), according to the requirements established by the National Bank.

The Board of the National Bank determines the ratio of the required reserves and the procedure of fulfillment thereof depending on the monetary policy conditions.

In 2019, measures were taken to soften the requirements to the minimum daily level of RR for the banks in order to stimulate the economic development through expansion of the lending opportunities for the commercial banks. Thus, the minimum threshold amount of money in a correspondent account with the National Bank valid for the commercial banks to comply with the RR on a daily basis was reduced from 90.0 to 80.0 percent of the amount of the bank's required reserves defined for the appropriate period. Simultaneously, within the framework of supporting de-dollarization measures, the ratio of reserve requirements was increased by 200 basis points – from 12.0 to 14.0 percent for the liabilities in foreign currency, meanwhile, the ratio of reserve requirements was not changed and remained at 4.0 percent for the liabilities in the national currency and for the liabilities in five currencies (the currencies of the EAEU member-states and Chinese Renminbi yuan).

Moreover, in 2019, the banks' liabilities on depersonalized metal accounts were included in the RR calculation base. Taking into account the insignificant volumes of operations with precious metals, the ratio of the banks' required reserves on the clients' depersonalized metal accounts was set at zero level for the purpose of initial stimulating the development of metal operations.

During 2019, the following cases of non-compliance with the RR were observed:

- non-compliance with the RR standard in one commercial bank for the entire base period;
- non-compliance with the daily minimum threshold level of the volume of required reserves in four commercial banks.

2.3. Management of International Reserves

According to the Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, the National Bank independently forms, owns and manages all international reserves, taking into account the priorities of liquidity and ensuring security thereof.

The decision-making in the part of defining the bank's investment strategy, the portfolio structure of international reserves, the ratio of risk and the return on investment instruments, as well as a choice of the bank's counterparties was made by the Board and the Investment Committee of the National Bank. In 2019, the Investment Committee held 17 meetings on international reserves management. Criteria were set, as well as the requirements and restrictions imposed on counterparties, types of instruments, and the size and maturity of investment were established to minimize the risks emerging during international reserves management.

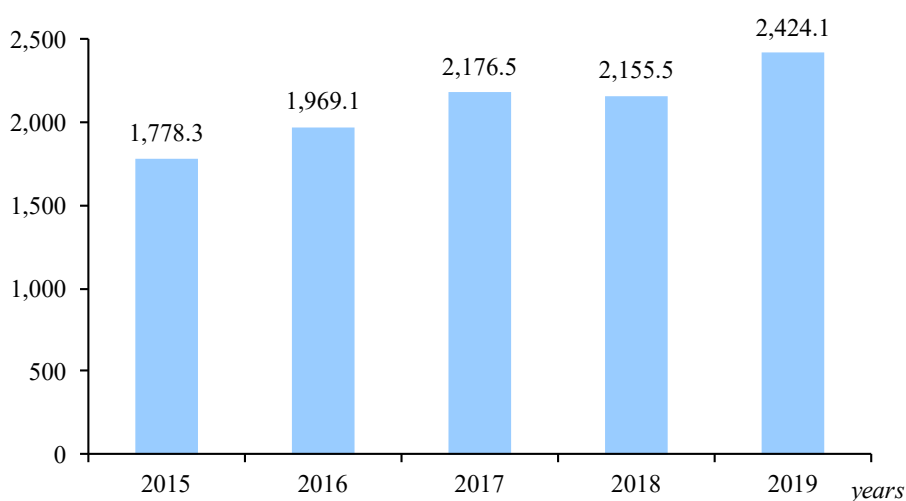
Management of international reserves was regulated by the Investment Policy and the Risk Management Policy.

At the end of 2019, gross international reserves amounted to USD 2,424.1 million, having increased by USD 268.6 million or 12.5 percent over the year. The international reserves of the National Bank comprise the assets in gold, SDR and the currency portfolio.

Volume of international reserves

Chart 2.3.1.

Dynamics of Gross International Reserves
(millions of USD)



The payments on the external liabilities of the Kyrgyz Republic; the changes in the exchange rates of currencies which are part of international reserves; the changes in the prices for precious metals; income from management of international reserves; the

operations on purchase of gold in the domestic market of Kyrgyzstan; foreign exchange operations of the National Bank carried out in the domestic market of the country; and receipt of foreign currency in favor of the Government of the Kyrgyz Republic influenced the volume of gross international reserves during 2019.

Structure of international reserves

Table 2.3.1.
Structure of International Reserves (end-of-period)
(percent)

	2018	2019
Currency portfolio	72.3	65.0
Gold	21.4	28.9
Special Drawing Right	6.3	6.1
Total	100.0	100.0

In 2019, the international reserves currency portfolio consisted of the following currencies: Australian dollars, British pounds, US dollars, Euros, Canadian dollars, Chinese yuans, Norwegian kroner, Russian rubles, Singapore dollars, Swiss francs, South Korean won, Japanese yen, as well as other currencies to serve the operations conducted by the Government of the Kyrgyz Republic.

The central banks, international financial institutions and foreign commercial banks are the counterparties of the National Bank.

The work with the reserve assets was done on the portfolio basis to support the required level of liquidity as well as to increase efficiency in international reserves management. The division of currency portfolios into the working and investment ones ensured maintenance of the optimal yield level of reserves.

The working portfolio assets were placed in the most liquid instruments and were used for the operations in the domestic interbank foreign exchange market and for the payments of the National Bank and the Government of the Kyrgyz Republic in foreign currency, including the state external debt service.

The investment portfolio was managed in accordance with the approved benchmark portfolio of international reserves. The National Bank placed the international reserves in securities, time deposits, as well as in one-day repo operations.

The securities portfolio included the government securities of individual countries, as well as the short-term and medium-term investment instruments of the international financial institutions. The time deposits were placed in the international financial institutions, foreign central and commercial banks with high international ratings.

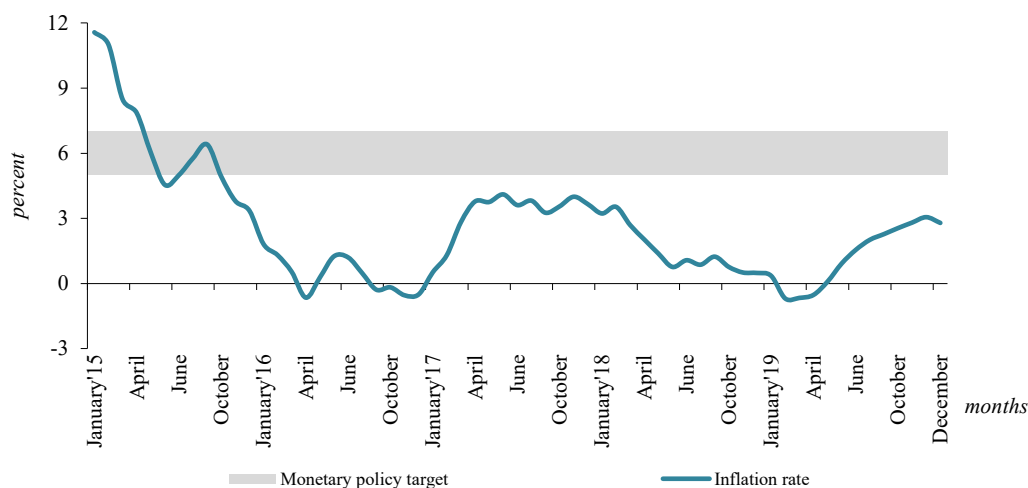
2.4. Monetary Policy Results

Inflation

The monetary policy conducted by the National Bank ensured retention of the price stability in the country and contributed to maintaining the positive indicators of macroeconomic activity amid moderate world economic growth and fluctuations in the world commodity markets during 2019.

During the whole reporting year, inflation dynamics was stable and moderately low with slight acceleration in the second half of the year. There was a gradual increase of the inflation rate up to 3.1 percent by the end of the year from the deflation rate of 0.7 percent at the beginning of the year.

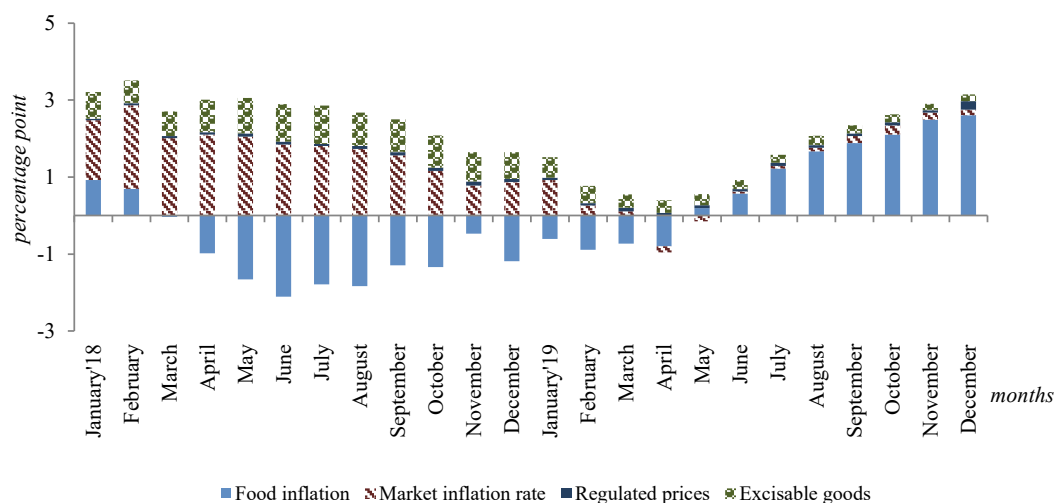
According to the National Statistical Committee, in 2019, the annual average inflation rate was 1.1 percent, not exceeding the medium-term targets of the monetary policy. In December 2019, consumer price level increased by 3.1 percent compared to the same period of the previous year.

Chart 2.4.1.**Inflation Rate in the Kyrgyz Republic**

Gradual increase in prices for food products in the second half of the year conditioned by rise in prices for wheat and meat in the foreign and domestic food markets, as well as the low base of 2018 were the main factors contributing to the moderate inflation rate. The price index for food products increased by 5.7 percent (December 2019 to December 2018). There was an increase in prices for all goods, with the exception of sugar, in the commodity group, meanwhile prices for fruits, vegetables and flour increased significantly among the main types of food products.

Prices for non-food products and services remained at the level of 2018: the rate of non-food inflation was 0.6 percent at the end of the year (December 2019 to December 2018). Prices for alcoholic beverages and tobacco products increased by 3.4 percent, prices in the group “housing services, water, electricity, gas and other types of fuel” grew by 2.4 percent, meanwhile the prices for paid services increased by 0.4 percent.

In 2019, market inflation rate¹, was low at 0.4 percent.

Chart 2.4.2.**Contribution to CPI Growth**

¹ The NSC calculations: goods and services are excluded from the general price index, prices for which are subject to significant seasonal/short-term fluctuations or determined by the administrative decisions of state bodies.

Money market

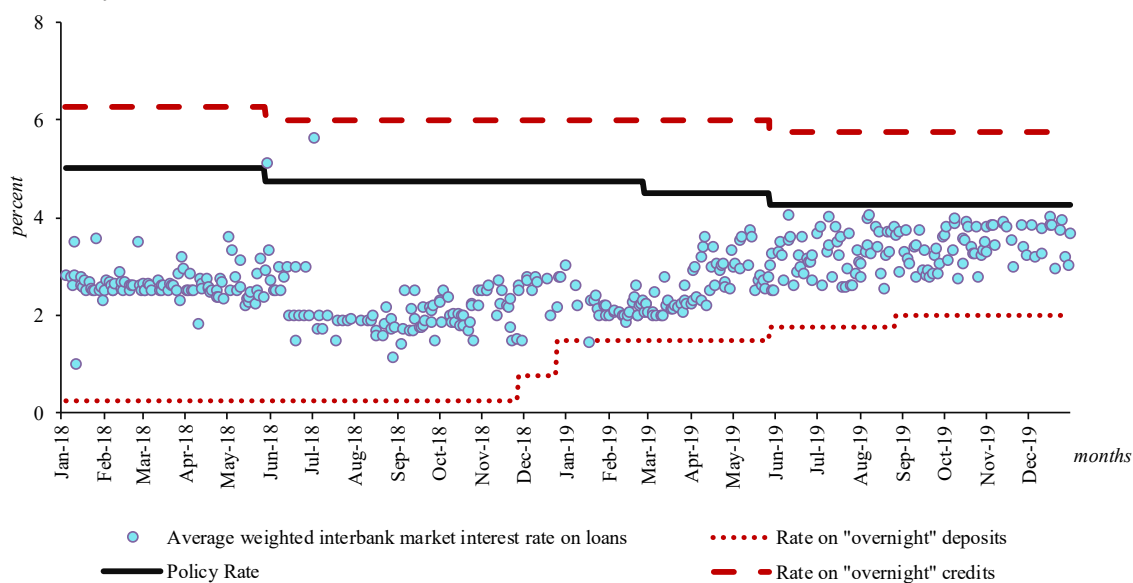
In the first half of 2019, the money market rates in the national currency were not significantly changed and fluctuated within the rates set by the National Bank for “overnight” deposits and credits.

In 2019, the upper and lower rates of the interest rate corridor were adjusted: the rate on “overnight” deposits was increased twice – from 1.5 percent to 2.00 percent, the rate on “overnight” credits was reduced from 6.00 to 5.75 percent to enhance the impact of the monetary policy transmission mechanism in the domestic market and to develop the interbank money market.

As a result, the short-term money market rates in the national currency demonstrated a gradual approach to the policy rate of the National Bank (key rate).

Chart 2.4.3.

Dynamics of Rates in the Interbank Credit Market

*Monetary base*

In 2019, the monetary base increased by 11.0 percent or KGS 11.7 and amounted to KGS 118.1 billion at the end of the year. The operations of the National Bank contributed to the monetary base growth by KGS 3.9 billion and the operations of the Government of the Kyrgyz Republic contributed to growth thereof by KGS 7.8 billion.

Monetary aggregates

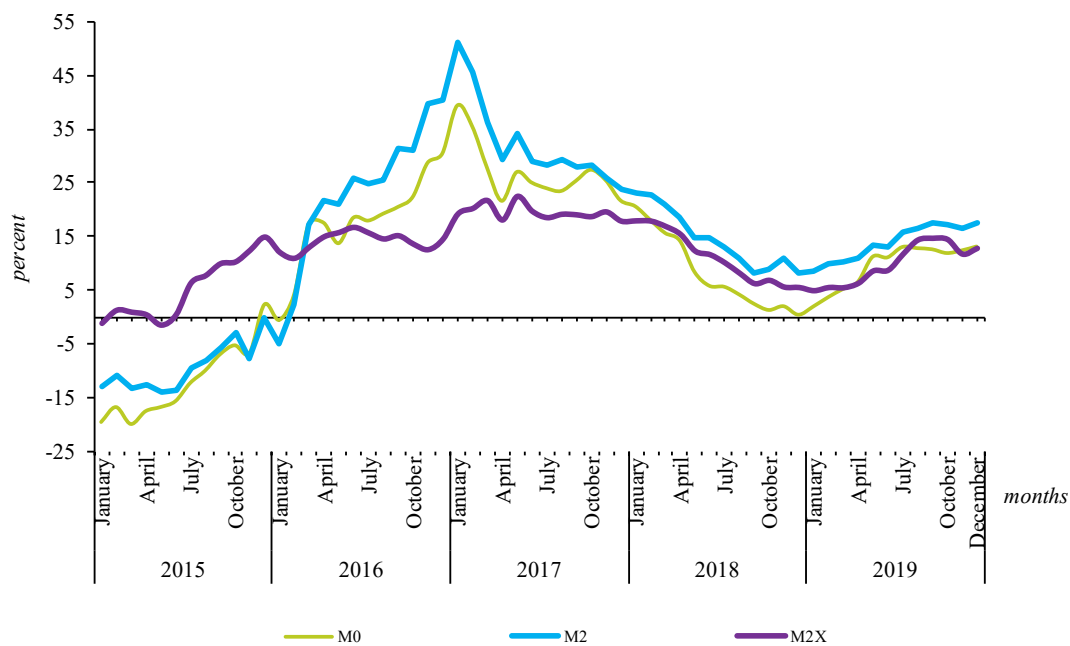
Monetary aggregates were still characterized by the positive growth. At the end of 2019, M2X monetary aggregate (broad money supply, including deposits in foreign currency) increased by 12.8 percent, up to KGS 230.3 billion. The increase in this indicator was due to the expansion of money outside banks (money aggregate M0) by 13.2 percent, the volume thereof at the end of the reporting year amounted to KGS 96.0 billion, and the increase of the deposits in the national currency by 23.0 percent. Deposits in foreign currency made a negative contribution of 2.0 percent to the change in M2X aggregate. At the end of 2019, broad money supply in the national currency (money aggregate M2) increased by 17.6 percent, up to KGS 181.8 billion.

Monetization factor

The monetization factor of the economy, reflecting the financial resource capacity in the economy, was characterized by the upward trend. In 2019, this indicator was 39.0 percent.

Chart 2.4.4.

Annual Rates of Change in Monetary Aggregates (end-of-period)



CHAPTER 3. DEVELOPMENT AND REGULATION OF FINANCIAL-CREDIT ORGANIZATIONS

In 2019, the key performance indicators of the financial-credit organizations demonstrated steady development, while maintaining stability and potential for further expanding the supply of financial services.

An increase in the volume of deposits, demonstrating growth of public confidence in banks, as well as inflows into capital, allowed the financial-credit organizations to increase the volume of lending to the population in the reporting period. In 2019, the total deposit base of the commercial banks increased by 13.4 percent and amounted to KGS 151.0 billion, due to an increase of deposits in the national currency by 25.0 percent. In 2019, the aggregate credit portfolio of banks increased by 14.5 percent and amounted to KGS 146.4 billion. The ratio of non-performing loans to the credit portfolio, characterizing the quality of loans, was formed at 8.0 percent and remains the lowest in the region. The overall level of financial intermediation increased and amounted to 42.2 percent (at the end of 2018 – 39.0 percent).

In the reporting year, the National Bank conducted actions aimed at sustainable development and enhancing the role of the banking and non-banking sectors in the economy of the Kyrgyz Republic and focused on maintaining the efficiency, safety and reliability of their activities, reducing the weighted average interest rates on loans, and further expansion of the services provided in accordance with the principles of Islamic finance. The conditions and opportunities for remote servicing of the population by the financial-credit organizations were created to improve the regional and price availability of banking, payment and microfinance services.

Measures taken by the National Bank and the Government of the Kyrgyz Republic contributed to further decline of the dollarization level in the banking sector to reach a historic low and make 35.1 percent for the credit portfolio and 38.2 percent for the deposit base.

In 2019, the National Bank continued active work on improving the tools and mechanisms for conducting risk-based supervisory activities to increase the effectiveness of banking supervision. The main focus was aimed at assessing and preventing the risks in the activities of the financial organizations through enhanced remote monitoring and on-site inspections, including early risks disclosure in the financial-credit organizations.

3.1. Development and Regulation of the Commercial Banks Operation

3.1.1. Overview of the Banking System Development¹

In 2019, the main indicators of the banking system continued to grow: assets, credit portfolio, deposits, and capital. Reduced interest rates on loans, as well as other factors, increased the availability of borrowed funds for the individuals and organizations that also reflected on growth of financing by the banks. There was a growth in the volume of deposits that indicated enhancement of public confidence in the banks. An increase in the size of banks' capital in the reporting period contributed to strengthening of the banking system reliability and stability.

At the end of 2019, 24 commercial banks operated in the Kyrgyz Republic; the number of the commercial banks decreased by one bank compared with 2018, due to re-registration of one bank into a microfinance company. Among the operating commercial banks, 16 banks had foreign capital. The share of foreign capital decreased

¹ According to the periodic regulatory bank reporting (PRBR).

by 15.4 percentage points as compared to 2018 and constituted 31.9 percent of the total authorized capital of the banking system.

During the reporting period, total assets of the banking system increased by 12.2 percent and amounted to KGS 249.0 billion by the end of the year. The main share of banks' assets, accounted for the loans, increased by 1.2 percentage points compared to 2018 and made up 58.8 percent.

Banking system assets

Table 3.1.1.1.

Structure of Assets of Commercial Banks (end-of-period)

Asset category	2018		2019	
	<i>billions of KGS</i>	<i>Share, percent</i>	<i>billions of KGS</i>	<i>Share, percent</i>
Loans and financial lease to clients	127.9	57.6	146.4	58.8
Correspondent accounts and deposits with other banks	24.5	11.1	25.3	10.2
Securities portfolio	21.7	9.8	23.1	9.3
Cash	15.5	7.0	18.1	7.3
Correspondent account with the NBKR	13.9	6.3	13.0	5.2
Fixed assets	12.0	5.4	14.2	5.7
Loans to financial and credit organizations	1.1	0.5	1.9	0.7
Securities purchased under repurchase (REPO) agreement	0.4	0.2	0.5	0.2
Investments and financial participation	0.4	0.2	0.4	0.2
Special LLP*	-9.4	-4.2	-10.9	-4.4
Other assets	14.0	6.3	17.0	6.8
Total	222.0	100.0	249.0	100.0

* *Special Loan Loss Provision (LLP) refers to reserves to cover potential losses on non-performing loans (substandard, doubtful, loss).*

In the reporting period, the volume of highly liquid funds placed by the commercial banks in cash, short-term assets and on correspondent accounts of the National Bank increased by 4.7 percent and amounted to KGS 56.4 billion, or 22.7 percent of the total assets at the end of 2019.

In 2019, the aggregate credit portfolio of the banks¹ increased by 14.5 percent and amounted to KGS 146.4 billion. The credit portfolio increased due to the growth of lending in the national currency by 19.7 percent, up to KGS 95.0 billion, and in foreign currency by 6.1 percent, up to KGS 51.5 billion.

Credit portfolio

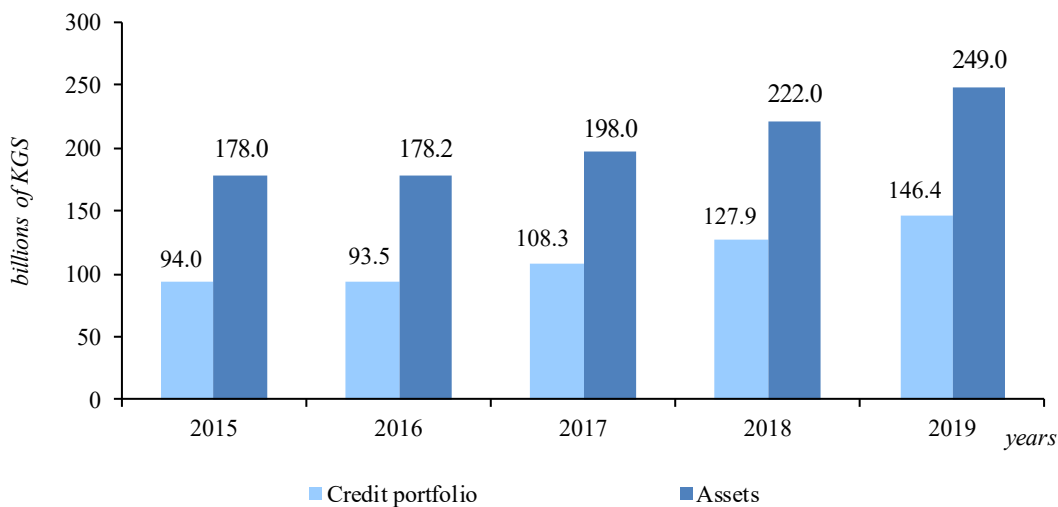
By the end of the reporting year, the total volume of short-term loans increased by 9.6 percent, and the volume of loans with a maturity of more than one year increased by 15.5 percent resulting in an increase of the credit portfolio duration from 31.8 to 32.1 months.

The number of borrowers increased by 13.5 percent and amounted to 461.9 thousand legal entities and individuals.

¹ Hereinafter, data are given excluding loans extended to the banks and financial-credit organizations.

Chart 3.1.1.1.

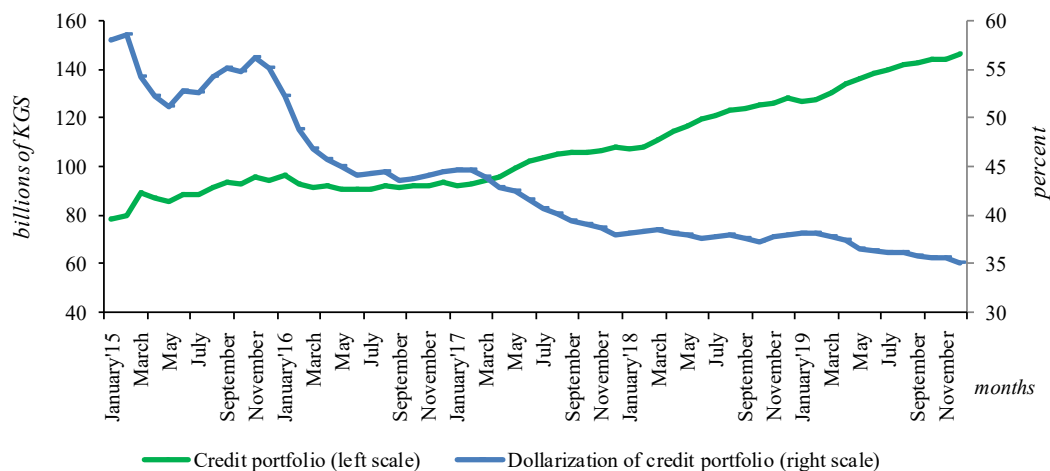
Dynamics of Assets and Credit Portfolio of Banks (end-of-period)

*Credit portfolio dollarization*

As a result of measures taken by the National Bank, the level of dollarization in the banking sector continued falling. Following the results of 2019, the level of dollarization declined by 2.8 percentage points compared to 2018, down to 35.1 percent.

Chart 3.1.1.2.

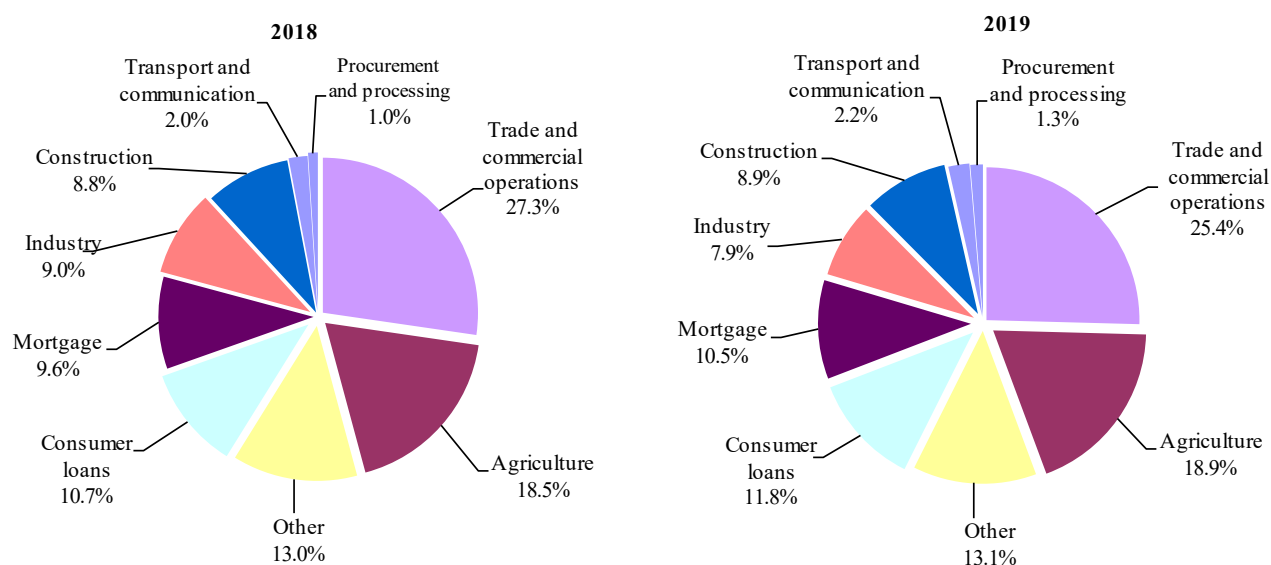
Dollarization of Credit Portfolio of Banks (end-of-period)

*Sectoral structure of the credit portfolio*

The volume of lending to the main sectors of economy continued increasing. The loans were mainly extended in such sectors as: agriculture (+KGS 4.0 billion), consumer loans (+KGS 3.5 billion), mortgage (+KGS 3.0 billion), trade and commercial operations (+KGS 2.3 billion), construction (+KGS 1.7 billion), industry (+KGS 0.1 billion).

Chart 3.1.1.3.

Credit Portfolio of Banks by Economic Sectors (end-of-period)



The volume of credit portfolio increased in all regions of the Kyrgyz Republic. In Bishkek, the credit portfolio increased by KGS 7.6 billion, in Osh city and Osh oblast – by KGS 2.8 billion, in Naryn oblast – by KGS 2.5 billion, in Chui oblast – by KGS 1.5 billion, in Talas oblast – by KGS 1.4 billion, in Jalal-Abad oblast – by KGS 0.9 billion, in Batken oblast – by KGS 0.8 billion, in Issyk-Kul oblast – by KGS 0.8 billion.

Regional structure of credit portfolio

Table 3.1.1.2.

Regional Structure of Credit Portfolio of Banks (end-of-period)*

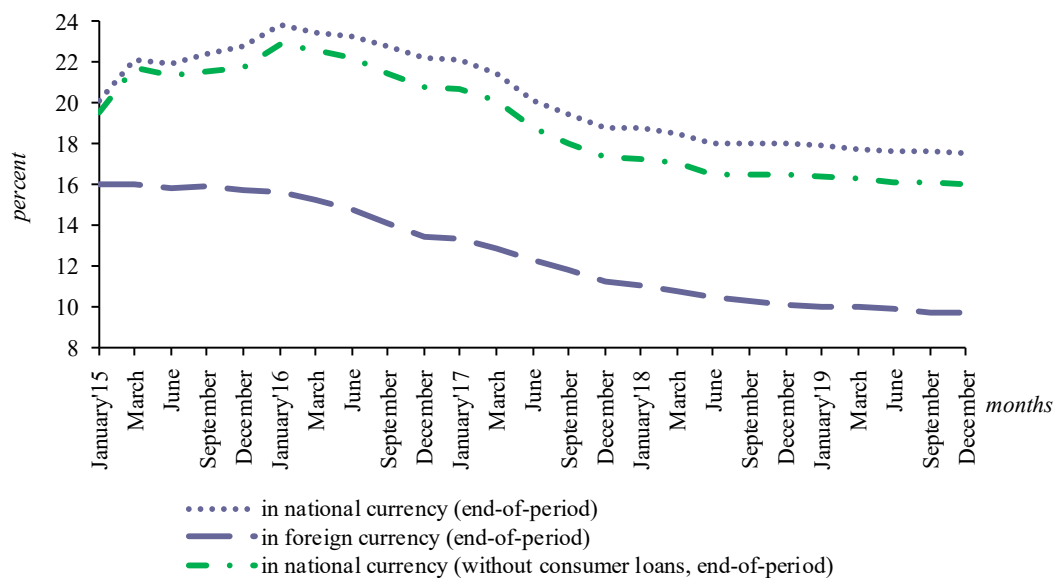
	2018		2019	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Bishkek city	72,358.8	56.9	79,978.5	54.9
Osh city and Osh oblast	15,287.1	12.0	18,114.3	12.4
Jalal-Abad oblast	11,807.6	9.3	12,761.6	8.8
Chui oblast	9,332.2	7.3	10,868.4	7.5
Issyk-Kul oblast	7,206.1	5.7	7,970.7	5.5
Naryn oblast	3,621.6	2.8	6,134.3	4.2
Batken oblast	4,174.1	3.3	4,960.2	3.4
Talas oblast	3,444.4	2.7	4,838.4	3.3
Total	127,232.1	100.0	145,626.3	100.0

* The credit portfolio is given including accrued discount

At the end of the reporting year, the weighted average interest rates on the credit portfolio of the commercial banks decreased and amounted to 17.5 percent in the national currency (-0.5 percentage points), and those in foreign currency – by 9.7 percent (-0.4 percentage points). The weighted average interest rate on the credit portfolio (excluding consumer loans) in the national currency also decreased and amounted to 16.0 percent (-0.5 percentage points) by the end of the year.

Chart 3.1.1.4.

Weighted Average Interest Rates of Credit Portfolio of Banks

*Newly issued loans*

The total volume of newly issued loans by the commercial banks increased by 14.4 percent compared to 2018 and amounted to KGS 130.1 billion. This annual increase was due to growth in the volume of loans in the national currency by 22.1 percent, up to KGS 93.5 billion. At the same time, in the reporting period, the volume of loans in foreign currency decreased by 1.4 percent compared to 2018, down to KGS 36.6 billion.

The weighted average interest rates on newly issued loans demonstrated decline during the year. The average interest rate in the national currency was 19.0 percent, having decreased by 0.5 percentage points, meanwhile this indicator in foreign currency decreased by 0.1 percentage point and amounted to 9.6 percent.

Performing assets and LLP

The volume of “performing” assets was 91.8 percent of the total assets or KGS 212.8 billion, meanwhile the share of “non-performing” assets amounted to 8.2 percent or KGS 18.9 billion. The proportion of classified loans in the loan portfolio increased by 0.5 percentage points compared to 2018 and amounted to 8.0 percent or KGS 11.7 billion. Moreover, this indicator is among the lowest ones in the region.

In the reporting period, the amount of allocations to LLP amounted to 1.2 percent of the credit portfolio (in 2018 – 1.1 percent) amid growth in the volume of the credit portfolio.

Table 3.1.1.3.

Classification of Banks' Assets, Off-Balance-Sheet Liabilities and Loans
(in percent, unless stated otherwise)

Category	Assets and off-balance liabilities		Loans	
	2018	2019	2018	2019
Total performing	92.3	91.8	92.5	92.0
<i>including:</i>				
Standard	62.4	63.8	47.6	51.2
Satisfactory	13.6	13.0	19.1	17.5
Under supervision	16.3	15.0	25.7	23.3
Total non-performing	7.7	8.2	7.5	8.0
<i>including:</i>				
Substandard	4.3	3.9	3.5	3.3
Doubtful	1.0	1.5	1.6	2.0
Losses	2.4	2.8	2.5	2.7
Total	100.0	100.0	100.0	100.0

At the end of 2019, the total volume of liabilities of the commercial banks increased by 10.9 percent, up to KGS 206.9 billion. The liabilities in foreign currency decreased by 4.8 percent compared to 2018 and amounted to 37.9 percent of total liabilities at the end of 2019.

Banking system liabilities

Table 3.1.1.4.

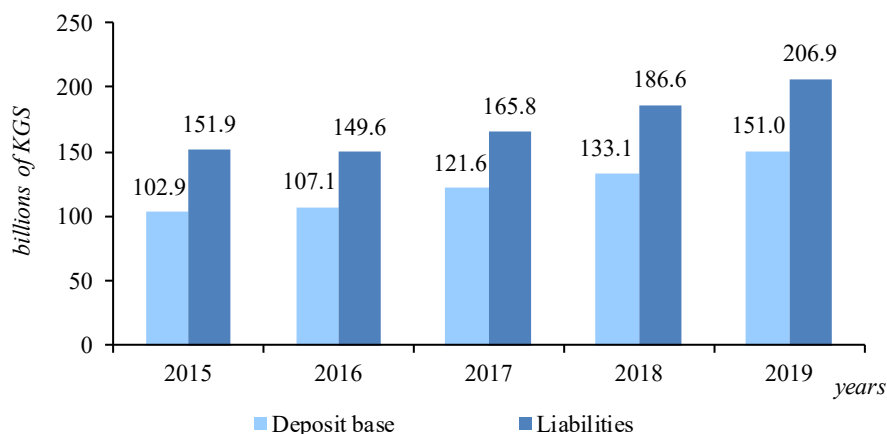
Structure of Liabilities of Commercial Banks (end-of-period)

Liability category	2018		2019	
	<i>billions of KGS</i>	<i>Share, percent</i>	<i>billions of KGS</i>	<i>Share, percent</i>
Term deposits	45.6	24.4	56.4	27.3
Settlement accounts	40.7	21.8	39.3	19.0
Demand deposits	32.2	17.3	37.7	18.2
Loans received	22.8	12.2	25.5	12.3
Government deposits	4.8	2.6	6.9	3.4
Deposits of non-residents	9.7	5.2	10.6	5.1
Liabilities to the NBKR	7.8	4.2	5.0	2.4
Government loans	3.9	2.1	4.7	2.3
Settlement accounts and deposits of banks	1.9	1.0	3.4	1.6
Securities sold under repurchase (repo) agreements	0.4	0.2	0.5	0.2
Other liabilities	16.7	9.0	16.9	8.2
Total	186.6	100.0	206.9	100.0

The share of the deposit base in the gross volume of liabilities increased by 1.6 percentage points compared to 2018 and amounted 73.0 percent.

Chart 3.1.1.5.

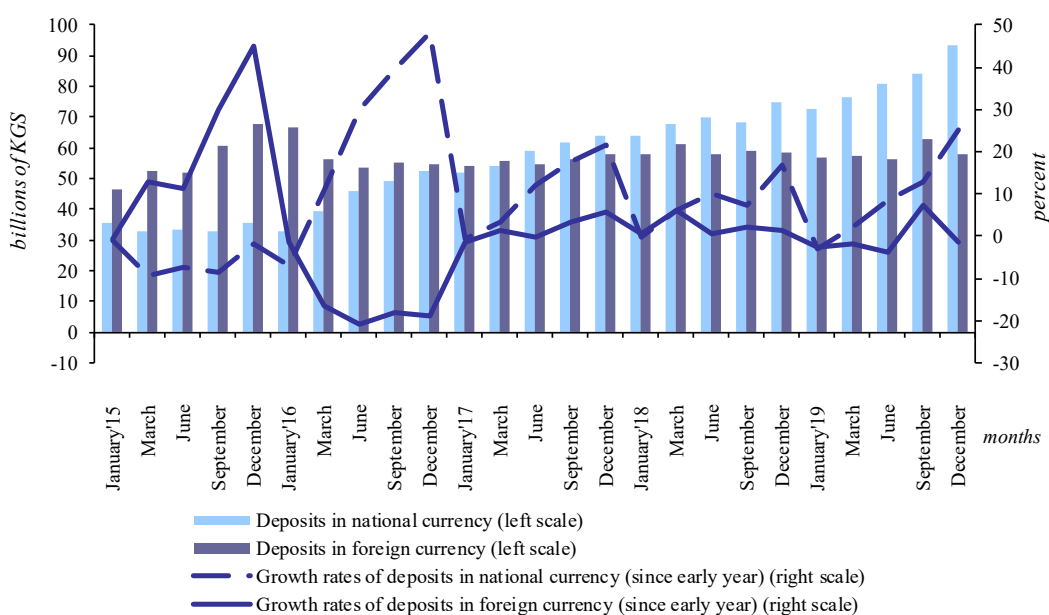
Dynamics of Liabilities and Deposit Base

*Deposit base*

At the end of 2019, the total volume of the deposit base of the commercial banks' customers increased by 13.4 percent year-to-date and amounted to KGS 151.0 billion. The volume of deposits in the national currency increased by 25.0 percent, up to KGS 93.3 billion, those in foreign currency decreased by 1.4 percent, down to KGS 57.7 billion.

Chart 3.1.1.6.

Volume of Deposit Base of Banks (end-of-period)



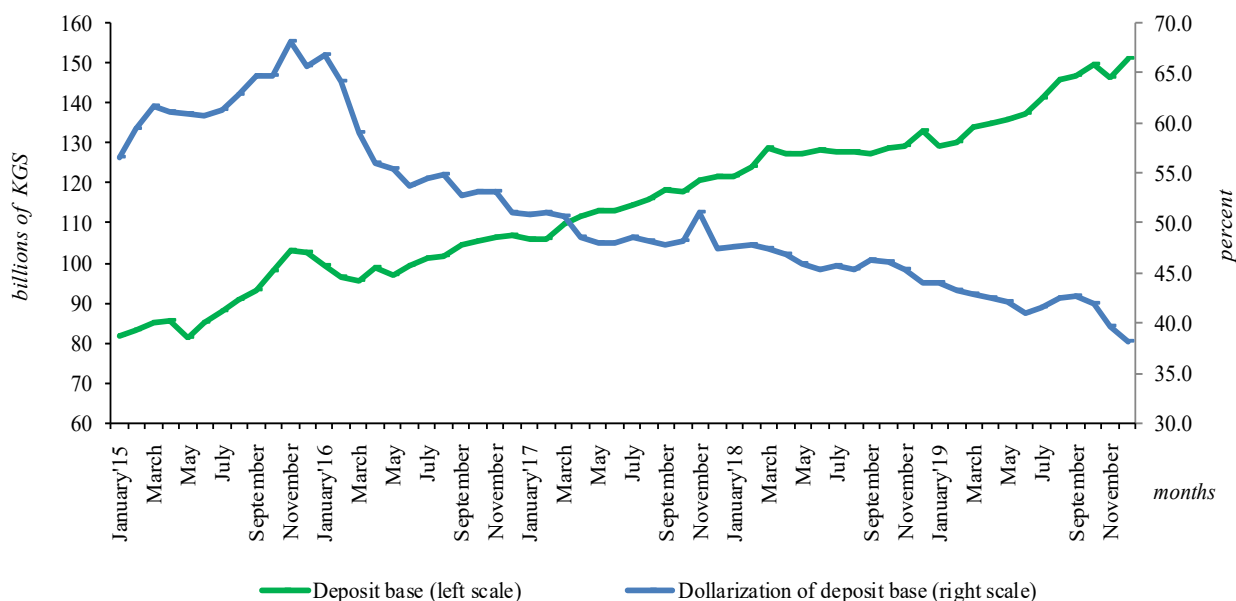
At the end of the year, the number of depositors increased by 16.5 percent compared to 2018 and amounted to 3.0 million legal entities and individuals.

Dollarization of the deposit base

The level of dollarization of the deposit base decreased by 5.7 percentage points compared to 2018 and amounted to 38.2 percent due to measures taken by the National Bank to provide de-dollarization of the economy.

Chart 3.1.1.7.

Dollarization of Deposit Base of Banks (end-of-period)



The structure of deposits demonstrated increase of long-term deposits (over a year), the share thereof amounted to 12.8 percent, and short-term deposits (28.8 percent in the total volume of deposits). As a result, the duration of the deposit base changed slightly: from 5.0 in 2018 to 5.4 months in 2019, meanwhile the same indicator for term deposits decreased by 0.1 percentage points, down to 13.1 months.

General structure of the deposit base

At the end of 2019, the weighted average interest rate on deposits in the national currency was 6.0 percent, having decreased by 0.2 percentage points over the year. The same indicator on deposits in foreign currency decreased down to 1.4 percent (-0.2 percentage points).

In 2019, the volume of deposits¹ newly accepted by the banks amounted to KGS 666.0 billion, having increased of 10.8 percent compared to 2018. Deposits in the national currency increased by 18.1 percent, up to KGS 387.6 billion, those in foreign currency – by 2.0 percent, up to KGS 278.5 billion. The main inflow of deposits was provided by the receipt of funds to the accounts of term deposits.

Deposit interest rates

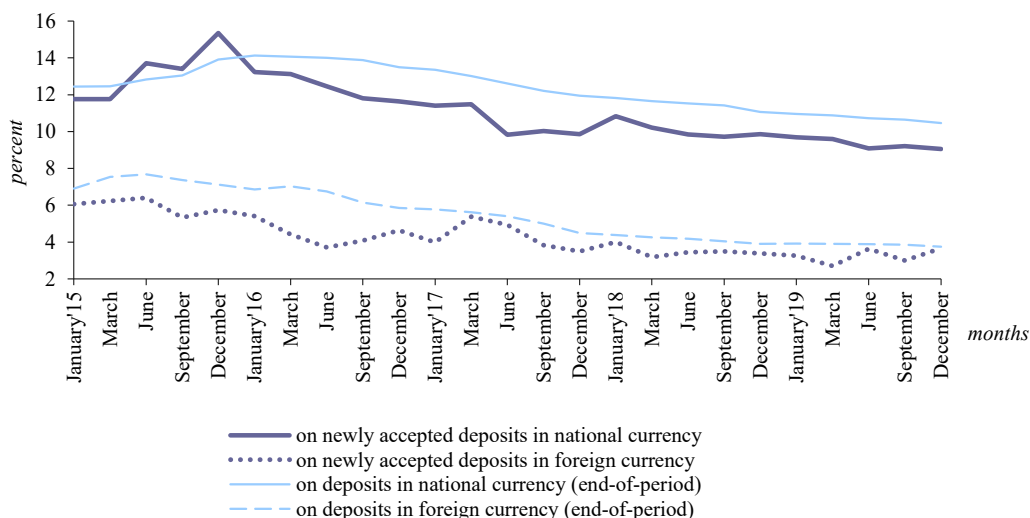
During 2019, the average interest rate on newly accepted deposits in the national currency decreased by 0.9 percentage points compared to 2018 and amounted to 1.5 percent, meanwhile the decrease in foreign currency amounted to 0.1 percentage point, down to 0.3 percent.

At the same time, the average interest rate on newly accepted term deposits in the national currency decreased by 0.7 percentage points compared to 2018, down to 9.4 percent, and those in foreign currency decreased by 0.1 percentage point, down to 3.3 percent.

¹ The receipt of funds on the settlement accounts was not considered in the volume of newly attracted deposits.

Chart 3.1.1.8

Weighted Average Interest Rates on Term Deposits of Banks



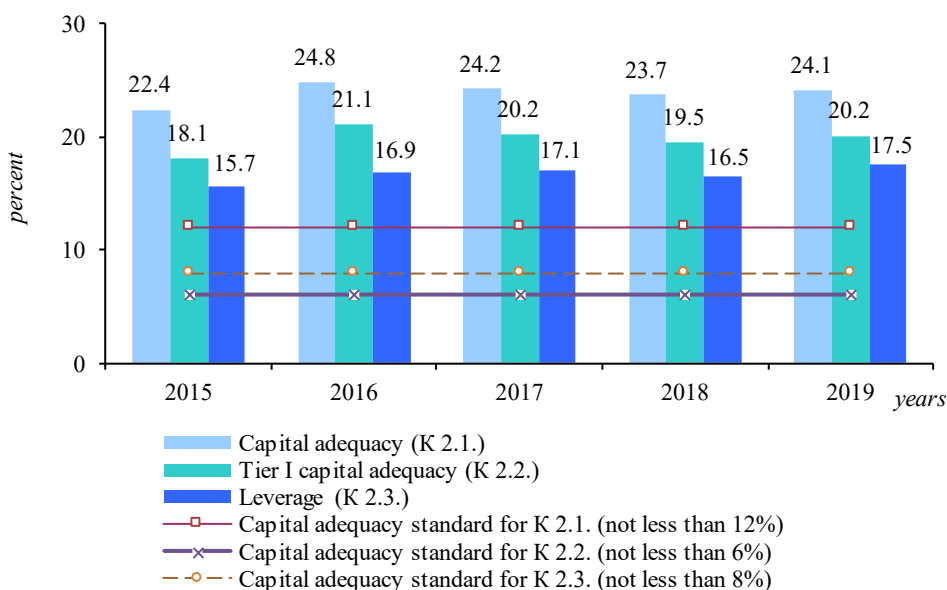
Capital of commercial banks

In 2019, the net total capital¹ of the commercial banks increased by 19.5 percent and amounted to KGS 43.6 billion. The value of paid-up authorized capital² increased by 21.9 percent, up to KGS 28.6 billion.

Indicators of capital adequacy of the banking sector reflect stability of the banking sector. At the same time, the actual level of capital adequacy in the banking sector (K 2.1.), formed at the end of 2019, exceeded the established standard (at least 12 percent) by 2 times indicating that there is potential to further increase the level of financial intermediation.

Chart 3.1.1.9.

Dynamics of Capital-Based Indicators of Banks



¹ Estimate indicator, including authorized capital of the bank, the financial result of the activity implemented in the reporting and previous years, created reserves, except for investments in the subsidiaries and the capital of other financial-credit organizations. This indicator is applied when calculating the values of economic standards established by the National Bank of the Kyrgyz Republic.

² Ordinary and preference shares are included into this category.

At the end of 2019, net profit of the banking system decreased by 3.6 percent compared to 2018 and totaled KGS 2.9 billion.

Table 3.1.1.5.

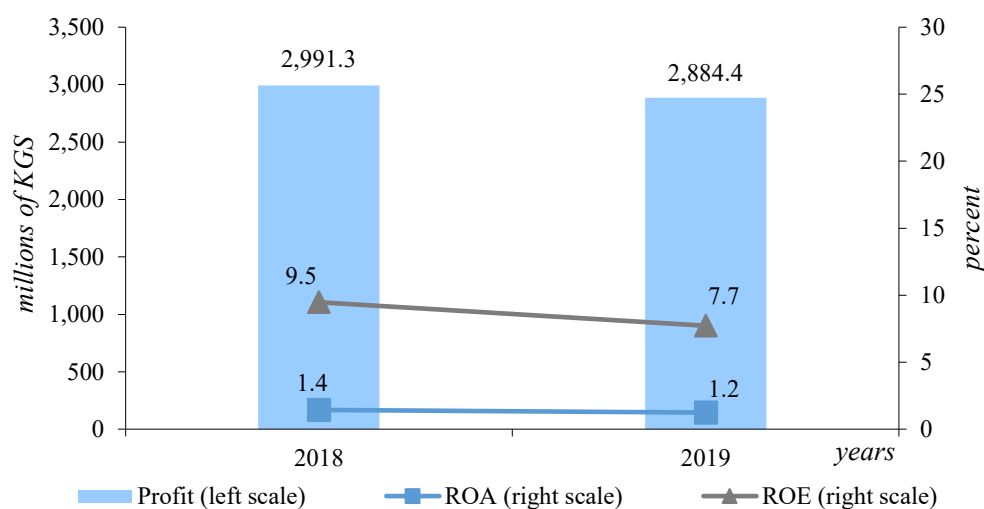
Volume of Income and Expenses of Banks
(billions of KGS)

Category	2018	2019
Total interest income	21.3	23.6
Total interest expenses	7.5	8.1
Net interest income	13.7	15.5
Allocations to LLP (loans)	1.4	1.8
Net interest income after allocations to LLP	12.3	13.7
Total non-interest income	11.0	10.5
Total non-interest expenses	6.1	5.5
Total other operating and administrative expenses	13.5	14.8
Net operating income (loss)	3.8	3.9
Allocations to LLP (on other assets)	0.4	0.5
Net income (loss) before tax	3.4	3.4
Profit tax	0.5	0.5
Net income (loss)	3.0	2.9

In 2019, return on assets (ROA) decreased from 1.4 percent to 1.2 percent, return on equity (ROE) decreased from 9.5 percent to 7.7 percent.

Chart 3.1.1.10.

Indicators of Banks Profitability



3.1.2. Licensing of the Commercial Bank

Licensing of the commercial banks is part of banking supervision implemented by the National Bank within its authority, in accordance with the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank.

During 2019, two banks were granted a permit to conduct operations with refined gold measuring bullions emitted (issued) by the National Bank, one of them was also authorized to conduct operations with precious metals of other issuers in an impersonal form (in non-cash form). One bank was granted a permit to issue e-money.

Issue of license

Moreover, one bank was given an additional permit to conduct such transactions as “qard hasan” and “wadi’ah yad daman” under the license to conduct banking operations in accordance with the principles of Islamic banking and finance through the “Islamic window” in the national and/or foreign currency has been.

Consent was issued to two banks to implement reorganization by merging one bank with the transfer of its rights (assets) and responsibilities (liabilities) to another bank.

One bank returned a license to conduct banking operations in the national and/or foreign currencies due to failure to comply with the requirement on the minimum amount of equity (regulatory) capital established for the banks, and a microfinance company received a license to conduct certain banking operations.

Table 3.1.2.1.

*Branches, Savings
Offices and Field
Cash Offices*

Number of Branches, Savings Offices and Field Cash Offices

	Number of Branches		Number of Savings Offices		Number of Field Cash Offices	
	2018	2019	2018	2019	2018	2019
Bishkek city	70	72	268	269	39	39
Batken oblast	25	24	70	69	10	9
Jalal-Abad oblast	49	47	170	159	22	38
Issyk-Kul oblast	40	41	55	54	17	15
Naryn oblast	20	19	23	25	3	4
Osh oblast	59	62	200	181	24	40
Talas oblast	17	17	21	23	7	7
Chui oblast	41	41	78	70	32	33
Total	321	323	885	850	154	185

Since 2018, the number of field cash offices continued increasing, as well as in the regions of the republic, which generally contributes to increased access of the population to the banking services. In 2019, various commercial banks opened 38 field offices.

3.1.3. Supervision of the Commercial Banks

In 2019, the National Bank supervised the activities fulfilled by the banks through the remote analysis and on-site inspections observing the principles of risk-based supervision and taking into account the financial condition, quality of management, and compliance with the prudential standards and other requirements established by law. Systemic risks in the banking sector are assessed as moderate.

Capital indicators

At the end of 2019, the total capital adequacy ratio was formed in the amount of 24.1 percent with the established standard of “not less than 12 percent”. The excess of this indicator over the established level reflects a stable functioning of the banking sector, as well as availability of the potential to expand the range of financial services provided by the banking system.

Table 3.1.3.1.

Indicators of Capital of Commercial Banks (end-of-period)

	2018	2019
Net total capital, billions of KGS	36.5	43.6
Net risk assets, billions of KGS	153.8	181.1
Total capital adequacy ratio, percent	23.7	24.1
Total capital adequacy ratio standards (not less), percent	12.0	12.0
Number of banks with capital adequacy ratio more than 30 percent, units	8	7
Number of banks with capital adequacy ratio from 20 to 30 percent, units	10	12
Number of banks with capital adequacy ratio under 20 percent, units	7	5

Credit risk is among the main risks accompanying banking activities and is assessed based on the classification of assets and off-balance sheet liabilities¹. The ratio of special reserves for non-performing loans, bearing the risk of defaulting to the credit portfolio made up 4.5 percent, having increased by 0.4 percentage points year-to-date.

Credit risk

Currency risk is assessed based on the ratio of assets and liabilities in foreign currency, as well as their share in the total assets or liabilities of the commercial banks. At the end of 2019, the foreign currency assets of the banking system amounted to KGS 88.2 billion, or 35.4 percent of total assets. The liabilities of the commercial banks in foreign currency amounted to KGS 78.5 billion or 38.7 percent of total liabilities.

Currency risk

A steady decline in the share of foreign currency in the assets and liabilities of the banking system demonstrates strengthening of the national currency and further de-dollarization in the banking system.

Table 3.1.3.2.**Assets and Liabilities of Commercial Banks in Foreign Currency (end-of-period)**

	2018	2019
Assets in foreign currency, billions of KGS	87.3	88.2
Share of foreign currency assets in total assets structure, percent	39.5	35.4
Liabilities in foreign currency, billions of KGS	78.8	78.5
Share of foreign currency liabilities in total liabilities structure, percent	43.3	38.7

Liquidity risk is considered in terms of coverage of the liabilities by the assets in each maturity period, making it possible to assess the need for the funds according to the existing gap by assets and liabilities. During 2019, the negative gap by maturities of assets and liabilities remained unchanged, and the risk of liabilities prevailing over assets in the aforementioned maturities can be compensated by positive gaps in long-term maturities.

*Liquidity risk****Table 3.1.3.3.²*****Assets and Liabilities by Maturity (end-of-period)
(billions of KGS)**

2018*	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	71.8	11.2	16.9	19.2	110.4	229.6
Liabilities	93.2	8.8	18.1	21.1	40.7	182.0
Amount of excess assets over liabilities	-21.4	2.4	-1.1	-1.9	69.6	47.6
in percent of the total volume of assets	29.8	21.7	6.7	10.0	63.1	20.7

*- data as of December 31, 2018, inclusive

2019*	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	84.9	10.9	13.3	24.2	126.0	259.3
Liabilities	103.2	10.6	17.2	26.8	44.9	202.8
Amount of excess assets over liabilities	-18.4	0.2	-3.9	-2.5	81.1	56.5
in percent of the total volume of assets	21.6	2.0	29.2	10.5	64.3	21.8

*- data as of December 31, 2019, inclusive

¹ Data are given in Section 3.1.1. "Overview of the Banking system Development", Table 3.1.1.3. "Classification of Banks' Assets, Off-Balance-Sheet Liabilities and Loans".

² Data are given based on Section 12 PRBR.

At the end of 2019, the value of the liquidity ratio in the banking system decreased from 67.0 percent (at the end of 2018) to 64.0 percent with the standard established for the commercial banks not less than at 45.0 percent. Additional “quick” liquidity ratio (K3.3) for certain banks is valid in order to prevent the risks.

CTF/AML

In 2019, as a part of the existing bilateral agreement with the State Financial Intelligence Service under the Government of the Kyrgyz Republic, there was regular exchange of information on observance of the requirements of the legislation on counter-terrorism financing and anti-money laundering (CTF/AML) by the commercial banks.

In the reporting year, the National Bank continued implementing the recommendations focused on improving of the CTF/AML national system of the Kyrgyz Republic, developed based on the results of mutual evaluation by the Eurasian Group on counter-terrorism financing and anti-money laundering (EAG) of the National System of the Kyrgyz Republic on CTF/AML.

In November 2019, the representatives of the National Bank participated in the 31st plenary meeting of the EAG working group on mutual evaluation and legal issues held in Ashgabat (Turkmenistan), where the Kyrgyz Republic submitted the 2nd report on progress in the CTF/AML national system and requested to review the ratings of individual FATF Recommendations. The report on the progress of the Kyrgyz Republic with the achieved consensus on upgrading the ratings was reviewed and approved based on the results of the meeting and according to the EAG procedures.

Inspections

In 2019, the National Bank also carried out inspections of the commercial banks using risk-based supervision approaches. The inspections included assessment of the risk management system, corporate governance and internal control in the bank, taking into account capital adequacy, the quality of assets and contingent liabilities, liquidity, profitability, the bank’s exposure to operational and market risks, and compliance by the banks with the legislation of the Kyrgyz Republic including on CTF/AML. The risks for the commercial banks’ information security were assessed for compliance with the requirements of the National Bank’s regulatory legal acts.

As part of the EAEU integration processes, an Agreement was signed between the central banks of the member states on the creation of a working group on ensuring information security of the financial market and countering computer attacks in the credit and financial sector.

The commercial banks are regularly informed of emerging threats and vulnerabilities based on an analysis of cyber threats and information from other centers for responding to cyber threats.

3.1.4. Enforcement Measures

In 2019, appropriate measures were applied according to the results of the revealed violations/deficiencies in the activities of the banks within the framework of supervision over the commercial banks’ activities. The measures taken were mainly focused on strengthening the internal control systems in the banks, improving the quality of risk management, reducing the risk appetite of the banks, bringing the banks’ activities in line with the banking legislation of the Kyrgyz Republic, as well as ensuring reliability, financial stability and improving the efficiency of the banks’ activities.

Penalties were imposed on individual banks and the officers hereof for violations of the banking legislation of the Kyrgyz Republic in terms of operational risks, CTF/AML risks, currency risks, as well as the terms of submitting the financial reporting.

In 2019, the Supervision Committee of the National Bank held 48 meetings and discussed 118 issues on activities of the commercial banks. The Supervision Committee took supervisory response measures and measures to limit the activities of specific commercial banks, and to implement fit and proper testing of the commercial banks’ officials.

Moreover, enforcement measures were applied to specific commercial banks in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” due to non-compliance with the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank regarding the minimum amount of the authorized and equity (regulatory) capital.

3.1.5. Supervision and Regulation Methodology of the Commercial Banks Activity

During 2019, improvement of the legal framework governing the banks’ activities, including those operating in accordance with the principles of Islamic banking and finance, was aimed at reducing banking risks, expanding access to banking services, as well as creating opportunities for remote servicing of the population by the financial-credit organizations.

Measures were taken to bring the regulatory legal acts in line with the legislation of the republic and the international standards in order to ensure the safety and reliability of the banking system, maintain the capital base of the banks and increase the competitiveness of the banking sector within the framework of formation of the EAEU common financial market.

Amendments and additions were approved to the Regulation “On Licensing of Banks Activities” to ensure access to banking services for the population of the remote regions of the country and to resolve the issues related to processing of the personal data provided to the National Bank, as well as due to the need to bring the regulatory legal acts in accordance with the Code of the Kyrgyz Republic “Non-Tax Revenues”.

The Regulations “On calculating the liquidity coverage ratio of the commercial banks”, “On minimum requirements for liquidity risk management in the commercial banks of the Kyrgyz Republic”, which stipulate the requirements to ensure an adequate supply of highly liquid assets and liquidity risk management, in accordance with the international standards of the Basel Committee on Banking Supervision (Basel III), were adopted to maintain the stability and liquidity of the banks and to effectively manage the banks’ liquidity risk.

Taking into consideration the recommendations of the Basel Committee on Banking Supervision regarding management of the market risk (interest rate risk) the Regulation “On disclosure requirements for commercial bank’s activities” was approved. According to this Regulation the banks selected by the Board of the National Bank should publish the reports containing qualitative and quantitative information regarding capital adequacy, corporate governance and risk management of the bank on their official websites.

Introduction of the amendments into a number of the regulatory legal acts made it possible to establish the procedure for the commercial banks to determine the degree of interest rate risk in the banking book exposure and to revise the gap analysis methodology.

Amendments and addenda to the regulatory legal acts have been approved to expand the access of the population in the country to financial services. According to these amendments and addenda the classification of loan collaterals has been introduced and the banks are provided with the opportunity to accept guarantees as full collateral for loans.

Moreover, the banks were provided with the opportunity to use a credit rating system in lending activities to improve the credit issue process.

In the course of assisting in implementation of the Program of the Government of the Kyrgyz Republic “Affordable Housing 2015-2020” and in development of the mortgage securities market, amendments were introduced into a number of regulatory legal acts that determine the conditions for inclusion of the mortgage securities in the liquid assets of the commercial banks in calculating the liquidity ratio.

Amendments and additions on the structure of banks’ capital, calculation of capital adequacy standards, leverage ratio and liquidity indicators in foreign currency were adopted in some regulatory legal acts as part of further work on implementation of the

*Licensing of
banks activities*

*Risk
management*

*Prudential standards
and requirements*

international standards of the Basel Committee on Banking Supervision, in particular, Basel II and III and on harmonization of the laws of the EAEU member states.

Amendments were approved in a number of regulatory legal acts to establish the requirements for calculating the total capital adequacy ratio, taking into account the capital necessary to cover operational risks.

CTF/AML

Due to adoption of new legislation on counter-terrorism financing and anti-money laundering, the National Bank approved the regulatory legal acts establishing the requirements for implementation of the internal control program in the banks for the CTF/AML purposes, and application of a risk-based approach by the banks when conducting the client due diligence, as well as the requirements for conducting the operations subject to control and reporting to the financial intelligence agency and other issues.

New versions of the Regulations “On consolidated supervision” and “On periodic regulatory consolidated reporting” were approved taking into account the international practice of regulation and supervision of the banking groups, in order to improve supervision on a consolidated basis, to determine the risks and impact that the banking group has on its members.

Banking services digitalization

The Main directions of the banking services digital transformation in the Kyrgyz Republic for 2020-2021 were adopted as part of the initiatives to develop the regions and digitalize the economy.

Amendments were introduced into some regulatory legal acts regarding the use of electronic signatures to limit the risks of certain operations and clarify the relationships between the banks and other supervised organizations that provide remote services. The adopted amendments are focused on expanding the possibilities for rendering the remote services to the population by the financial-credit organizations and will allow identified users to receive banking and payment services without additional visits to the financial institution in which they are served.

Individual entrepreneurs are provided with the opportunity to open accounts/obtain loans using an electronic patent.

Principles of Islamic finance

In the reporting year, measures were still taken to improve the regulatory legal acts on regulation of the banks operating in accordance with the principles of Islamic finance.

The National Bank adopted amendments to some regulatory legal acts on capital adequacy and periodic regulatory banking reporting to reduce the risks of banks operating in accordance with the principles of Islamic finance and stimulate participation in government programs.

The Recommendations on provision of financing in accordance with the principles of Islamic banking and finance and financing for development of agriculture were approved to expand the list of banking operations conducted according to the principles of Islamic finance.

Amendments were also introduced into the Regulation “On operations carried out in accordance with the principles of Islamic banking and finance”.

The Instruction on working with bank accounts, bank deposit accounts opened in accordance with the principles of Islamic banking and finance was approved to establish minimum requirements for the operation of bank accounts and bank deposit accounts.

Amendments were approved in the Regulation “On individual transactions/ operations with real estate conducted by the commercial banks and microfinance companies of the Kyrgyz Republic” due to the specific nature of work with other real estate of the banks operating in accordance with the principles of Islamic finance, and to protect the rights of the banking services consumers.

The Regulation “On operations of the commercial banks with precious metals conducted in accordance with the principles of Islamic banking and finance was approved to develop the market of precious metals as an alternative instrument of savings and investment for the population and the banks of the Kyrgyz Republic.

Amendments were approved in the regulatory legal acts on implementation of the provisional administration regime and liquidation of the banks, regarding determining the remuneration for the provisional administrator and liquidator, as well as the terms for consideration and provision of information by the provisional administrator to bring the aforementioned acts in compliance with the laws.

As part of bringing in compliance with the requirements of the Code of the Kyrgyz Republic on violations, amendments were introduced into the Instruction for consideration of cases on violations, according to which the amount of the penalty for late payment of fines was increased, and the powers of the National Bank to consider the cases of violations on the CTF/AML issues and bankruptcy were expanded.

3.2. Development and Regulation of Non-Banking Financial-Credit Organizations

3.2.1. Overview of Non-Banking Financial-Credit Organizations Development¹

Following the results of 2019, there was an increase in basic indicators of non-banking financial-credit organizations (NBFCOs) sector, in particular, assets, credit portfolio and resource base.

At the end of 2019, 637 non-banking financial-credit organizations, including a specialized financial-credit organization (hereinafter – SFCO), credit bureaus, microfinance organizations (hereinafter – MFOs), credit unions (hereinafter – CUs), exchange bureaus and guarantee fund operated in the territory of the Kyrgyz Republic.

According to the regulatory reporting, the total NBFCOs² assets increased by 31.2 percent in 2019 and amounted to KGS 26.4 billion as of the end of the reporting year.

Assets of NBFCOs

Table 3.2.1.1.

Structure of NBFCOs Assets (end-of-period)

Asset category	2018		2019	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans and financial lease to clients	16,252.9	80.8	21,205.3	80.3
Correspondent accounts and deposits in other banks	1,461.8	7.3	2,138.8	8.1
Other assets	863.5	4.3	1,260.6	4.8
Loans to financial and credit organizations	712.7	3.5	896.3	3.4
Investments and financial participation	694.3	3.5	463.0	1.8
Fixed assets	361.6	1.8	745.3	2.8
Cash	198.4	1.0	210.5	0.8
Securities portfolio	111.1	0.6	50.0	0.2
Special LLP*	-535.5	-2.7	-568.8	-2.2
Total	20,120.90	100.0	26,400.85	100.0

* Special Loan Loss Provision (LLP) refers to reserves to cover potential losses on non-performing loans (substandard, doubtful, losses)

During the reporting period, the volume of liquid assets placed by NBFCOs in cash, short-term assets and on settlement accounts in the commercial banks increased by 41.5 percentage points and amounted to KGS 2.3 billion or 8.9 percent of total assets at the end of 2019.

¹ According to periodic regulatory reporting (PRR) of the non-banking financial-credit organizations.

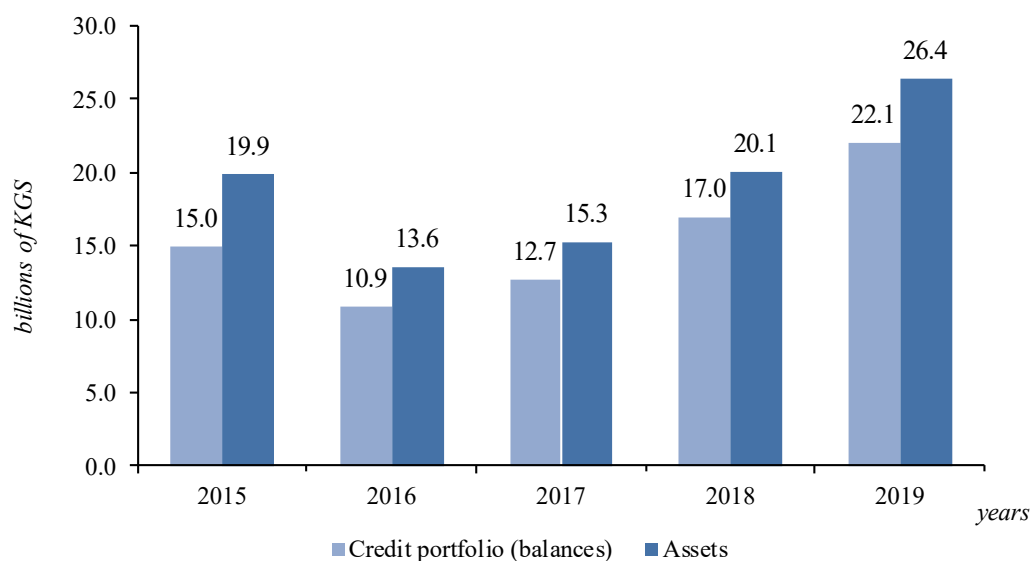
² Without considering the credit portfolio of the SFCO and the assets of the credit bureau, guarantee fund, as well as the exchange bureaus.

Credit portfolio

The credit portfolio of the non-banking financial-credit sector increased by 30.3 percent compared to the results of 2018 and amounted to KGS 22.1 billion. The share of the credit portfolio in the NBFCOs assets remained unchanged and amounted to 83.7 percent compared to 84.6 percent in 2018. At the end of 2019, the volume of the portfolio issued under the principles of Islamic finance (PIF) amounted to KGS 1,052 million, or 3.9 percent of all NBFCOs assets. At the end of 2019, the number of NBFCOs borrowers amounted to 438,837 persons, having increased by 74,081 persons or 20.3 percent compared to 2018.

Chart 3.2.1.1.

Dynamics of Assets and NBFCOs Credit portfolio (end-of-period)



In the reporting period, the bulk of the NBFCOs credit funds was extended in Bishkek, Chui and Osh oblasts.

Table 3.2.1.2.

NBFCOs Credit Portfolio Behavior by Regions (end-of-period)
(millions of KGS)

	2018		2019	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Bishkek city	4,456.0	26.3	5,666.0	25.6
Osh oblast	3,724.0	22.0	5,022.8	22.7
Chui oblast	2,498.2	14.7	3,103.2	14.0
Jalal-Abad oblast	2,009.5	11.8	2,693.8	12.2
Issyk-Kul oblast	1,846.1	10.9	2,403.8	10.9
Naryn oblast	1,142.3	6.7	1,409.9	6.4
Batken oblast	809.1	4.8	1,218.1	5.5
Talas oblast	477.9	2.8	582.1	2.6
Outside Kyrgyzstan	2.5	0.0	1.8	0.0
Total	16,965.7	100.0	22,101.6	100.0

At the end of 2019, the weighted average interest rates on the credit portfolio of the microfinance organizations decreased by 0.4 percentage points and amounted to 30.0 percent, those of the credit unions decreased by 0.8 percentage points, down to 26.6 percent.

Amid growth of credit portfolio, the volume of “performing” loans increased over the year by KGS 4.9 billion and amounted to KGS 21.2 billion, meanwhile the share of “non-performing” loans decreased by 0.3 percent and amounted to 3.9 percent.

Table 3.2.1.3.
NBFCOs Credit Portfolio Quality

Category	2018		2019	
	millions of KGS	percent	millions of KGS	percent
Total performing	16,246.0	95.8	21,242.5	96.1
Total non-performing	719.7	4.2	859.0	3.9
<i>including:</i>				
<i>Substandard</i>	193.7	1.1	315.0	1.4
<i>Doubtful</i>	121.3	0.7	142.5	0.6
<i>Losses</i>	404.7	2.4	401.6	1.8
Total credit portfolio	16,965.7	100.0	22,101.6	100.0

In the aggregate credit portfolio of NBFCOs, the share of MFOs (microfinance companies, microcredit companies, microcredit agencies) increased from 94.1 percent (KGS 16.0 billion) to 95.6 percent (KGS 21.1 billion), and the share of CUs decreased from 5.9 percent (KGS 1.0 billion) to 4.4 percent (KGS 0.9 billion).

The activity of SFCOs is focused on extending loans to support the system of financing in the rural area within the framework of CUs lending. At the end of 2019, the credit portfolio of SFCOs decreased by 7.1 percent compared to 2018 and amounted to KGS 381.8 million.

SFCOs

At the end of 2019, the aggregate credit portfolio of credit unions (CUs) decreased by 3.7 percent compared to 2018 and amounted to KGS 963.7 million. In the structure of the credit portfolio, the main share of loans fell on lending to agriculture – 30.8 percent, trade – 23.7 percent (in 2018 – 35.7 and 24.9 percent, respectively). The number of CUs borrowers decreased by 9.1 percent over the year and totaled 7,797 persons at the end of 2019.

Credit unions

As of the end of 2019, seven CUs had deposit licenses. The volume of deposits attracted from the CUs participants increased by 2.4 percentage points and amounted to KGS 19.9 million, meanwhile the liabilities to other FCOs decreased by 10.9 percentage points and amounted to KGS 366.2 million.

The aggregate credit portfolio of microfinance organizations (MFOs) increased by 32.4 percentage points and amounted to KGS 21.1 billion at the end of 2019. In general, the MFOs credit portfolio consists of short- and medium-term loans. The main sectors of MFOs moneylending included agriculture – 27.6 percent (28.3 percent as of the end of 2018) of the aggregate credit portfolio, as well as consumer loans with the share of 26.4 percent (24.3 percent as of the end of 2018) and service rendering – 16.4 percent (18.9 percent as of the end of 2018). The main sources of MFOs lending included capital and funds attracted from the international financial institutions and foreign organizations. The number of borrowers increased by 21.0 percent and amounted to 431,040 persons at the end of 2019.

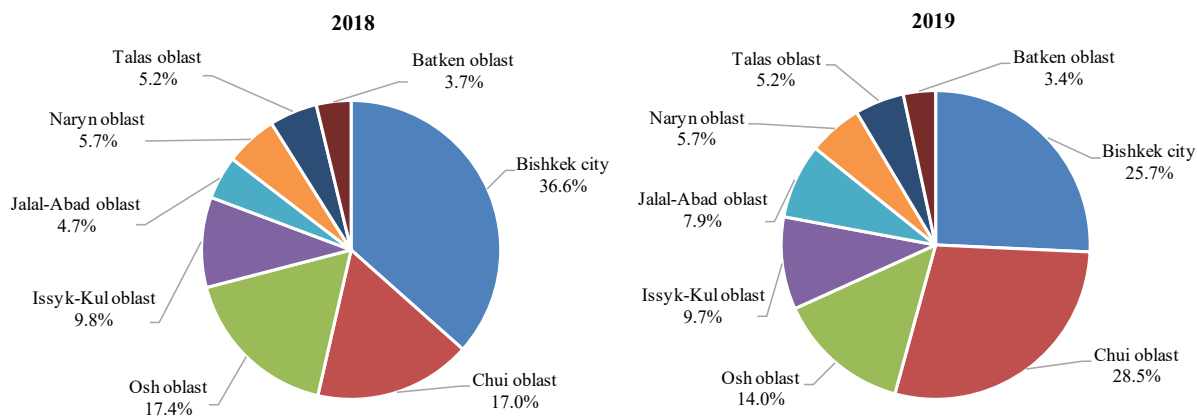
Microfinance organizations

It should be noted that in September 2019, one of the existing commercial banks was reorganized into a microfinance organization. Reorganization of a commercial bank into a MFC influenced the key indicators of the MFO sector.

At the end of 2019, the assets of the guarantee fund amounted to KGS 1,524.2 million, 1,075 guarantees were issued in the amount of KGS 798 million. Most guarantees were primarily issued in the regions of the country and at the end of 2019 the share thereof was 74.0 percent (63.0 percent as of the end of 2018).

Guarantee fund

Chart 3.2.1.2.
Guarantee Portfolio by Regions



NBFCOs liabilities

At the end of 2019, the volume of NBFCOs¹ liabilities increased by 36.7 percent and amounted to KGS 12.2 billion.

In the structure of NBFCOs liabilities, the share of liabilities to the international organizations amounted to 51.6 percent. At the same time, liabilities in the foreign currency amounted to 27.3 percent of total liabilities. At the end of 2019, the volume of attracted funds under the PIF amounted to KGS 786.3 million, or 6.4 percent in the structure of NBFCOs liabilities. In the reporting period, the volume of term deposits increased by KGS 374.3 million due to issue of a consent to attract term deposits to one MFC and reorganization of one commercial bank into a microfinance organization.

Table 3.2.1.4.
Structure of NBFCOs Liabilities (end-of-period)

Liability category	2018		2019	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans received, including:	7,132.0	79.7	9,345.5	76.3
<i>from banks of Kyrgyzstan</i>	945.5	10.6	1,510.6	12.3
<i>from other financial and credit organizations of Kyrgyzstan</i>	1,133.3	12.7	1,147.6	9.4
<i>from international financial organizations and donors</i>	203.7	2.3	169.3	1.4
<i>from international financial and credit organizations from the Government of Kyrgyzstan</i>	4,454.0	49.7	6,140.0	50.2
	395.6	4.4	377.9	3.1
Other liabilities	1,668.2	18.6	1,714.6	14.0
Subordinated debts	137.2	1.5	788.2	6.4
Term deposits	17.5	0.2	391.8	3.2
Demand deposits	2.0	0.0	1.5	0.0
Total	8,956.9	100.0	12,241.6	100.0

NBFCOs capital

The total amount of paid-up authorized capital of non-banking financial-credit organizations increased by 30.0 percent compared to the results of 2018 (KGS 4.0 billion) and amounted to KGS 5.2 billion. At the same time, the equity capital of NBFCOs increased by 24.7 percent or KGS 2.2 billion and amounted to KGS 11.1 billion.

¹ Excluding the liabilities of credit bureaus, guarantee fund and exchange bureaus.

Table 3.2.1.5.

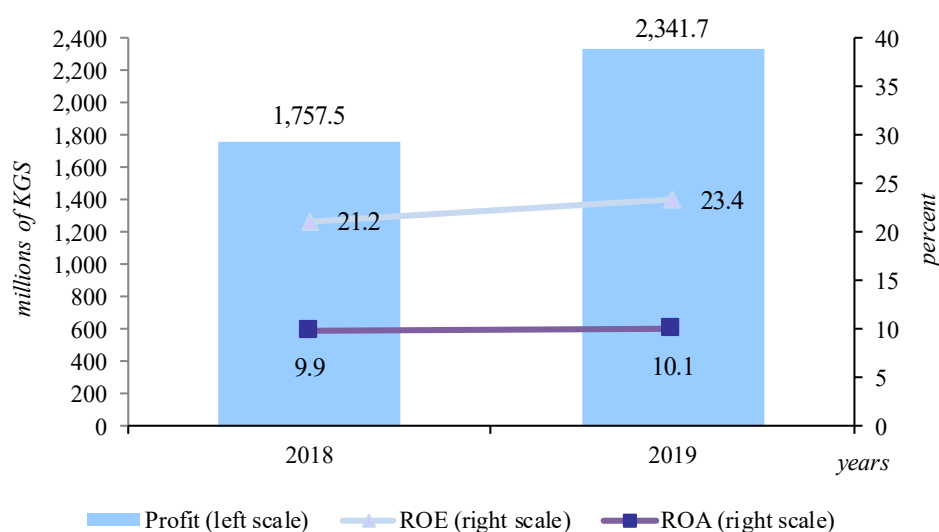
Structure of Incomes and Expenses
(millions of KGS)

Category	2018	2019
Total interest income	4,590.9	6,100.6
Total interest expenses	854.9	1,221.5
Net interest income	3,736.0	4,879.1
Allocations to LLP (loans)	273.7	409.0
Net interest income after allocations to LLP	3,462.3	4,470.1
Total non-interest income	769.9	884.1
Total non-interest expenses	1,736.5	2,006.3
Total other operating and administrative expenses	538.2	744.9
Net operating income (loss)	1,957.5	2,603.0
Allocations to LLP (on other assets)	17.7	6.7
Net income (loss) before tax	1,939.8	2,596.3
Profit tax	182.4	254.6
Net profit (loss)	1,757.4	2,341.7

At the end of 2019, the net profit of NBFcos amounted to KGS 2.3 billion, having increased by KGS 0.6 billion or 33.2 percent compared to 2018.

Chart 3.2.1.3.

Dynamics of Net Profit and Profitability Indicators



In 2019, return on assets (ROA) increased from 9.9 to 10.1 percent, return on equity (ROE) increased from 21.2 to 23.4 percent. The growth of these indicators demonstrates an increase in the effectiveness of the NBFcos sector.

3.2.2. Licensing of Non-Banking Financial-Credit Organizations

The activities of the SFCOs, microfinance companies, credit unions, exchange bureaus and credit bureaus are carried out on the basis of the licenses issued by the National Bank, meanwhile the microcredit companies, microcredit agencies and guarantee funds operate on the basis of a certificate of registration.

At the end of 2019, the system of non-banking financial-credit organizations, subject to licensing and regulation by the National Bank, comprised one specialized financial-credit organization (SFCO), 95 credit unions (CUs), 137 microfinance organizations

NBFcos licensing

(including nine microfinance companies (MFCs), 89 microcredit companies (MCCs) and 39 microcredit agencies (MCAs)), 401 exchange bureaus, two credit bureaus and one guarantee fund.

Table 3.2.2.1.

Dynamics in the Number of NBFCOs, Exchange Bureaus, Guarantee Fund and Credit Bureaus

Title	2015	2016	2017	2018	2019
SFCO	1	1	1	1	1
Microfinance organizations (MFC, MCC and MCA)	171	162	150	142	137
Credit unions	125	116	110	106	95
Exchange bureaus	329	394	396	413	401
Credit bureaus	0	0	1	2	2
Guarantee fund	0	0	0	0	1
Total NBFCO	626	673	658	664	637

In 2019, the National Bank issued consent to attract term deposits to one MFC. At the same time, amendments providing guarantee for protection of the investors' deposits in the MFCs were introduced to the Law of the Kyrgyz Republic "On Protection of Bank Deposits" to increase public confidence in the activities of the MFOs and the availability of financial services in the country.

105 licenses were issued to the exchange bureaus (including the exchange bureaus with expired previous license), eight additional exchange bureaus were registered, and three certificates of registration were issued to the MCCs, two certificates of registration – to the MCAs and one certificate of accounting – to the guarantee fund.

The certificate of registration of the guarantee fund was issued by Guarantee Fund OJSC, the main objectives thereof are to promote business development, expand production, purchase and upgrade fixed assets, and introduce new technologies used by the farmers. Purchase of the shares of Guarantee Fund OJSC in the amount of KGS 550 million by the National Bank will increase the access of the borrowers, experiencing difficulties in providing sufficient collateral, to the financial services in the regions of the Kyrgyz Republic.

Six certificates of registration of the MCCs, two certificates of registration of the MCAs, eight licenses of the CUs and 114 licenses of the exchange bureaus were cancelled due to termination of activity, as well as 88 licenses were cancelled due to license expiration.

NBFCOs officials were approved for compliance with the requirements of the regulatory legal acts of the National Bank, and the issues related to the registration/re-registration of NBFCOs and further registration/re-registration procedure in the authorized body of the Kyrgyz Republic were reviewed and studied.

3.2.3. Supervision over Non-Banking Financial-Credit Organizations

In the reporting year, the National Bank activities were focused on identifying the problems of the NBFCOs in the early stages and on taking preventive measures on supervisory response to ensure the sustainability and stability of the non-banking financial-credit organizations, as well as to increase the availability of microfinance services and to decrease credit risks.

Supervision over the NBFCOs activities is carried out by means of conducting remote supervision and inspections. The National Bank applies risk-based methodologies to risk prevention in the NBFCOs' activity in implementation of supervision.

In 2019, the National Bank conducted 25 targeted inspections of the MFOs to reveal credit risk and on the issues of consumer rights protection, 24 targeted and 14 full-scope

inspections of the CUs, one targeted inspection of the SFCO, within the framework of which counter inspections of the CUs were conducted.

Moreover, during 2019, the National Bank conducted 89 inspections of the exchange bureaus for compliance with the requirements of the legislation of the Kyrgyz Republic, including the requirements for CTF/AML and identification of unlicensed activities.

3.2.4. Enforcement Measures

Corresponding enforcement measures were applied to the NBFCOs within the framework of off-site supervision, as well as based on the results of inspections conducted in 2019. All measures taken were focused on reducing the risks in the microfinance market, increasing the level of transparency and stability, reducing the cost of financial resources for the NBFCOs, and bringing the activities of the NBFCOs in conformity with the laws of the Kyrgyz Republic.

In 2019, the Supervision Committee of the National Bank discussed 28 issues on the NBFCOs activities and took the supervisory response measures, in particular, suspended the certificates/licenses of two NBFCOs, revoked the certificates/licenses of seven NBFCOs, as well as took the enforcement measures in the form of an instruction for one NBFCO, imposed a ban on the operations on accepting the term deposits from the individuals and legal entities on the repayment basis in respect of one NBFCO, and suspended some operations of one NBFCO. In accordance with the Code of the Kyrgyz Republic on violations, a fine was imposed on one NBFCO for non-compliance with the requirements of the laws of the Kyrgyz Republic and the regulatory legal acts of the National Bank.

294 instructions, five warnings, 15 letters about temporary suspension of the licenses were sent to the exchange bureaus and the licenses of three exchange bureaus were revoked for revealed non-compliance with the laws of the Kyrgyz Republic and the regulatory legal acts of the National Bank.

3.2.5. Supervision Methodology and Regulation of Non-Banking Financial-Credit Organizations

In 2019, improvement of the regulatory and legal framework was implemented in accordance with the Main Directions of Microfinance Sector Development for 2018-2021, therefore the NBFCOs access to funding sources was expanded, risk-based supervision methods were improved and requirements for protecting the rights of the financial services consumers were strengthened.

Amendments were introduced into the Regulation “On minimum requirements for rendering the remote services in the Kyrgyz Republic” to provide the MFO clients with the opportunity to receive current financial services and to interact with the MFOs via the remote service channels. Regulation of the remote services provided to the MFOs clients will allow to increase the financial inclusion and to expand the opportunities for the population in the most remote regions of the republic.

Amendments and additions were introduced into the Regulation “On bank payment cards in the Kyrgyz Republic” to provide the commercial banks with the opportunity to issue cards for the NBFCOs for subsequent distribution thereof among their customers.

The National Bank lifted borrowing restrictions from the MFOs founders and the legal entities, as well as simplified the requirements for entering into agreements with the foreign investors in order to increase the MFOs resource base for provision of the financial services to the population.

A standard obliging MFOs to analyze the solvency of the guarantor or pledger, if the guarantee is the only collateral for the loan, was introduced into the Regulation “On minimum requirements for credit risk management in the microfinance organizations that do not attract deposits”.

Digitalization of microfinance services

Expansion of the NBFCOs access to financing sources

Credit risk management and consumers' rights protection

Moreover, the Regulation “On minimum requirements for credit risk management in the credit unions” is supplemented by the requirement of state registration of the transactions and rights. The aforementioned amendments are aimed at providing compliance with the requirements of the laws on registration of the real estate pledge agreements by the credit unions and prevention of credit risks.

The regulatory legal acts of the National Bank governing the NBFCEs activities are supplemented by a requirement on the deadlines for terminating the accrual of a forfeit (fines, penalties) from the moment of sending a notice on initiation of collateral enforcement for a “non-performing loan”.

New reporting forms, providing for more detailed information about the shareholders (participants), supervisory and executive bodies, the NBFCEs officers, as well as about the NBFCEs activities, have been approved as part of improving risk-based supervision.

A capital adequacy ratio of at least 100 percent of the minimum authorized capital was introduced, and a requirement to limit the distribution of dividends/profits of the MFCs and the MCCs with the liabilities to third parties was established to ensure the stable operation of the MFOs and to prevent a possible threat to the stability of their activities.

In the reporting year, the Regulation “On establishment and registration of the guarantee funds in the Kyrgyz Republic” and the Rules for regulating the activities of the guarantee funds were developed and approved as part of bringing the regulatory legal acts of the National Bank in line with the Law of the Kyrgyz Republic “On Guarantee Funds in the Kyrgyz Republic”. The adopted regulatory acts establish a number of requirements for establishing the guarantee funds and regulating the activities thereof, in particular, the minimum amount of the authorized capital, requirements for the officers, as well as the prudential standards.

Within the framework of implementing the Program of the Government of the Kyrgyz Republic “Affordable Housing 2015-2020”, as well as due to entry into force of the Law of the Kyrgyz Republic “On Amendments to Certain Legislative Acts of the Kyrgyz Republic” (to the Laws of the Kyrgyz Republic “On Collateral”, “On Licensing System in the Kyrgyz Republic”) for licensing and regulation of the activities carried out by the housing and savings credit companies as an important element in the sphere of housing lending, the National Bank developed and approved the Regulation “On licensing the activities of the housing, savings and loan companies”, the Rules for regulation of the activities carried out by the housing, savings and loan companies.

The housing, savings and loan system has a socially oriented direction and allows the citizens of the Kyrgyz Republic to accumulate housing and savings deposits to ensure initial contribution and subsequent receipt of targeted loans for construction, purchase of residential real estate and improvement of housing conditions under the state housing programs. Regulation and supervision of the activities conducted by the housing, savings and loan companies are determined by the specific nature of the activities carried out by the housing, savings and loan companies and the need to protect the depositors’ interests.

The National Bank approved the regulatory legal acts establishing the requirements for implementation of the internal control program, a number of regulatory legal acts on regulation of the non-banking financial-credit organizations were amended due to adoption of the new legislation on counter-terrorism financing and anti-money laundering.

3.3. Protection of Consumer Rights

Implementation of activities focused on protecting the rights of the financial services consumers is among the important objectives of the National Bank. The need to develop and improve the system of the consumers’ rights protection increases as the new financial products are introduced in the market with inclusion of the information technologies.

Risk-based supervision improvement and prudential requirements strengthening

Guarantee funds

Housing, savings and loan companies

CTF/AML

Measures to enhance consumers’ rights protection

In 2019, amendments were introduced into the regulatory legal acts of the National Bank, they related to the following:

- disclosure of information about the service being provided;
- compliance with the principles of responsible lending;
- conformity with the Law of the Kyrgyz Republic “On Restriction of Usurious Activity in the Kyrgyz Republic”;
- conducting of the operations with other real estate by the financial-credit organizations having an “Islamic window”.

The National Bank, together with the financial-credit organizations, carried out work focused on ensuring the availability of the financial services for the persons with disabilities, including access to infrastructure, in accordance with the requirements arising from the Law of the Kyrgyz Republic “On the Rights and Guarantees of Persons with Disabilities”.

A new version of the document that regulates the procedure for receiving, considering and analyzing the applications on consumers’ rights protection received by the National Bank has been developed to comply with the Law of the Kyrgyz Republic “On the Procedure for Considering Citizens’ Applications”.

In 2019, the National Bank considered 557 written applications (in 2018 – 603), 389 applications thereof on the activities of the commercial banks (in 2018 – 422), 101 applications of the non-banking financial-credit organizations (in 2018 – 65) and 67 applications on other issues (in 2018 – 116).

Legal advice was provided in the form of personal reception to over 500 citizens-consumers of financial services.

The applications from consumers of financial services related to the issues of servicing bank accounts, deposits, money transfers, interpretations of the regulatory legal acts of the National Bank, impossibility to perform obligations under a loan agreement, refinancing of debts, review of the terms of agreements for compliance with the laws, procedures for collateral sale, execution of court decisions, etc.

Consideration of applications of the financial services consumers

CHAPTER 4. PAYMENT SYSTEM

In 2019, the National Bank continued working to ensure the efficiency, security and reliability of the payment systems through improving the regulatory legal framework on the payment system, strengthening the payment system supervision (oversight) and monitoring uninterrupted payments, as well as developing the new digital payment and financial technologies.

In pursuance of the Decree of the President of the Kyrgyz Republic “On Declaring 2019 the Year of Regional Development and Digitalization of the Country,” the National Bank carried out activities focused on expanding the payment infrastructure in the remote regions, increasing the access of the population to payment services, and providing opportunities for making payments with innovative tools.

In the reporting year, the project to create the Data Processing Center (Data Center) of the National Bank was completed in accordance with advanced international security standards to ensure reliable and uninterrupted operation of the payment and trading systems, the interstate payment and settlement systems, processing of periodic banking reporting, the electronic document management system, arrangement of information exchange through the system of interagency interaction “Tunduk”, the systems for the bank’s internal operations and many other objectives.

In 2019, the commercial banks imported 240 ATMs, 2,925 POS-terminals and 408 payment terminals into the country, meanwhile at the end of 2019, the total number of bank equipment amounted to 1,712 ATMs, 11,114 POS-terminals and 1,827 payment terminals. Growth in the number of the bank equipment has increased the penetration rate of retail services, including the regions. Thus, the number of merchants’ operations with the use of the bank payment cards amounted to 11.1 million operations, totaling KGS 18.3 billion, having increased by 73.4 and 67.9 percent, respectively, compared to 2018.

Moreover, there was an increase in the volume of taxes paid to the state budget in the non-cash form through peripheral devices (POS-terminals, payment terminals, ATMs) and innovative payment instruments. The amount of taxes received in non-cash form increased by 34.0 percent compared to 2018 and amounted to KGS 427.4 million. In 2019, fines for violations of traffic rules paid through payment instruments amounted to KGS 50.3 million.

In the reporting year, the consumers were provided with the opportunity to use the barcode (QR code) via a mobile phone in order to pay for the goods and services instead of using cash, in addition to the bank cards or e-money. The Rules for making payments using barcode two-dimensional symbols (QR code) have been approved for the users’ convenience and the possibility of integrating various payment systems.

Implementation of the action plan within the framework of the State Program on Increasing the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2018-2022 (hereinafter referred to as the State Program on Increasing Non-Cash Payments) was coordinated and monitored as part of the work of the Interagency Commission on increasing the share of non-cash payments and settlements in the Kyrgyz Republic.

55.6 percent of the total number of recipients received social benefits through the bank payment cards, meanwhile in 2018, 29.5 percent of the total number of recipients received social benefits. The number of pensioners receiving pensions through the accounts in the commercial banks increased by 12.7 percent and amounted to 371.0 thousand people. To withdraw money from the bank payment cards in the regions, two commercial banks implemented a pilot project by installing 321 POS-terminals in the branches of the State Enterprise “Kyrgyz pochty”, covering more than 980 villages, i.e. half of the settlements in the republic, including remote ones.

Along with the increase in the share of non-cash payments and development of the national payment system, cash is still the main legal tender for making retail payments.

In 2019, the National Bank continued to constantly satisfy the needs of the country's economy in required denominations of banknotes and coins in the national currency, and to regulate the structure of cash in circulation.

Moreover, work was carried out to improve the regulatory framework of the National Bank in the field of cash circulation arrangement, taking into account amendments introduced in the laws of the Kyrgyz Republic.

4.1. Payment System Development

4.1.1. Non-cash Payments

In the Kyrgyz Republic, non-cash payments were made in the payment system via the Real Time Gross Settlement System (RTGS), the Bulk Clearing System (BCS), the system of payments with the use of bank payment cards, e-money payment system, and the remittance system.

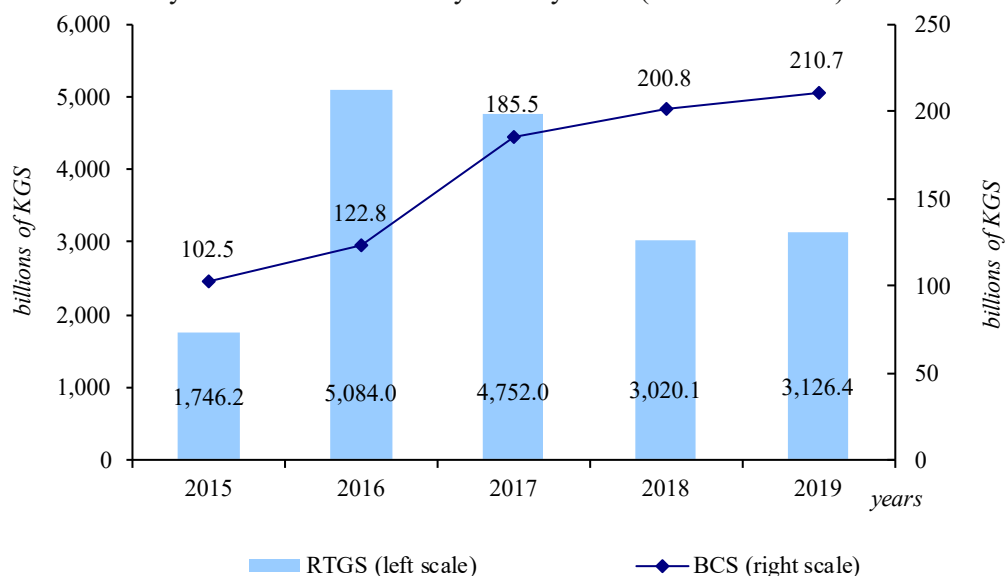
The National Bank, the commercial banks, the Interstate Bank, the Eurasian Development Bank, the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, the Deposit Protection Agency, the Social Fund, the State Accumulative Pension Fund, CJSC “Central Depository” and CJSC “Interbank Processing Center” were the participants of the interbank payment systems.

In 2019, the payments made through the interbank payment systems (RTGS and BCS) amounted to 10.6 million payments totaling KGS 3.3 trillion, these indicators in terms of quantity increased by 8.6 percent, in terms of volume – by 3.6 percent as compared to 2018.

Payment system

Chart 4.1.1.1.

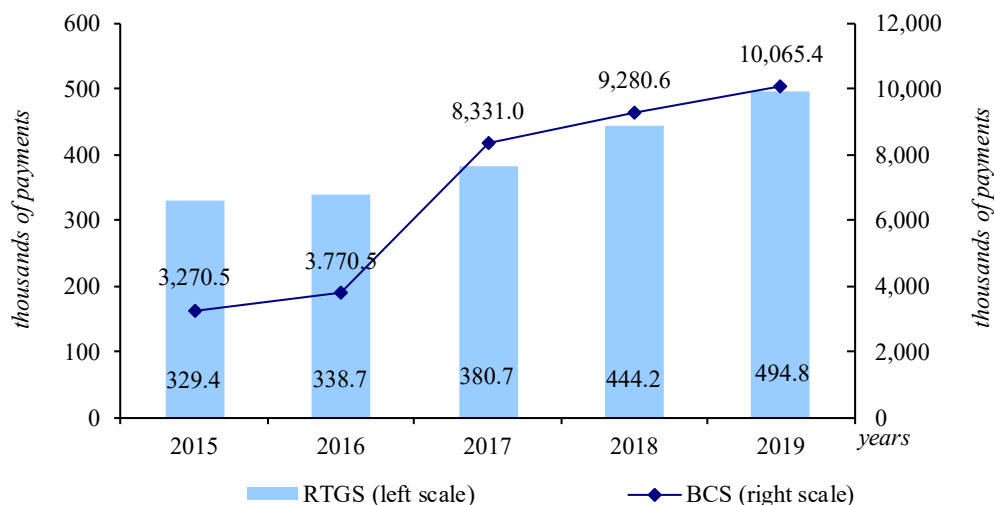
Volume of Payments via Interbank Payment Systems (RTGS and BCS)



In the reporting period, the volume of payments via the RTGS and BCS increased by 3.5 and 4.9 percent, respectively. The volume of interbank payments was due to growth in payments via the Single Treasury Account opened in the National Bank.

Chart 4.1.1.2.

Number of Payments via Interbank Payment Systems (BCS and RTGS)



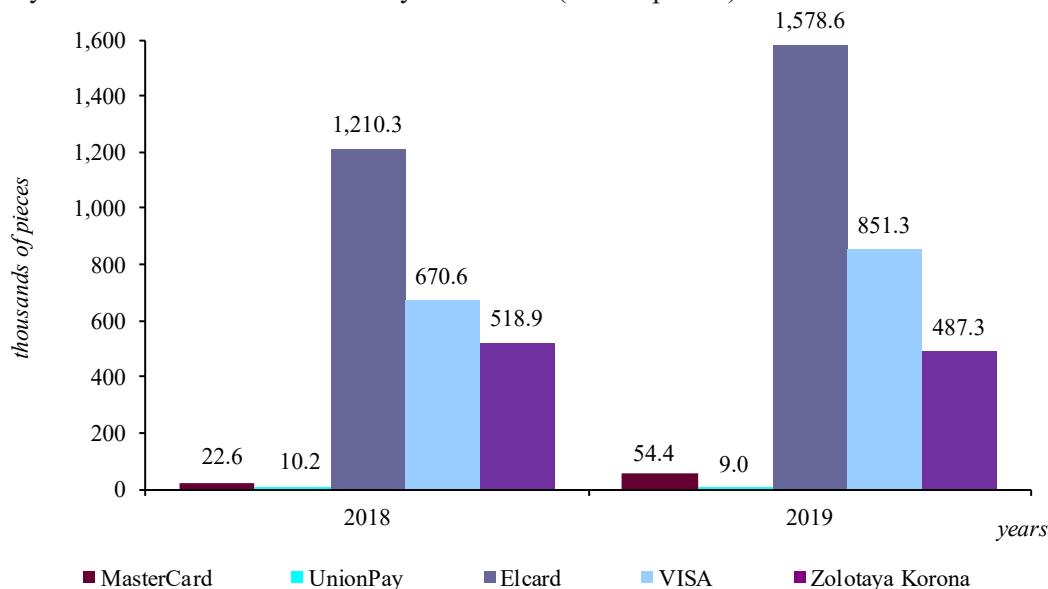
In the reporting period, the number of payments via the RTGS increased by 11.4 percent, and the number of payments via the BCS increased by 8.5 percent compared to 2018.

National payment card "Elcard"

The total number of issued bank payment cards amounted to approximately 3.0 million, having increased by 22.5 percent over the year, of which the number of cards of the national payment system "Elcard" amounted to approximately 1.6 million. The growth of issued bank payment cards "Elcard" by 30.4 percent compared to 2018 was mainly due to measures implemented within the framework of the State Program on Increasing the Share of Non-cash Payments and Settlements.

Chart 4.1.1.3.

Dynamics of Number of Bank Payment Cards (end-of-period)

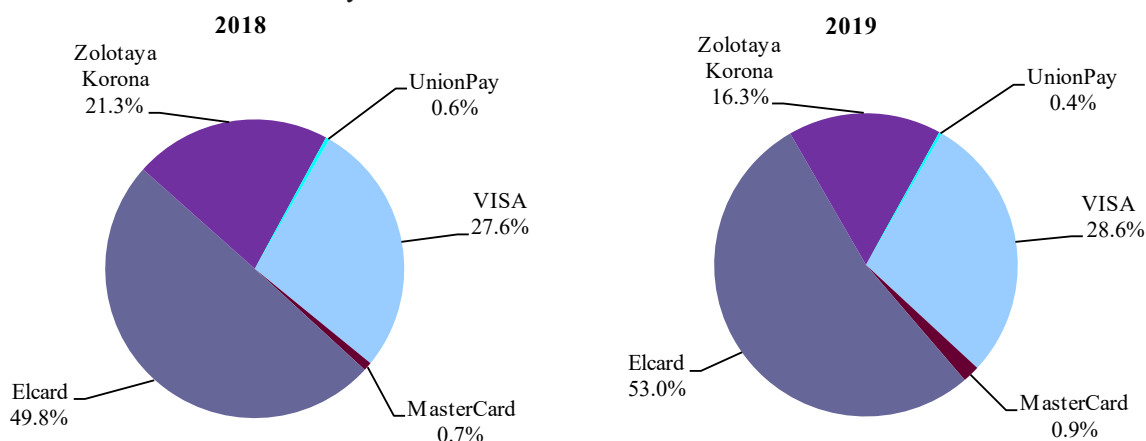


Operations with the use of bank payment cards

In the reporting year, more than 47.7 million operations to the amount of KGS 237.9 billion were conducted with the use of bank payment cards, the number of operations increased by 25.5 percent and the volume of operations increased by 21.3 percent compared to 2018.

Chart 4.1.1.4.

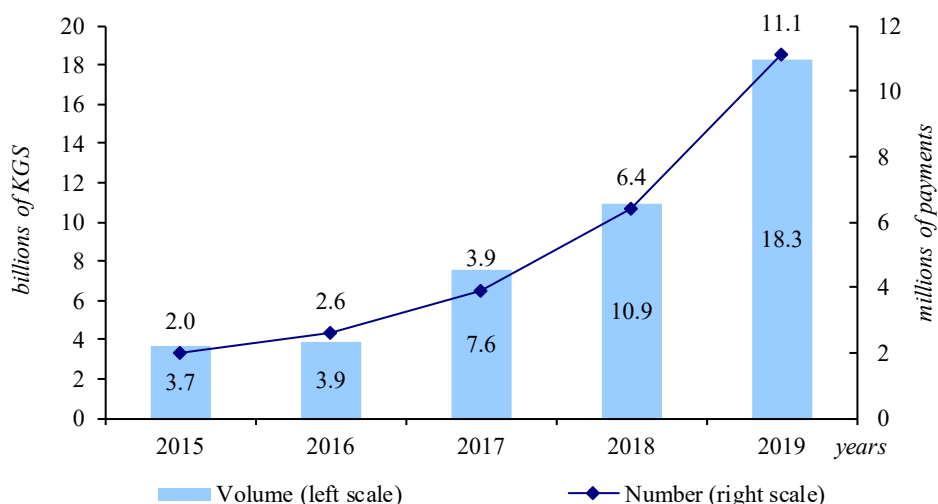
Ratio of Number of Bank Payment Cards



In 2019, the number of the merchants' operations with the use of the bank payment cards increased by 73.4 percent compared to 2018, meanwhile the volume of operations increased by 67.9 percent. The growth was mainly conditioned by an increase in the number of POS-terminals in the retail business establishments, bank payment cards, sales tax exemption when making non-cash payments for the goods, improvement of financial literacy among the population, as well as incentive programs implemented by the commercial banks.

Chart 4.1.1.5.

Dynamics of Growth in the Volume of Transactions of Merchants



As of the end of 2019, the bank payment cards were accepted for servicing by 1,712 ATMs and 11,114¹ POS-terminals (of which 8,995 POS-terminals were installed at merchants and 2,119 POS-terminals were installed in the branches and savings offices of the commercial banks) throughout the territory of the Kyrgyz Republic.

A breakdown by systems shows that:

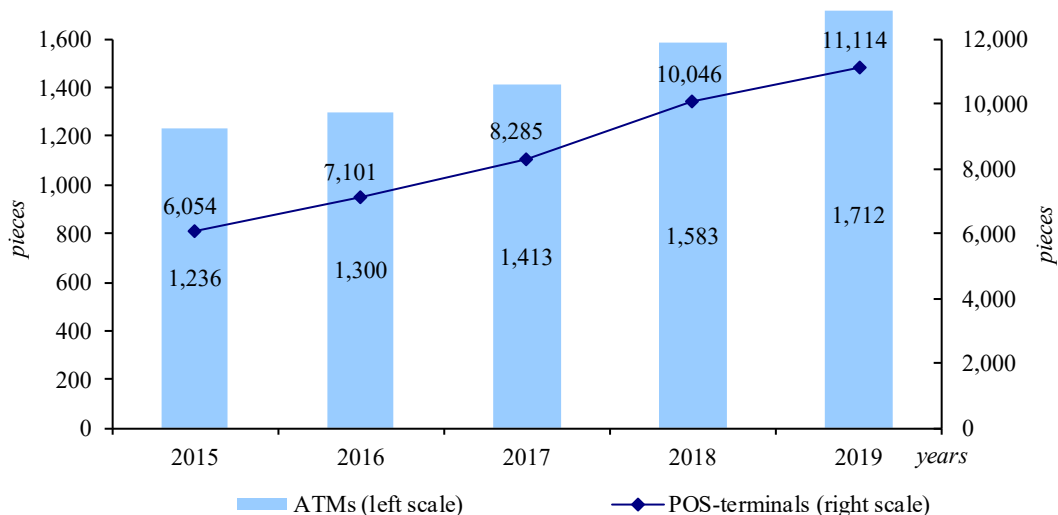
- the cards of the national payment system “Elcard” were accepted for servicing by all 1,712 ATMs and 11,114 POS-terminals;
- the cards of the international system “Zolotaya Korona” were accepted in 214 ATMs and 1,231 POS-terminals;

¹ Excluding automated self-service terminals (payment terminals or cash in).

- the cards of the international systems “Visa” and “MasterCard” were accepted in 676 ATMs and 5,268 POS-terminals;
- the cards of the international systems “UnionPay” were accepted in 338 ATMs and 1,245 POS-terminals.

Chart 4.1.1.6.

Dynamics of Number of ATMs and POS-terminals (end-of-period)



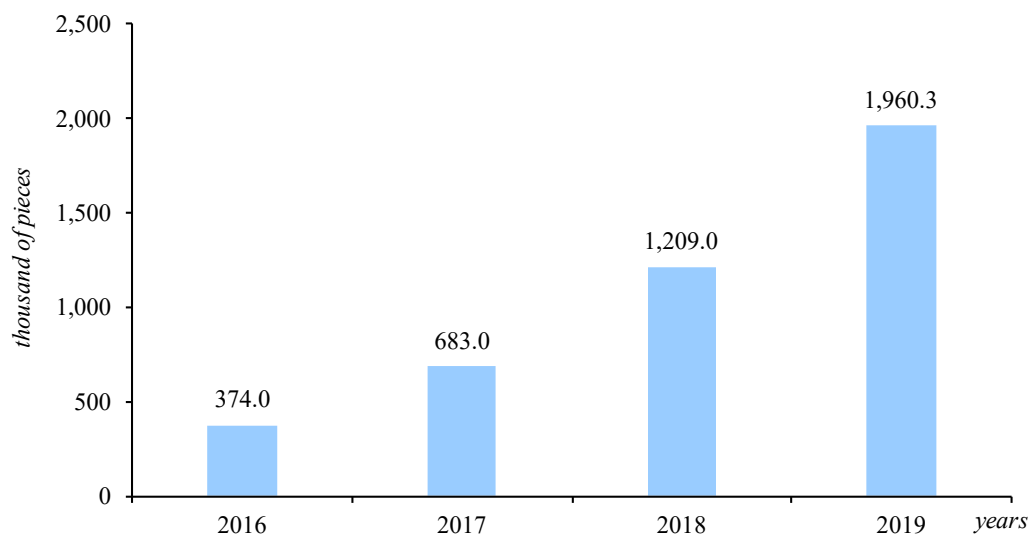
E-money

E-money is becoming more popular in the Kyrgyz Republic. In 2019, e-money demonstrated an upward trend due to simple, convenient and safe use thereof. Nine commercial banks were the issuers of e-money; there were eleven operating e-money payment systems.

As of the end of 2019, the number of e-purses increased by 62.1 percent compared to 2018 and amounted to 2.0 million purses.

Chart 4.1.1.7.

Dynamics of Number of E-purses (end-of-period)



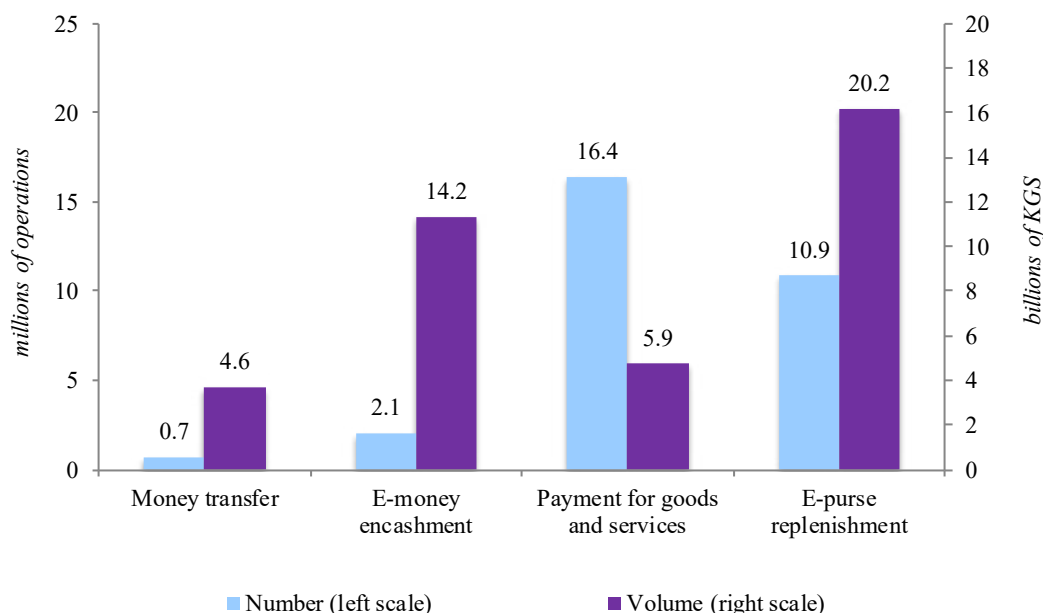
In the reporting year, the volume of e-purses replenishment increased by 1.5 times compared to 2018 and amounted to KGS 20.2 billion, meanwhile the number of e-purses replenishments increased by 12.4 percent and totaled 10.9 million operations.

The volume of merchants' operations with the use of e-money increased by 36.8 percent compared to 2018 and amounted to KGS 5.9 billion.

In 2019, the amount of money transfers between e-purses increased by 81.6 percent compared to 2018 and amounted to KGS 4.6 billion. The number of money transfers increased by 40.3 percent and totaled 0.7 million operations.

Chart 4.1.1.8

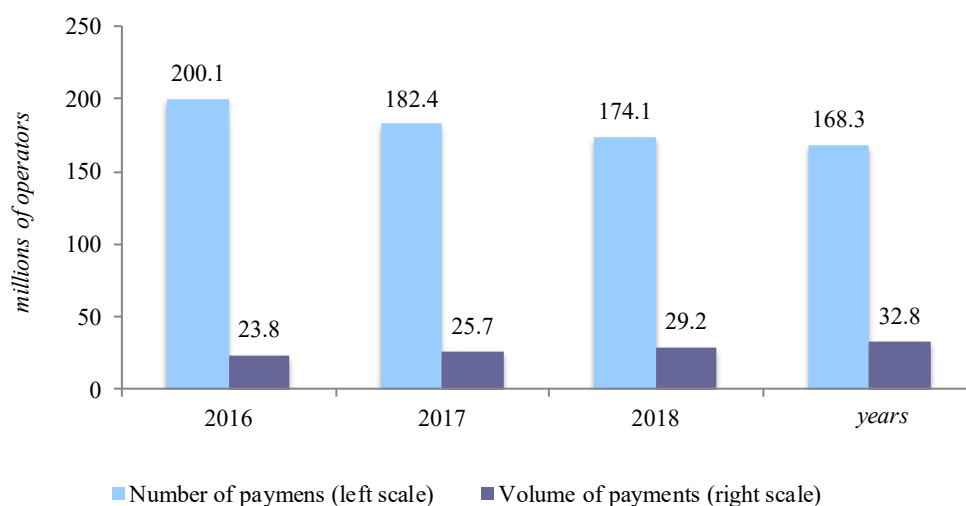
Number and Volume of Transactions via E-purses



In 2019, 168.3 million payments in the amount of KGS 32.8 billion were made via the payment organizations, meanwhile the volume of payments increased by 12.3 percent compared to 2018.

Chart 4.1.1.9

Number and Volume of Payments Made by the Payment Organizations



Payment organizations accepted payments in favor of the third parties using cash-in payment terminals, agent network and e-money. At the end of 2019, the number of cash-in payment terminals and their agents was 7,699, the number of web-kassa and their agents – 12,502.

4.1.2. Development and Regulation of Payment Systems Operators and Payment Organizations Activity

4.1.2.1. Licensing and Registration of Payment Systems Operators and Payment Organizations

In 2019, the National Bank continued licensing the activities carried out by the operators of payment systems¹, payment organizations² and registration of the international payment system operators.

Two licenses for carrying out activities of the payment system operator and three licenses for carrying out activities of the payment organization were issued in the reporting period.

As of the end of 2019, 23 legal entities had the licenses of the National Bank – 22 licenses for carrying out activities of the payment system operator and 22 licenses for carrying out activities of the payment organization. Among them, 14 payment system operators/payment organizations are registered in Bishkek, two – in Chui oblast, three – in Osh oblast, two – in Jalal-Abad oblast, and one – in Batken oblast.

In the reporting year, the National Bank registered three operators of e-money international systems and one operator of the international remittance system.

Thus, six international payment systems with the use of bank payment cards, seven e-money international systems and 37 operators of remittance systems were registered in the republic at the end of 2019, 19 thereof are the operators of local remittance systems, 18 – the operators of the international remittance systems.

4.1.2.2. Payment Systems Operators and Payment Organizations Oversight

In 2019, oversight over the activities of the payment systems operators and the payment organizations was focused on ensuring growth of the sector quality, increasing availability of the payment services and reducing the risks in payment systems, which generally contributed to the security, efficiency and uninterrupted operation of the payment system in the Kyrgyz Republic.

The activities of the payment systems operators and the payment organizations are supervised by conducting inspections to assess their financial condition, analyze compliance of the supervised organizations with the requirements of the laws of the Kyrgyz Republic. Generally, four comprehensive, nine targeted and three preliminary (pre-licensing) inspections were conducted in the reporting year.

4.1.2.3. Enforcement Measures

In 2019, the Payment System Committee of the National Bank held 20 meetings, where 35 issues on the activities of the payment organizations and the payment systems operators were considered, including the issues on taking the supervisory response measures.

In 2019, based on the results of external supervision and inspection, appropriate enforcement measures were taken to a number of the payment organizations and the payment system operators: the licenses of three payment organizations and three payment systems operators were suspended, two licenses of the payment organizations and two licenses of the payment systems operators were revoked to bring the activities of the

¹ Providing services for receiving, processing and issuing financial information (processing, clearing) on payments and settlements made by the third parties to the payment system participants (i.e. processing of financial information).

² Providing services for receiving and effecting payments and settlements in favor of the third parties (financial flows).

payment organizations and the payment systems operators in line with the legislation of the Kyrgyz Republic and to ensure the efficiency, safety and reliability of the payment systems, to protect the rights of the payment systems users, as well as to counter terrorism financing and anti-money laundering.

4.1.2.4. Supervision and Regulation Methodology of Payment Systems Operators and Payment Organizations Activity

In the reporting year, taking into account the current digitalization measures, the regulatory legal framework governing the activities of the payment system participants was revised to guarantee payments and settlements and to reduce systemic risks in the payment systems.

Depending on the importance of payment systems, revised version of the Regulation “On licensing payment organizations and payment systems operators activity” was approved to strengthen the requirements for the officials, to obtain information about the shareholders (founders)/participants and to increase the authorized capital.

The Regulation “On regulation of payment organizations and payment systems operators activity” defined the requirements for the hardware and software complex, security, and guaranteed settlements when making payments to third parties.

Moreover, the regulatory legal acts on application of the enforcement measures in respect of the payment systems operators and payment organizations have been approved.

Amendments and additions were introduced into the regulatory legal acts on risk management and supervision (oversight) of the payment system to conduct timely assessment and analysis of the systemic risks in the payment system by the payment systems participants, as well as to prevent and minimize such risk.

Amendments were introduced into the Regulation “On e-money in the Kyrgyz Republic” within the framework of creating a national single payment and settlement space, combining the payment systems of the Kyrgyz Republic, and ensuring intersystem interoperability of the payment systems.

In order to mitigate the risks associated with unidentified users of mobile applications and e-purses, the standards have been introduced for mandatory identification of the users of these services to enter into force on October 1, 2020.

Within the framework of digitalization, the National Bank participated in development and approval of the national standard for a barcode two-dimensional symbol (QR code).

Moreover, the Rules for making payments using two-dimensional barcode symbols (QR code) have been approved to standardize payments using a QR code and to provide the possibility of intersystem integration of various payment systems to provide the payers with a single payment system.

Amendments were introduced into the Regulations “On minimum requirements for provision of the remote services in the Kyrgyz Republic” and “On bank payment cards in the Kyrgyz Republic” to provide an opportunity for microfinance organizations to render digital financial services to the population and legal entities. Generally, the provisions of the regulations are focused on expanding the methods of making payments with innovative tools and remote servicing of the population by the non-bank financial-credit organizations.

Licensing and regulation of payment systems operators and payment organizations

Risk management

Mobile payments

4.1.3. Payment System Oversight

The National Bank annually determines the payment systems that are of high importance and priority for the financial sector of the country. So, in 2019, RTGS and BCS were recognized as the systemically important payment systems, and RTGS, BCS and “Elcard”¹ – as the national payment systems.

Operation of the national payment systems

According to the monitoring results, the systematically important payment systems operated in the normal regime (in 2019, the accessibility ratio² of both systems was 100.0 percent). The level of financial risks in these systems was minimal due to the mechanisms provided for in the systems for liquidity management and the sufficiently high level of liquid assets on the correspondent accounts in relation to the turnover in the system (in 2019, the RTGS liquidity ratio was 1.3)

In 2019, the accessibility ratio for the “Elcard” card payment system for 2019 was 99.8 percent, which is rather high indicator for the information systems (95.0 percent is usually taken as a planned accessibility ratio).

Uninterrupted operation of the retail payment systems which process a large number of small and regular payments of the population (card payment systems, remittance systems, payment acceptance in favor of the third parties, e-money payment systems) is an important factor of the financial system stability in the country.

In the reporting year, the approval procedure was completed and the agreements were signed with the international payment systems for settlements in the national currency using international cards in the territory of the Kyrgyz Republic. Within the framework of these projects, the insurance (reserve) funds have been formed in the National Bank to ensure guaranteed settlements to be made by the commercial banks.

Importance criteria

In 2019, the criteria for important payment systems and crucial service providers were revised, taking into account the relationships between the payment system participants to minimize the systemic risks in the financial sector of the Kyrgyz Republic. New criteria will contribute to identifying the most important participants in the payment services market that pose a potential systemic risk to the payment system. These participants will be subject to higher requirements for authorized capital and regulation of the activities.

4.1.4. Measures on Increasing the Share of Non-cash Payments

In the reporting year, the issues related to installation of the bank equipment in the regions, payment for medical services, payment of fines for violations of traffic rules in non-cash form, and promotion of the regulatory legal acts on non-cash payments were considered at the meetings held by the Interagency Commission on increasing the share of non-cash payments and settlements.

In 2019, at the end of implementation of the Action Plan on the State Program on Increasing the Share of Non-cash Payments the following results have been achieved:

- social benefits were paid to 175.9 thousand people through the bank payment cards (55.6 percent of the total number of recipients), while in 2018, the social benefits were received by 121.2 thousand people (29.5 percent of the total number of recipients);
- pensions through the accounts in the commercial banks were paid to 371.0 thousand people, accounting for 55.1 percent of the total number of pensioners, this indicator increased by 12.7 percent compared to 2018;
- the commercial banks imported into the country 240 ATMs, 2,925 POS-terminals and 408 payment terminals as part of the Law “On Amendments and Addenda to the Tax Code of the Kyrgyz Republic” adopted in 2018, which provides for exemption of the commercial banks from VAT, when they import bank equipment;

¹ Payment system with the use of bank payment cards.

² Accessibility ratio is an ability of the system users to have access to the services and information. System downtime, due to technical failures, preventive maintenance, reduces system accessibility.

- POS-terminals were installed in 240 healthcare organizations from 366 to pay for medical services, which made 65.6 percent.

In order to transfer the salaries of the business entities to the bank payment cards, an amendment was introduced into the Regulation “On bank payment cards in the Kyrgyz Republic”, whereunder payment of pensions, allowances and other receipts/payments from budgetary funds, as well as the wages within the framework of the payroll card programs of the state-funded organizations and business entities with a direct state participation share of more than 50 percent shall be made only via the national payment card “Elcard”.

Almost half of the settlements in the country, including remote ones, are covered by the project on payment of pensions, benefits and wages through POS-terminals to the people holding bank payment cards and on payment for utilities, taxes and making other payments through 321 postal offices of the State Enterprise “Kyrgyz pochtasy”.

In May 2019, CJSC “Kyrgyz Encashment”, together with the commercial banks, initiated a pilot project on establishment of the field cash offices in the remote areas of Jalal-Abad, Osh and Naryn oblasts to expand coverage of the population with banking services with the use of bank payment cards. According to the results of the reporting period, services were provided to 791 people to the amount of KGS 9.3 million within the framework of the project. Moreover, the need to install bank equipment was determined.

Together with the Government of the Kyrgyz Republic amendments were introduced into the Resolution of the Government No. 869 “On protection of the consumers’ rights” to protect the consumers’ rights, as well as to update and expand the list of certain types of activities, in the course of which the individual entrepreneurs and legal entities must install POS-terminals to make payments for the goods and services in non-cash form.

At the end of 2019, the number of POS-terminals installed in the merchant enterprises increased by 11.0 percent year-to-date, up to 8,995.

4.2. Cash Circulation

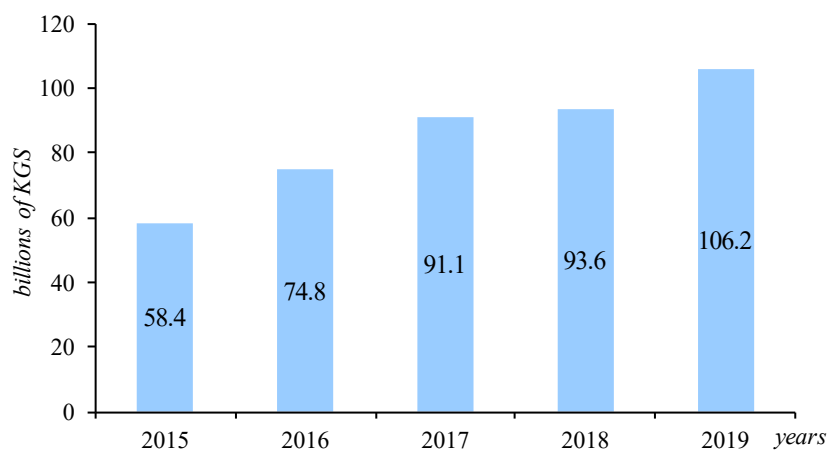
One of the main functions of the National Bank of the Kyrgyz Republic is the timely provision of the economy with the cash. To achieve it, the National Bank regulates the structure of cash in circulation through the commercial banks.

In 2019, work was continued to maintain the optimal reserves of the required denominations of banknotes and coins, to put them into circulation, withdraw and destruct unfit banknotes.

In 2019, the total amount of cash in circulation increased by 13.5 percent and amounted to KGS 106.2 billion.

Chart 4.2.1.

Developments in cash in circulation (end of period)



In 2019, the cash turnover was represented by 385.5 million sheets of banknotes and 397.2 million pieces of coins. The share of banknotes accounted for 98.8 percent, and the share of coins – 1.2 percent of the total amount of money in circulation in 2019. The structure of banknotes and coins by denomination in circulation is presented in Table 4.2.1.

Table 4.2.1.

Shares of banknotes and coins in total cash in circulation
(in percent of total cash in circulation)

Denomination	up to 5 Soms	10 Soms	20 Soms	50 Soms	100 Soms	200 Soms	500 Soms	1 000 Soms	2 000 Soms	5 000 Soms	Total
2018	0.8	0.6	0.6	0.8	1.6	3.7	10.3	40.8	7.9	32.9	100.0
2019	0.8	0.4	0.6	0.9	1.7	3.9	10.2	38.4	11.5	31.6	100.0

*Receipt, payment
of cash from cash
departments of the
commercial banks*

In 2019, receipt of cash in cash departments of the commercial banks totaled KGS 2,065.3 billion and increased by 21.5 percent compared to 2018. Payment of cash from the cash departments of the commercial banks increased by 22.2 percent and amounted to KGS 2,085.3 billion.

Table 4.2.2.

Movement of cash via cash departments of commercial banks by regions

	Receipt, <i>billions of KGS</i>		Disbursement, <i>billions of KGS</i>		Recoverability, <i>percent</i>	
	2018	2019	2018	2019	2018	2019
Total	1,699.2	2,065.3	1,706.4	2,085.3	99.6	99.0
Bishkek city	817.0	1,070.0	799.3	1,056.3	102.2	101.3
Batken oblast	74.9	85.9	74.8	85.8	100.1	100.1
Jalal-Abad oblast	175.9	209.1	186.0	223.1	94.6	93.7
Issyk-Kul oblast	89.4	100.8	93.5	105.3	95.6	95.7
Naryn oblast	39.5	44.7	43.0	47.2	91.9	94.7
Osh city	219.3	247.1	221.8	253.8	98.9	97.4
Osh oblast	88.5	96.6	88.1	96.4	100.5	100.2
Talas oblast	37.0	47.6	42.4	54.1	87.3	88.0
Chui oblast	157.7	163.5	157.5	163.3	100.1	100.1

The National Bank continued to work with the law enforcement agencies on preventing the occurrence and spread of counterfeiting cases to ensure the reliability and security of cash circulation. The public and the banking system were informed about the authenticity security features of the banknotes and coins in the national currency, as well as the employees of cash departments from the financial-credit organizations were trained within the framework of the informational and educational campaign “Som is the face of Kyrgyzstan”.

As a result of the work done, in 2019, the number of detected counterfeit banknotes totaled 116 pieces amounting to KGS 199.9 thousand (in 2018 – 1,207 pieces amounting to KGS 120.5 thousand). The level of counterfeiting amounted to 0.3¹ forgeries per one million of the genuine banknotes being classified as a minimum 1st level (0-10 forgeries/million).

In 2019, a regional international symposium on banknotes issue “Banknotes design and security” was held for the first time in Central Asia with support of the National Bank to exchange experience and comprehensively study new developments in the field of high-

¹ The level of counterfeiting is determined by the ratio of the number of detected fake banknotes per one million of genuine banknotes in circulation (forgeries/million). There are six levels of counterfeiting in the world practice.

security printing, fundamental approaches to design, protective elements and technical characteristics of the banknotes in the national currency. The issues to prepare and issue a new series of banknotes, as well as the methods to conduct an information campaign for the public were considered. The representatives of ten central banks, as well as the leading experts in the banknote industry were involved in this work.

The National Bank continued selling the refined gold measuring bars with the fineness of 999.9 and the weight of 1, 2, 5, 10 grams 31.1035 grams (1 troy ounce) and 100 grams within the framework of implementing the Concept on creation and development of the market of precious metals in the Kyrgyz Republic focused on forming the market of new savings and investment tools for the population and the enterprises of the republic, on attracting investments to the bank market, and on developing industrial potential of gold mining branch in Kyrgyzstan.

In 2019, refined gold measuring bars were sold to the amount of KGS 58.3 million (in 2018 – to the amount of KGS 60.6 million), and refined gold measuring bars were re-purchased to the amount of KGS 20.4 million (in 2018 – to the amount of KGS 41.4 million).

Selling of refined gold measuring bars

Chart 4.2.2.

Number of sold refined gold bars
(pieces)

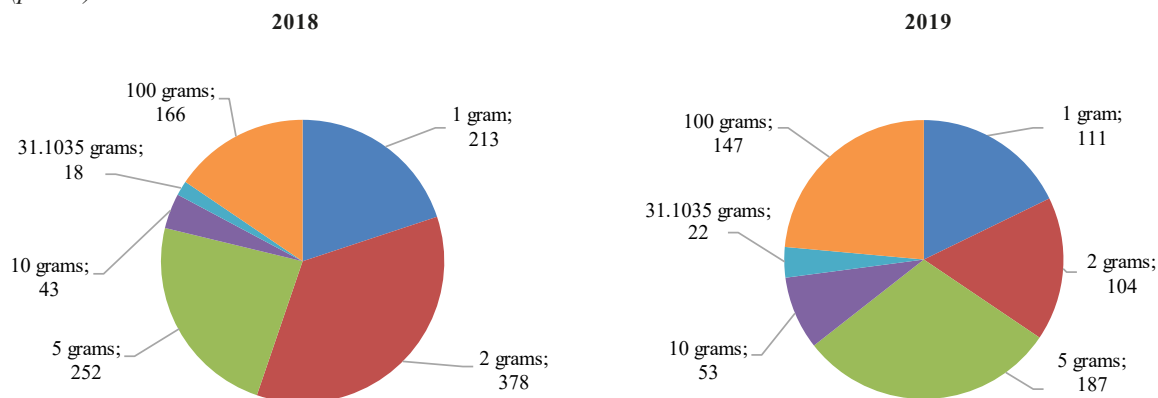
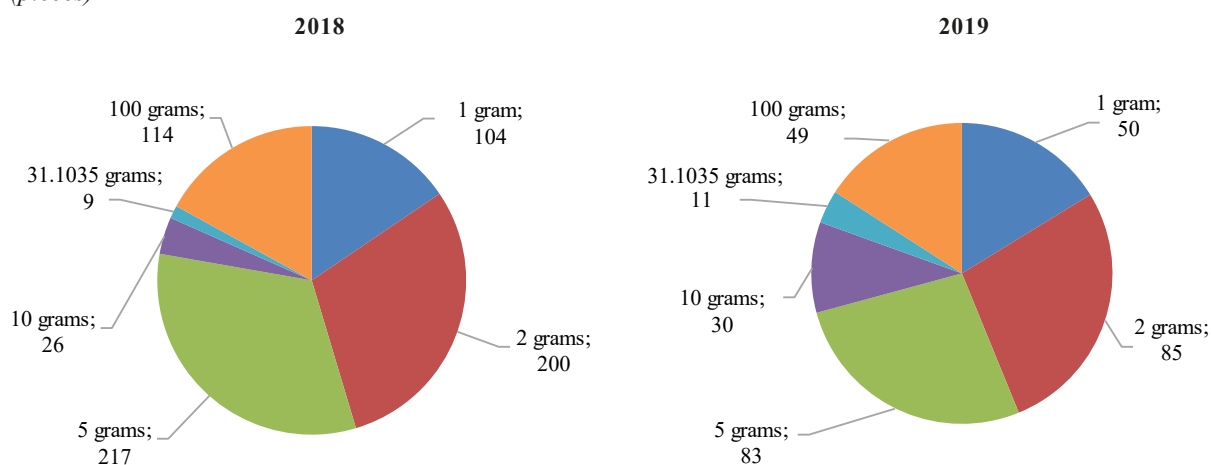


Chart 4.2.3.

Number of re-purchased refined gold bars
(pieces)



Commemorative coins

The National Bank provided the services for storage of refined gold measuring bars weighing 31.1035 and 100 grams for the individuals and legal entities to develop the market of bank precious metals and to expand the clients' base and the range of services.

Work was continued on issue and promotion of the collection commemorative coins using up-to-date coinage technologies that reflect the most significant historical events of the country to promote and popularize the spiritual and cultural values of the Kyrgyz people.

Thus, in the reporting year, the National Bank participated in the 48th annual exhibition “World Money Fair 2019” (Germany) to demonstrate and popularize collection coins. This participation contributed to increased interest from the world community in the coins, as well as in the country as a whole, moreover it resulted in expansion of the network for selling collection coins in the international numismatics market.

- In 2019, four types of collection commemorative coins were issued into circulation:
- Silver coin “5 years of the Eurasian Economic Union” of the series “Historical events”. This coin was issued as part of the international monetary program of the central (national) banks of the EAEU member-states;
 - Silver coin “Household items: Kyrgyz vase” of the series “Age of the Kyrgyz kaganate”;
 - Silver coin “Household items: Kyrgyz clothing items, jewelry” of the series “Age of the Kyrgyz kaganate”;
 - Copper-nickel coin “Household items: Kyrgyz clothing items, jewelry” of the series “Age of the Kyrgyz kaganate”.

Figure 4.2.1.

Silver coin “5 years of the Eurasian Economic Union”



Figure 4.2.2.

Silver coin “Household items: Kyrgyz vase”

**Figure 4.2.3.**

Silver coin “Household items: Kyrgyz clothing items, jewelry”



Figure 4.2.4.

Copper-nickel coin “Household items: Kyrgyz clothing items, jewelry”



CONTENT

CHAPTER 5. INTERNATIONAL COOPERATION AND PUBLIC RELATIONS

5.1. International Cooperation

In the reporting year, the National Bank continued cooperation with central (national) and integration banks, international organizations, financial institutions and associations.

In 2019, the National Bank, as the office of the Governor of the Kyrgyz Republic in the International Monetary Fund (IMF), provided coordination and interaction of the Kyrgyz Republic with the IMF. A number of meetings of the representatives of state bodies of the Kyrgyz Republic with the IMF Mission were held to discuss the current economic situation in the country, as well as consultations were carried out for the IMF member states in accordance with Article IV. Almost all government bodies, as well as the judicial, defense and law enforcement agencies, were involved in the consultation process on Article IV. The IMF staff report with the results of consultations on Article IV was published on the IMF official website.

Cooperation with international financial organizations

A seminar on the international financial reporting standards (IFRS 9) was organized with the support of the World Bank for the representatives of regulatory bodies of the Kyrgyz Republic, the employees of the National Bank and audit companies. The main issues of IFRS 9 implementation in the Kyrgyz Republic were discussed at the seminar.

In 2019, interaction with the Islamic Development Bank was continued to further develop the principles of Islamic finance in the territory of the Kyrgyz Republic.

Through cooperation with the Islamic Financial Services Board (IFSB) and the International Islamic Trade Finance Corporation (ITFC), which is part of the IsDB Group, the National Bank continued to improve the standards for the institutions offering financial services based on Islamic principles. Within the framework of interaction between the IFSB and the National Bank, the IFSB experts held a seminar on the IFSB standards for the employees of the National Bank's supervisory unit and the representatives of the banking sector providing services according to the principles of Islamic banking and finance. The seminar was held to improve the regulatory legal framework for regulation and supervision of Islamic banking, as well as for the development of a Shariah governance concept and Islamic monetary policy instruments in the Kyrgyz Republic.

The National Bank representatives as part of the Kyrgyz Republic delegation participated in the 44th Annual Meeting of the Board of Governors of the IsDB Group. The working meetings with the Chairman of the IsDB Group, the representatives of the International Islamic Trade Finance Corporation, as well as of the Asian Infrastructure Investment Bank, the OPEC Fund for International Development, and the Kuwait Fund for Arab Economic Development were organized during the 44th Annual Meeting.

The National Bank participated in the integration processes and events organized by the Eurasian Economic Union (EAEU), the Interstate Bank (ISB), the Commonwealth of Independent States (CIS), and the Shanghai Cooperation Organization (SCO) on the financial and banking activities.

Cooperation with integration associations

Work was continued in the advisory and working bodies (subcommittees, working groups and subgroups) established within the EAEU. Thus, in 2019, the work aimed at formulating the common positions for calculation, analysis and forecasting of the macroeconomic indicators, the forecasts for the mutual trade between the EAEU member states that determine the sustainability of economic development, improving procedures to develop the recommendations and joint measures focused on stabilizing the economic situation of the EAEU member states, was continued within the framework of the Advisory Committee on Macroeconomic Policy.

The work of the Advisory Committee on Statistics was focused on discussions within the framework of the Program for integration development in the field of EAEU statistics for 2021-2025 and the methodology for generating the EAEU statistical

indicators. The results of the bilateral meetings on the balance of payments “mirror statistics” were reviewed, and the activities were planned as part of the action plan for 2020 on implementation of the Program for integration development in the field of EAEU statistics for 2016-2020.

Harmonization of the EAEU member states legislation in the financial sector, banking activities, securities market, insurance, and currency regulation were considered in the course of the work carried out by the Advisory Committee on the Financial Markets. Development of the EAEU contractual and legal framework was implemented; in particular, the Supreme Eurasian Economic Council adopted the Concept for a common financial market formation. A draft Agreement on the exchange of information included in credit histories within the framework of the EAEU is being developed.

Work was continued on the draft Agreement about the Advisory Council on the Exchange Rate Policy of the Eurasian Economic Union member states, according to the agenda of the Advisory Council on the Monetary Policy of the Central (National) Banks of the EAEU member states.

In the reporting period, the National Bank participated in the eighth and ninth meetings of the Advisory Council of the Central (National) Banks on Protection of the Financial Services Consumers’ Rights and the Financial Accessibility of the EAEU. The issues of legislative regulation and the experience of applying sanctions for violation of the financial services consumers’ rights were discussed, as well as regulation of the financial advisers’ activities, creation of the online platform to disclose information about the financial products.

The results of reviews conducted in the field of protecting the financial services consumers’ rights and financial accessibility, arrangement of the call centers operation in the central (national) banks were considered, the issue of developing the concept of an agreement on cross-border protection of the population of the EAEU member states was discussed.

In 2019, a working group on coordination the development of the national payment systems of the EAEU countries held the work on intersystem integration of the national payment system “Elcard” with the Russian national payment card system “Mir”, as a result of this work, at the end of 2019, the Russian payment cards “Mir” are accepted for service by the ATMs and POS-terminals of the commercial banks in the Kyrgyz Republic.

The Agreement to create a working group on ensuring information security in the financial market and countering computer attacks in the financial sector was signed as part of the cybersecurity cooperation in the EAEU. The purpose of this agreement is to prepare recommendations for improving the information security of the credit-financial system in the EAEU member states by bringing together the information security mechanisms, including the mechanisms aimed at preventing and detecting the computer attacks, and suppressing the conditions for unauthorized access to computer information.

The work was carried out as part of the National Bank’s membership in the Eurasian Council of Central (National) Banks (the Council). In 2019, the National Bank held the 41st meeting of the Council, where the actual issues of the banking systems of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan were considered. The activities of the Council resulted in signing the Memorandum of Recommendations on providing transparency of the market for money transfer services and consumer protection, the financial organizations that transfer money on behalf of the individuals to the foreign countries without opening a bank account and the Protocol on termination of the Memorandum between the central (national) banks of Recommendations on providing transparency of the market for money transfer services and consumer protection, the credit organizations that transfer money on behalf of the individuals to the foreign countries without opening a bank account, dated October 18, 2013.

The bodies reporting to the Council, which study certain areas of banking activities

in details, continued their work. New editions of the Regulation “On the Coordination Council on Professional Training of the Central (National) Banks’ Employees” and the Regulation “On the Advisory Council on Audit Activities of the Central (National) Banks” were approved.

The National Bank actively participated in the work of the bilateral intergovernmental commissions within the framework of interaction with the central (national) banks of the United Arab Emirates, the People’s Republic of China, the Republic of Kazakhstan, the State of Kuwait, the Republic of Poland, the Kingdom of Saudi Arabia, the Swiss Confederation and the Republic of Turkey.

The National Bank of the Kyrgyz Republic cooperated with the Swiss National Bank, the National Bank of Poland, the Central Bank of Turkey, the Deutsche Bundesbank, the National Bank of Ukraine, as well as the Asian Development Bank, the World Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the Swiss State Secretariat for Economic Affairs (SECO), the Joint Vienna Institute (JVI), German Corporation for International Cooperation (GIZ), German Savings Banks Foundation for International Cooperation (SBFIC) to exchange experience within the framework of the professional development programs and technical assistance.

The delegation of the People’s Bank of China visited the National Bank to exchange experience on banking issues. As a result of the visit, the parties agreed to strengthen and further develop cooperation between the central (national) banks.

In 2019, the representatives of the Central Bank and the commercial banks of the State of Qatar visited the National Bank to establish and develop cooperation between the banks, as well as to develop the principles of Islamic finance in the Kyrgyz Republic.

Bilateral cooperation

Technical cooperation

5.2. Public Relations and Improvement of the Population Financial Literacy

In 2019, the National Bank continued its public awareness policy focused on expanding interaction with the financial market participants and the public, as well as on increasing confidence in the activities conducted by the National Bank.

Informing the public about the monetary policy focused on ensuring price stability; the stability of the banking system, providing population’s access to banking services; the payment system and digital technologies development, as well as protection of the consumer rights and financial literacy of the population were the priority areas of the communication policy conducted by the National Bank in the reporting year.

Information was provided in different formats: organization of the press conferences with involvement of the National Bank management, publication of policy papers for the short-term, issuance of official publications, publication in the media, broadcasting of television and radio programs, and posting information on the official Internet website of the National Bank, on a new upgraded website to improve the financial literacy www.finsabat.kg.

In 2019, the National Bank prepared over 100 publications on the banking issues in the republican and regional media. More than 150 public statements of the National Bank representatives were organized and carried out on radio stations, TV channels, in print and Internet media. More than one and a half thousand publications related to the activities of the National Bank were posted in the media space.

The National Bank organized special informational and educational events for media representatives. The National Bank management participated in eight press conferences on the monetary policy, the policy rate of the National Bank, the situation in the banking and payment systems, the trends in the foreign exchange market, the collection coins and the financial literacy. More than 100 appeals relating to various areas of the National Bank were considered.

During the reporting year, within the framework of cooperation with the Public Broadcasting Corporation (PBC), “The National Bank Explains” program was broadcasted

Cooperation with media

Media products of the National Bank

at the TV channel, and “The National Bank Reports” rubric was daily aired as part of a news block, accompanied by infographics on the exchange rates and the cost of gold measuring bullion. The PBC broadcasted a series of the educational videos issued by the National Bank to improve the financial literacy of the population, as well as the videos with participation of an akyn improviser who, in the style of the folklore songs, explained the importance of price stability, low inflation rate and other economic terminology.

98 radio programs “The National Bank Reports” were broadcasted on “Birinci radio” and 20 radio programs “Ekolikbez” were broadcasted on the radio station “Maral”.

Work on public information in the remote regions

Information was provided to the public in the remote regions through the regional offices and the Batken representative office of the National Bank. Over 100 informational and analytical materials were published in the regional mass media. Regular meetings were still held with the representatives of the regional mass media.

During 2019, training seminars were organized for the journalists of Osh, Batken, Jalal-Abad, Talas and Issyk-Kul oblasts, and about 40 journalists from these oblasts specializing in economics and finance participated in these seminars.

Subject to the Decree of the President of the Kyrgyz Republic “On Declaring 2019 the Year of the Regional Development and Digitalization”, the efforts were intensified to raise the awareness of the business community about the banking services offered by the financial-credit organizations in the regions.

The National Bank, with the assistance of the Government of the Kyrgyz Republic, held a number of the round-table meetings in Batken, Jalal-Abad, Osh, Naryn, Talas and Issyk-Kul oblasts with involvement of the National Bank management, the heads and representatives of the local authorities, the Russian-Kyrgyz Development Fund, OJSC “Guarantee Fund”, CJSC “Interbank Processing Center”, the commercial banks, the Deposit Protection Agency and the local business communities.

Public Information Service activity

In 2019, the public information services activity was continued in the central office, regional departments and the representative office of the National Bank were continued. The public information services considered written requests and applications from the citizens, gave consultations and provided information on the issues related to the activities of the National Bank and the financial sector. During the reporting year, the National Bank received about 1,000 written requests, as well as the regional departments, while the representative offices in Batken oblast received more than 200 requests. These written requests focused on the following topics: extension of the maturity date of loans, the borrowers’ insolvency on loans, the reduction of the interest rates of loans in the commercial banks and the microfinance organizations, complaints about actions of commercial banks and microfinance organizations, provision of the information on the official exchange rate of foreign currencies to the Kyrgyz Som, on the activities of the banking and non-banking organizations of the republic and other issues.

Moreover, more than 5,000 oral applications were received on various issues relating to the activities of the National Bank. According to the Law of the Kyrgyz Republic “On the Procedure for Considering Citizens’ Applications”, the administration of the National Bank conducted 64 personal receptions of the citizens. About 300 complaints from citizens regarding the protection of consumer rights of customers of the financial services were registered.

Numismatic museum

In 2019, excursions to the National Bank’s numismatic museums located in Bishkek and Osh cities were organized for schoolchildren and students, representatives of foreign and neighboring countries, government bodies and the media. During the excursions, the visitors got acquainted with the history of cash circulation in independent Kyrgyzstan, a unique exposition of ancient coins found in the country, a collection of commemorative gold, silver and copper-nickel coins, gold measuring bullions, as well as other numismatic products manufactured by the National Bank. More than 1,600 people visited numismatic museums of the National Bank.

The official website of the National Bank remains the most important tool to inform the public, promptly ensuring equal access to information for all its users. Work to improve the official website and the process to fill and update it was continued to increase openness and ensure informational transparency of the National Bank's activities.

Official website

The National Bank has expanded its presence in the social networks and instant messengers to increase the dissemination and feedback channels. In addition to the previously existing official pages in Youtube, Facebook and Twitter, user accounts were created in Instagram and Telegram.

Information on government programs and events focused on improving the financial literacy of the population, educational and other materials on financial literacy were made available on the financial literacy website of the National Bank – www.finsabat.kg, which was upgraded in 2019 with financial support of German Corporation for International Cooperation (GIZ).

*National Bank
in the social networks*

In the reporting year, improving the level of financial literacy of the population was among the priorities of the National Bank. The National Bank implemented a number of activities as part of the Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020 (hereinafter referred to as the Program).

*Improvement of the
financial literacy*

A unified training course on financial literacy for adults has been developed in accordance with the Core Competencies in Financial Literacy approved by the Coordination Council¹. As part of this program, together with the Association of Microfinance Organizations and with financial support from GIZ, 17 master trainers were trained who coached over 160 trainers in financial literacy, who, in turn, held two-day seminars in all regions of the country for more than 1,500 trainees.

An awareness-raising campaign “Financial Literacy Caravan” was launched to inform the population on issues concerning financial literacy, including the role and functions of the National Bank, consumers' rights protection and digitalization of the financial services. The National Bank, together with CJSC “Interbank Processing Center”, held field seminars in the cities and the large settlements of the Kyrgyz Republic with the involvement of local authorities, educational and budgetary organizations, entrepreneurs and media representatives.

The German Savings Banks Foundation for International Cooperation (SBFIC), jointly with the Ministry of Education and Science of the Kyrgyz Republic, delivered trainings on the basics of the financial literacy for more than 200 teachers of comprehensive schools in Issyk-Kul, Naryn and Jalal-Abad oblasts.

The National Bank together with the ministries and departments, the international and public organizations, the educational institutions, and the financial-credit organizations conducted the following large-scale awareness-raising campaigns to improve financial literacy: the Global Money Week and the World Savings Day. Lectures, interactive games, excursions to financial institutions, contests, a financial fair and other events with active involvement of children, the youth and adults were held during these campaigns. About 600 events were held with participation of more than 100 thousand children and adults during the Global Money Week, and 116 events for more than 5 thousand participants were organized as part of World Savings Day.

In 2019, the Kyrgyz Republic was announced the winner of the competition by the country category in the nomination “Youth Engagement Award 2019” instituted by the Child and Youth Finance International, CYFI, for its significant achievements of the country in the field of financial education among schoolchildren, the youth and school teachers. 152 countries participated in the competition. The prize was awarded to the National Bank of the Kyrgyz Republic as the coordinator of the Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020.

¹ The Coordination Council for implementation of the Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020, formed by the order of the Prime Minister of the Kyrgyz Republic No. 60 dated January 27, 2017.

CHAPTER 6. INFORMATION ON ACTIVITIES OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC

6.1. Structure of the National Bank of the Kyrgyz Republic

In the reporting period, the National Bank of the Kyrgyz Republic continued to optimize its organizational structure.

In 2019, the Subsidiaries and Associated Organizations Management Division was created in the organizational structure of the National Bank to manage the subsidiaries and the associated organizations of the National Bank.

At the end of the reporting year, the organizational structure of the National Bank included 29 structural units of the central office, five regional departments and one representative office of the National Bank in Batken oblast.

Basic Functions of Structural Units of the National Bank of the Kyrgyz Republic

<i>Economic Department</i>	develops the proposals on the monetary policy; analyzes monetary, real, financial, and fiscal sectors of the economy; and implements macroeconomic modeling and forecasting; carries out research work on macroeconomic issues, monetary policy, fiscal policy, exchange rate, and real sector
<i>Monetary Operations Department</i>	implements the monetary policy and manages the international reserves; carries out the operations in the financial markets, assesses and analyzes them; and identifies the trends and reasons for the changes in the financial markets to effectively coordinate the open market operations
<i>Financial Statistics and Review Department</i>	maintains statistics on monetary indicators, financial market performance indicators, statistics on the banking sector and non-banking financial-credit organizations; compiles the balance of payments of the Kyrgyz Republic; provides expert support in matters of external debt; analyzes and assesses financial stability of the financial system in the Kyrgyz Republic; and releases official publications of the National Bank
<i>Banking Oversight Departments 1 and 2</i>	implements the functions to ensure the stability of the banking system, to protect the interests of the depositors and other creditors, as well as to ensure fair competition among the commercial banks by carrying out risk-based oversight over their activities according to the laws of the Kyrgyz Republic and the regulatory legal acts of the National Bank of the Kyrgyz Republic
<i>Banks Supervision Methodology and Licensing Department</i>	maintains the stability of the banking system by providing supervision methodology and licensing the banks

<i>Non-banking Financial-Credit Organizations Oversight Department</i>	implements the functions to ensure stability of the non-banking financial-credit organizations licensed and regulated by the National Bank, protects the interests of the depositors and other creditors, creates favorable conditions for fair competition through carrying out risk-based supervision of their activities, provides a methodological framework for oversight over the non-banking financial-credit organizations and the corresponding licensed regime of the non-banking financial-credit organizations
<i>Cash Management Department</i>	meets the national economy's demands for banknotes and coins, refined gold and silver measuring bullions, numismatic valuables, maintains their optimal stock; provides the storage and transportation of banknotes, coins and valuables, and takes measures to ensure the disposal of old banknotes and coins
<i>Bank Settlements Department</i>	ensures the functioning of interbank settlement systems; makes settlements on the financial market operations and transactions
<i>Banking Automation Department</i>	provides the high-quality and up-to-date IT services, develops and introduces the operational risk assessment procedures in the National Bank transactions, describes and analyzes business processes, elaborates recommendations for their optimization
<i>Payment Systems Department</i>	develops the regulatory and legal framework on the payment system, implements regulation, analysis, supervision (oversight) and control to ensure uninterrupted interbank payments, study and regulation of the new payment and financial technologies, promotes development of the payment system in the country, as well as implements licensing, regulation and supervision over the payment system operators and payment organizations
<i>Accounting and Reporting Department</i>	keeps accounts and records of the Bank's transactions in accordance with the international accounting practice to provide the customers with financial statements reflecting the Bank's financial position, custodian accounting of the Government Securities, as well as monitors the collateral on issued loans
<i>Legal Department</i>	provides comprehensive legal support of the National Bank, development and improvement of the banking legislation
<i>Security and Information Protection Department</i>	ensures safe activity of the National Bank and operators of payment systems of the Kyrgyz Republic, provides effective countering the cybercrimes in the financial-credit and payment organizations
<i>Administration and Logistics Department</i>	maintains uninterrupted functioning of the buildings and structures and their power supply, resolves logistics issues of the Bank, transport support
<i>Systemic Risk Analysis Division</i>	reveals systemically important risks in the banking and non-banking sectors, prepares proposals for taking measures to ensure the banking system stability, as well as carries out systematic supervision over the activity of the financial-credit organizations licensed by the National Bank for compliance with the laws of the Kyrgyz Republic in the sphere of countering the financing of terrorism and anti-money laundering

<i>Consumers' Rights Protection Division</i>	protects the rights of the consumers of the banking and microfinance services
<i>SWIFT Service Bureau Division</i>	provides the National Bank of the Kyrgyz Republic and the commercial banks of the Kyrgyz Republic with high-quality and continuous SWIFT services according to the requirements of the SWIFT Customer Security Program
<i>Subsidiaries and Associated Organizations Management Division</i>	interacts with the subsidiaries and the associated organizations of the National Bank on their activities and development strategy
<i>State Language Development and Documentation Management Division</i>	promotes the implementation and development of paperwork and record keeping in the state language, carries out the centralized document management and control of the National Bank's documents execution, as well as the activities of the National Bank's Management Board
<i>Personnel Division</i>	provides the workforce required to fulfill the functions and objectives of the National Bank, and implements the process of training and professional development of the Bank employees
<i>Finance and Monitoring Division</i>	organizes financial activities of the National Bank, aimed to ensure the financial resources for its development strategy, the safety and effectiveness of the use of fixed assets, working capital and financial resources of the Bank
<i>International Cooperation Division</i>	provides for the establishment, strengthening, and development of international cooperation of the National Bank with the central banks, financial and integration institutions and other relevant organizations of the partner countries
<i>Financial Risk Control Division</i>	manages the financial risks in conducting the operations of the National Bank in the foreign markets
<i>Public Relations Division</i>	raises public awareness about the National Bank's activities and policies through the media outlets in accordance with the Bank's communications policy and contributes to improvement of the financial literacy in the Kyrgyz Republic
<i>Construction and Repair Division</i>	organizes construction and assembly operations, repair, design and survey works at the National Bank's facilities
<i>Internal Audit Service</i>	provides an independent and objective assurance and consulting to the Board of the National Bank, using a systematic and disciplined approach to assessment and improving the effectiveness of risk management, control and corporate governance processes aimed at improving the activities of the National Bank
<i>Procurement Group</i>	organizes and makes procurement in accordance with the current regulatory legal acts of the National Bank, as well as runs projects of international financial organizations and donor countries, implemented by the National Bank or with its direct participation

Educational and Recreation Center (recreation center “Tolkun”)

is intended for holding workshops, roundtable meetings and other training, social and cultural events with participation of the National Bank employees

Regional Departments and Batken Representative Office

provides the branches of the commercial banks with cash; supervises the non-banking financial-credit organizations, provides implementation of the central bank’s policy in the remote regions to expand the availability of the financial services, to develop the payment system and improve the population financial literacy

At the end of 2019, the payroll number of employees of the National Bank amounted to 712 people (including trainees), of which 633 people – in the central office and 79 people – in the regional departments and the Batken Representative Office. The number of women amounted to 322 people – in the central office and 33 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 50.0 percent and men – 50.0 percent.

Payroll number of employees of the National Bank

In 2018, the payroll number of employees of the National Bank amounted to 701 people, of which 623 people – in the central office and 78 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 48.0 percent and men – 52.0 percent.

The National Bank of the Kyrgyz Republic provides trainings for its specialists on a regular basis to improve their qualification. In 2019, training was carried out for the specialists within the framework of the Program of vocational training for the personnel of the central (national) banks, training events organized in the CIS, far abroad countries, and in the Kyrgyz Republic, as well as on the basis of the National Bank.

Personnel training

In accordance with the Memorandum of Long-Term Cooperation between the National Bank and the German Savings Banks Foundation for International Cooperation, implementation of the educational project “Banking. Dual vocational training of bank officers” was continued. In the reporting year, according to the results of education 88 young specialists from the personnel of the National Bank and the commercial banks completed training.

In 2019, the National Bank of the Kyrgyz Republic continued implementation of the program “Young professionals”, the purpose thereof is to create opportunities for the university graduates and young professionals to obtain banking skills through participation in the activity of the country’s central bank.

The competitive selection of young specialists was carried out in three stages, according to the results thereof, 30 people out of 48 candidates were accepted for internship at the National Bank.

The system of a competitive selection of employees is used to implement an open, transparent, equal and fair approach to all participants of the competition; this system allows selecting the most qualified specialists in view of their professional training and ensuring fulfillment of an adequate level of objectives and functions entrusted to the National Bank.

Competitive selection

Announcement of competitions for vacancies are published on the official website of the National Bank and in the media.

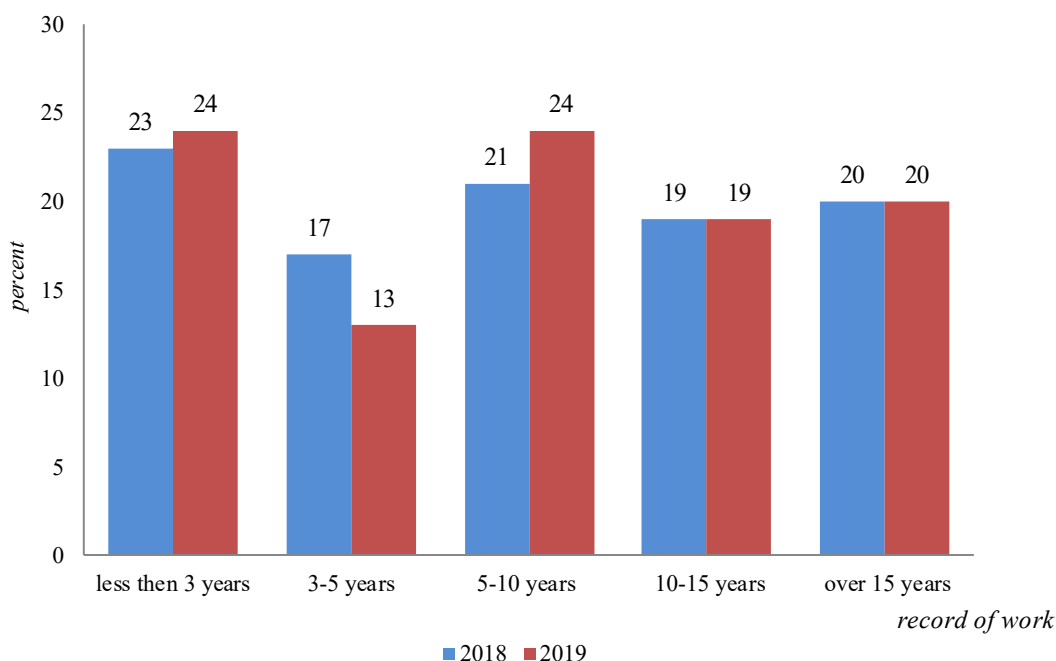
In 2019, 70 competitions were held, including 14 competitions in the regional offices. In total, 409 people took part in the competitions. As a result of these competitions, 56 people were recruited in the National Bank.

The staff turnover was 14.0 percent in 2019 and in 2018 – 10.0 percent.

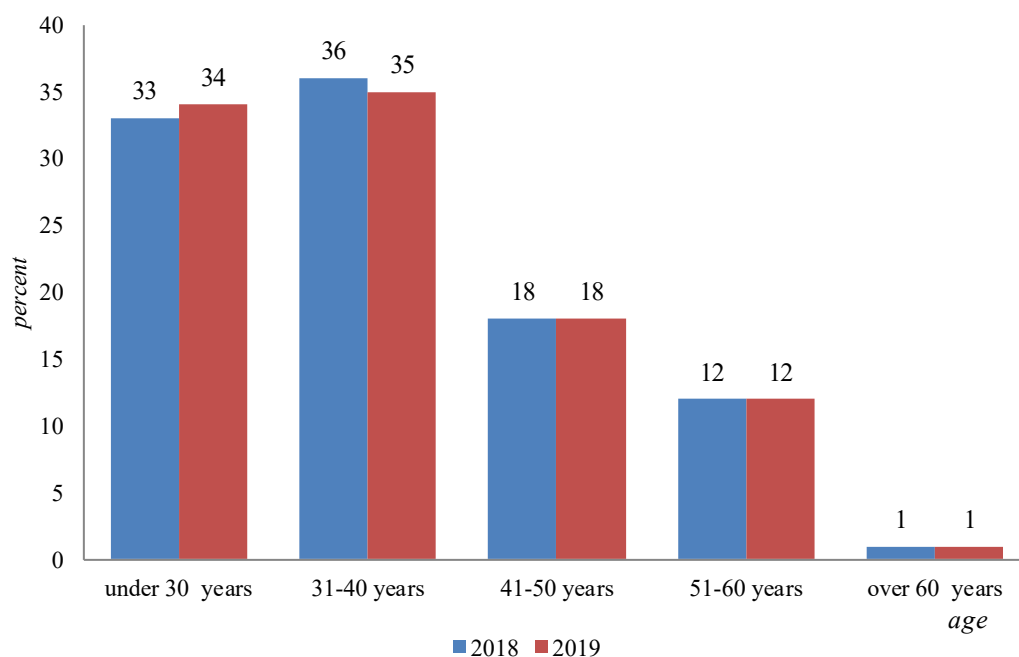
The personnel structure by record of work and age is shown in charts 6.1.1 and 6.1.2, respectively.

Chart 6.1.1.

Structure of Specialists by Record of Work in the National Bank of the Kyrgyz Republic

**Chart 6.1.2.**

Structure of Specialists by Age



The committees and commissions operate in the National Bank on a regular basis to provide effective fulfillment of the functions and objectives thereof. Seven committees, ten commissions, six editorial boards for publications of the National Bank and the scientific advisory council with their activity being regulated by the relevant provisions operated as of the end of 2019.

Goals and objectives of Main Committees and Commissions of the National Bank of the Kyrgyz Republic

<i>Monetary Regulation Committee</i>	develops and implements the operational decision-making on current liquidity management. The main objectives are to evaluate the current situation, develop and make decisions on the operations in the open and foreign exchange markets, consider recommendations and make decisions on application of the monetary policy instruments according to the regulatory legal acts of the National Bank, develop recommendations to the National Bank Board, the National Bank Chairman and the Kyrgyz Republic Government on the monetary policy issues
<i>Investment Committee</i>	develops and makes decisions on management of the international reserves within the framework of the established powers. The main objectives are to review, approve and monitor the implementation of the investment strategy; to assess the effectiveness of investment, taking into account the situation in the financial markets, and to develop the tactical decisions under the approved strategy, to recommend and propose the National Bank Board on investment activities
<i>Supervision Committee</i>	decides on the regulation and supervision of commercial banks and other financial-credit organizations licensed by the National Bank within the established competence
<i>Audit Committee</i>	assists the Board of the National Bank in ensuring an adequate system of internal control, as well as control over the accounting procedures and preparation of financial statements of the National Bank
<i>Payment System Committee</i>	defines the development directions of the payment system in the Kyrgyz Republic, the goals and the objectives for development, regulation and supervision (oversight) over the payment system in the Kyrgyz Republic, as well as licensing and prudential supervision over the payment system operators and the payment organizations
<i>Risk Committee</i>	takes measures on minimization of risks in the activities of the National Bank by coordinating operations of the structural units in the area of identification, evaluation, and constraints of risks inherent in activities of the National Bank
<i>Coordination Committee on Information Technologies</i>	determines the main directions for development of the information technologies and controls fulfillment of the activities for implementation of information technology development in the National Bank and coordinates planned information technologies (IT) projects, changes, approval of technical solutions and business processes relevant to these projects or IT
<i>Ethics and Prevention of Corruption Commission</i>	ensures the activity of the National Bank in accordance with the laws on conflict of interest, as well as on preventing and combating corruption through implementation and monitoring of activities against corruption

***Methodological
Commission***

considers drafts of individual regulatory acts with a view to their methodological elaboration; approves terms and their explanations, used in the regulatory acts of the National Bank

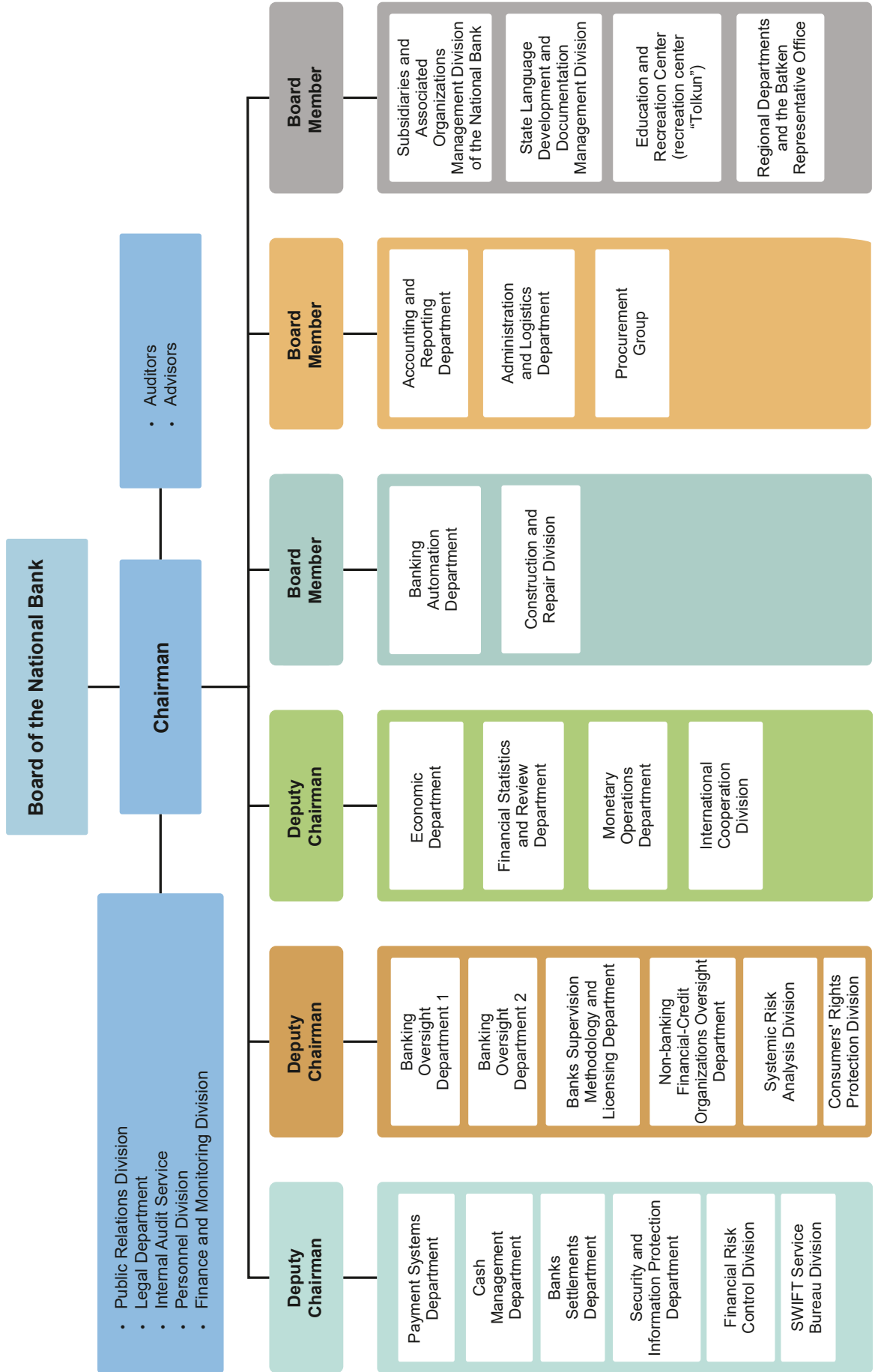
***Commission for
Organizational
Development of the
National Bank***

examines the issues and prepares proposals on organizational development of the National Bank. The main objectives are to consider the proposals and elaborate recommendations for optimization of the business processes, and for changing the organizational structure of the National Bank; to coordinate and supervise the activities related to optimization of business processes carried out in the National Bank

***Labor Disputes
Commission***

considers individual labor disputes in the National Bank in accordance with the Labor Code of the Kyrgyz Republic

Organizational Chart of the National Bank of the Kyrgyz Republic as of December 31, 2019



6.2. Activity of the Board of the National Bank of the Kyrgyz Republic in 2019

General information

The Board is the supreme governing body of the National Bank and it approves its main activity. Powers of the Board are determined by the Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”.

The Board defines the monetary policy, the policy in the area of the commercial banks and the non-banking financial-credit organizations, the payment systems operators and the payment systems supervision; establishes the procedure for issue of new samples and denominations of banknotes and the procedure for redeeming the banknotes and coins, approves the regulatory legal acts, the annual report; as well as determines the main directions of development of the banking sector, the sector of the non-banking financial-credit organizations and the payment system.

The Board of the National Bank activity was carried out in accordance with the approved annual and quarterly action plans. In 2019, it held 86 meetings (including 18 information exchange meetings), with 378 considered issues and 228 adopted resolutions.

Consideration of monetary policy issues

During 2019, the Board of the National Bank eight times considered the issue of the size of the National Bank policy rate – the main monetary policy instrument. The decisions on the policy rate were made on the basis of analysis and forecast of the main inflation factors, the situation in the external environment and in the Kyrgyz Republic.

The Monetary Policy Reports, containing information on measures and results of the monetary policy being conducted, on the macroeconomic situation in the country and in the countries-trading partners, the medium-term forecast of inflation and key macroeconomic indicators, were reviewed and approved on a quarterly basis.

In December 2019, the Board approved the Statement of the National Bank of the Kyrgyz Republic on the monetary policy for 2020 and the schedule of the Board meetings for 2020 on the policy rate of the National Bank, which were posted on the official website.

The Board of the National Bank annually reviews and approves the investment policy and the report on the international reserves management in the area of international reserves management and ensuring the safety of reserve assets.

The Board regularly considered the Financial Sector Stability Report of the Kyrgyz Republic containing the results of analysis of risks in the financial system and their impact on the stability of the financial sector as a whole. The results of monitoring and analysis were taken into account in decision-making on the monetary and macroprudential policies.

In total, 23 issues were considered and 22 resolutions were adopted on the monetary policy issues and the international reserves management in 2019.

Consideration of issues of banking and non-banking organizations supervision

The Board of the National Bank adopted a series of resolutions to improve the regulatory framework for the licensing, supervision and regulation of the banks and non-banking financial-credit organizations activity, including the institutions implementing operations in accordance with the principles of Islamic banking and finance.

Adopted resolutions related to the issues of banks licensing, economic standards, reducing the risks in the banks activity, introducing risk-based supervision, and applying enforcement actions to the banks and non-banking financial-credit organizations.

Moreover, the resolutions on the banks’ capital adequacy ratios were adopted as part of implementing certain elements of Basel III international standards.

The resolutions on the issues of lending and collecting collateral, as well as on consideration by the National Bank of cases on violations of the regulatory legal acts of the Kyrgyz Republic were approved to bring them in compliance with the laws of the Kyrgyz Republic.

In order to further develop the principles of Islamic banking and finance, the Board adopted the resolutions aimed at expanding the list of operations of the financial-credit organizations implementing operations in accordance with the principles of Islamic

banking and finance, as well as improving the risk management system in the banks conducting operations in accordance with the Islamic principles.

Moreover, the Board approved resolutions on increasing the maximum aggregate amount of financing and lifting the restrictions on raising funds from the founders (shareholders) and other legal entities of the microfinance organizations to develop non-banking financial-credit organizations operating in accordance with the principles of Islamic banking and finance. Separate resolutions were aimed at improving the asset classification system in the microfinance companies and credit unions.

During 2019, the Board of the National Bank reviewed the reports on implementation of the action plan of the main directions for development of the banking sector and the microfinance sector in the Kyrgyz Republic for 2018-2021 reflecting the goals and objectives for the medium term. Implementation of the measures envisaged in this program for 2019 contributed to achievement of the established indicators aimed at creating a favorable economic, legislative and regulatory environment for the institutional development of economically viable, sustainable and socially responsible lending.

In total, 151 issues were considered, 90 resolutions were adopted on the activities of the specific commercial banks and other financial-credit organizations licensed by the National Bank of the Kyrgyz Republic, 41 resolutions thereof related to the regulatory framework governing their activities.

In the reporting year, the Board of the National Bank approved a number of the regulatory legal acts on development of the payment system, licensing and regulation of the activities implemented by the payment systems operators, the payment systems organizations and the international payment systems to improve the regulatory legal acts, develop digital technologies, optimize and strengthen the requirements for the activities of the payment systems operators and the payment organizations.

During 2019, the Board of the National Bank reviewed the reports on implementation of the action plan of the Main Directions for Development of the Payment System in the Kyrgyz Republic for 2018-2022 which reflect the goals, objectives and development trend of the payment system for the medium term. Implementation of measures stipulated in the plan for 2019 contributed to achieving the established indicators aimed at regional development, increasing the share of non-cash payments and settlements, ensuring the security of the payment system, and development of the new digital technologies.

In total, the Board considered 35 issues and adopted 16 resolutions on the operation and management of the payments system.

In the reporting year, the Board of the National Bank also considered the issues on arranging the activity of the National Bank of the Kyrgyz Republic and other issues on which 100 resolutions were adopted.

*Consideration
of payment
system issues*

Other issues

6.3. Improvement of Banking Legislation

In the reporting year, the National Bank worked on improvement and development of the legislative framework governing banking activities in the Kyrgyz Republic.

The Law of the Kyrgyz Republic “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic “On Collateral”, “On the Licensing System in the Kyrgyz Republic”), aimed at formation of the regulatory framework for establishing and operation of the housing and savings credit companies, was adopted and entered into force in 2019. According to the Law, the National Bank is also authorized to license and regulate the housing and savings credit companies.

Establishment of a housing and savings credit company involves creation of a system of medium-term housing finance, based on raising money from the citizens of the Kyrgyz Republic in the housing savings deposits and providing them with long-term targeted loans according to the terms of the loan agreement.

Effective laws

The Law of the Kyrgyz Republic “On Amendments to the Law of the Kyrgyz Republic “On Protection of the Bank Deposits” was adopted and entered into force in the reporting year. The aforementioned Law establishes the regulations according to which the housing and savings credit companies must participate in the system of mandatory protection of deposits.

The deposit protection standard enshrined in this Law is focused on reducing the risks, ensuring the safety of the participants’ deposits and providing guarantees from the state to all participants in the contract housing savings system.

Moreover, in 2019, a new version of the Law of the Kyrgyz Republic “On Guarantee Funds in the Kyrgyz Republic” was adopted and entered into force; according to this Law the National Bank shall be the authorized body to carry out regulation and supervision over the activities of the guarantee funds.

The Law “On Guarantee Funds in the Kyrgyz Republic” creates the conditions for further improvement of the financial-credit system in the country to increase the availability of the bank loans for the small- and medium-sized enterprises. Increasing access to financing involves allocation of the bank loans for business development, expansion of production output, purchase and modernization of fixed assets, introduction of the new technologies, innovation activity and opening of new enterprises by providing guarantees (securities).

6.4. Performance of Duty of Financial Adviser

To perform the duty of a financial adviser to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic, in 2019, the National Bank:

- Provided information and analytical materials on implementation of the monetary policy, on the state of the banking and payment systems on a regular basis;
- Examined the draft laws and other regulatory legal acts and decisions affecting the financial and banking issues or the area of authority of the National Bank;
- Provided advice to the Government on improving budget legislation and presented conclusions to the draft regulatory legal acts as part of the budget process;
- Consulted and made the recommendations on the financial, banking and payment systems.

Pursuant of the Decree of the President of the Kyrgyz Republic “On Declaring 2019 the Year of Regional Development and Digitalization of the Country,” the National Bank actively participated:

- in implementation of the Decree of the President of the Kyrgyz Republic “On Declaring 2019 the Year of Regional Development and Digitalization of the Country”;
- in implementation of the Digital Transformation Concept “Digital Kyrgyzstan 2019-2023”;
- in the activity of the working group of the State Committee for Information Technologies and Communications of the Kyrgyz Republic on development and approval of the national standard for a barcode two-dimensional symbol (QR code).

Analytical information included information on the main directions of the monetary policy conducted by the National Bank, on the forecast for the key macroeconomic indicators, the situation in the external sector of the economy, the state of the banking and payment systems, the system of non-bank financial-credit organizations, the situation in the foreign exchange market.

The National Bank provided information on the results of the social and economic development of the country, the prospects for development of the domestic economy, the inflation forecast, external loans, the state of the balance of payments and the exchange rate, and development of the principles of Islamic finance in the Kyrgyz Republic.

In total, as part of the financial advisor duty, the National Bank sent more than 400 letters to the public authorities during the reporting period.

In the reporting year, the National Bank examined more than 40 draft laws, including:

Examination of draft laws

- “On Amendments to the Law of the Kyrgyz Republic “On the Republican Budget of the Kyrgyz Republic for 2019 and the Forecast for 2020-2021””;
- “On the Republican Budget of the Kyrgyz Republic for 2020 and the Forecast for 2021-2022””;
- “On Amendments and Additions to the Law of the Kyrgyz Republic “On Protection of the Bank Deposits””;
- “On Guarantee Funds in the Kyrgyz Republic””;
- “On Housing and Savings Credit System””;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws “On Collateral”, “On Licensing System in the Kyrgyz Republic”)””;
- “On Amendments to the Tax Code of the Kyrgyz Republic”, which provides for introduction of cryptocurrency mining taxation in the Kyrgyz Republic;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic on Non-Cash Payments””;
- “On Tokens””;
- “On Electronic Commerce””;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic in the Sphere of the Financial Market””;
- “On Amendments to the Law of the Kyrgyz Republic “On Declaring the Incomes, Expenses, Liabilities and Property of the Persons Filling in or Holding State and Municipal Posts””;
- “On Official Statistics””;
- “On Auditing Activities in the Kyrgyz Republic””;
- “On Precious Metals and Precious Stones” and others.

In 2019, the National Bank also examined and prepared the proposals for more than 50 draft resolutions and orders of the Government of the Kyrgyz Republic, including:

- On the Medium-Term Forecast of the Social and Economic Development in the Kyrgyz Republic for 2020-2022;
- On Measures to Implement the National Project of Targeted Increase in Real Cash Incomes of the Population and Social Development of the Kyrgyz Republic;
- On Approval of the Program for the Green Economy Development in the Kyrgyz Republic for 2019-2023;
- On Amendments to the Resolution of the Government of the Kyrgyz Republic “On Measures to Protect Consumers’ Rights””;
- On the Pilot Project “State as a Platform””;
- On Approval of the Program of the Government of the Kyrgyz Republic for Development and Support of the Small- and Medium-Sized Enterprises in the Kyrgyz Republic for 2019-2023;
- On Approval of the Action Plan to Reduce the Level of the Unobserved Sector of the Economy for 2019-2021;
- On Approval of the Regulation “On the Conditions, Sizes, Procedure for Presentation and Priority Areas of Social Educational Lending””;
- On Increase in the Authorized Capital of the Open Joint-Stock Company “Guarantee Fund””;
- On Establishment of the State Institution “Service Center for Entrepreneurs in the Kyrgyz Republic””;
- On Establishment of OJSC “State Leasing Company””;
- On Approval of the Guidelines for Use of the E-Service State Portal and others.

Development and implementation of state programs

In 2019, the National Bank participated in development and implementation of a number of the state programs and plans, including;

- The Action Plan for Implementation of the Decree of the President of the Kyrgyz Republic “On Declaring 2019 the Year of Regional Development and Digitalization of the Country”;
- The Programs for Improving the Financial Literacy of the Population in the Kyrgyz Republic for 2016-2020;
- The Action Plan for Implementation of the Program of the Government of the Kyrgyz Republic “Affordable Housing 2015-2020”;
- The State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic;
- The Roadmap for Implementation of the Digital Transformation Concept “Digital Kyrgyzstan 2019-2023”;
- The Strategies for Development of the Non-Banking Financial Market for 2019-2023;
- The Action Plan of the Government of the Kyrgyz Republic for 2019-2023 for Implementation of the Government Action Program Approved by the Resolution of the Jogorku Kenesh of the Kyrgyz Republic No.2377-VI dated April 20, 2018;
- The National Project for Targeted Increase in Real Cash Incomes of the Population and Social Development of the Kyrgyz Republic;
- The Action Plan for Implementation of the Export Development Program of the Government of the Kyrgyz Republic for 2019-2022;
- The Medium-Term Action Plan for 2017-2019 to Implement the Strategy for Development of Public Finance Management in the Kyrgyz Republic for 2017-2025 and others.

Examination of international agreements

Within the framework of participation of the Kyrgyz Republic in the international and interstate organizations, the National Bank examined more than 20 international treaties and agreements affecting the financial and banking system of the Kyrgyz Republic.

Based on the findings of the examination of the draft laws, draft resolutions and orders of the Government and the President of the Kyrgyz Republic, the international treaties and agreements, other draft regulatory legal acts, conclusions were given, as well as comments and proposals on the issues falling within the competence of the National Bank.

Work in interagency commissions

In the reporting year, the representatives of the National Bank participated in more than 20 interdepartmental working groups and commissions on the following issues:

- Development of the proposals and the mechanisms for introduction and implementation of the National project to increase real cash incomes of the population and social development of the Kyrgyz Republic;
- Coordination of the actions to implement the provisions of the Law of the Kyrgyz Republic “On Protection of the Bank Deposits” and to increase crisis preparedness;
- Studying the issues of deepening and developing the secondary market for government securities;
- Discussion of the draft roadmap of the SCO member states on transition to settlements in the national currencies;
- Development of the draft Law of the Kyrgyz Republic “On Housing and Savings Credit System”;
- Analysis of the regulatory impact from the draft law aimed at regulating the individuals’ bankruptcy;
- Determination of the standards for calculating the distribution of customs duties among the EAEU member-states;
- Consideration of the possibility for reducing the burden of public debt;

- Negotiating the Agreement on enhanced partnership and cooperation between the Kyrgyz Republic and the European Union regarding trade and trade-related issues;
- Amendments to the Decree of the Government of the Kyrgyz Republic “On Measures to Protect the Consumers’ Rights” and others.

Based on the results of participation in work of the interagency working groups and commissions, the National Bank provided information and made proposals on the issues within the competence of the National Bank.

6.5. Internal Audit and Internal Control System

The internal audit of the National Bank is carried out by the Internal Audit Service reporting to the Board of the National Bank. The internal control system of the National Bank is organized and operates in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, as well as takes into account best practices of internal control.

The main goals and objectives of the Internal Audit Service are independent assessment of adequacy and effectiveness of the internal control system, risk management and corporate governance in the National Bank, interaction with the external auditor on the annual audit of the National Bank financial statements and the Audit Committee of the National Bank.

The Internal Audit Service operates under the supervision of the Audit Committee and is independent of the auditees’ activity. Internal audit is based on a risk-oriented approach, audits are carried out based on the risk level.

In the reporting period, internal audits were carried out on the main areas of activity of the National Bank, including development of the monetary policy and the new financial products, analysis of the systemic risks, regulation of the payment systems, and ensuring effective counteraction to cybercrimes in the financial-credit organizations, payment institutions, and operators of the payment systems, analysis and planning of the legislative drafting activities, personnel management, as well as in other areas. Measures were determined according to the audit results, implementation thereof was monitored by the Internal Audit Service.

The Audit Committee operates in the National Bank to ensure an appropriate system of internal control, as well as control over the accounting and financial reporting procedures. The Audit Committee includes a member of the Board of the National Bank and two independent experts who are not the employees of the National Bank.

The Audit Committee’s activity is to assist in improving the effectiveness of the internal control system, risk management and corporate governance, as well as to supervise the Internal Audit Service, ensure adequate application of the accounting principles, monitor the quality of the financial statements and assess the compliance of the external auditor’s work with the standards established by the legislation of the Kyrgyz Republic.

In 2019, the Audit Committee held 21 meetings, where the materials on the activity of the Internal Audit Service, financial statements of the National Bank, changes in the accounting policies, monitoring of implementation of the internal and external audits recommendations, and overview of the internal control system were considered. The Audit Committee on a semi-annual basis provided information about its activity for consideration by the Board of the National Bank. A member of the Audit Committee – an independent expert – participated in selection of the external auditor for the National Bank. The Audit Committee held meetings on the financial statements audit for 2018 with the responsible representatives of the external auditors to guarantee the external auditors’ independence.

In 2018 the external audit of the consolidated and separate financial statements of the National Bank was carried out by the audit organization – “Deloitte & Touche” LLC

Legal framework

Implementation of activities

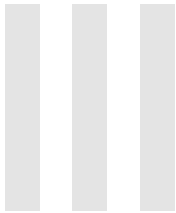
Report of the Audit Committee

Interaction with external auditors

approved by the Jogorku Kenesh of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic.

In the reporting year, the sixth meeting of the Advisory Council on Auditing Activities of the Central (National) Banks of the Eurasian Economic Union Member States and Tajikistan (hereinafter referred to as the Advisory Council) was chaired by the National Bank of the Kyrgyz Republic, where the decision was made to continue work on improving procedures and approaches for conducting of internal audits. The report on the activities of the Advisory Council was considered at the 41st meeting of the Eurasian Council of the Central (National) Banks.

APPENDICES



Major Events in the Monetary Sphere in 2019

Date	Contents
January 30	A permit was issued to CJSC “BTA Bank” to conduct “qard hasan” and “wadi’ah yad daman” transactions under the license to conduct banking operations in accordance with the principles of Islamic banking and finance through the “Islamic window” in the national and/or foreign currency.
February 2	Participation in the 48 th Annual International Exhibition-forum “World Money Fair 2019” on the issues of the coin market (Germany).
February 12	A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies measures.
February 13	The Board of the National Bank established the insolvency of OJSC “Ak Bank” and supported the recommendation of the Provisional Administrator on commencement of the compulsory liquidation of OJSC “Ak Bank”.
February 25-26	The Board of the National Bank decided to reduce the policy rate of the National Bank to 4.50 percent. A press conference on the size of the policy rate was held with involvement of the National Bank administration.
February 27	The Board of the National Bank approved amendments to the Regulation “On E-Money in the Kyrgyz Republic” to ensure intersystem interoperability of e-money settlement systems through the operator of the national payment system in terms of e-money according to the “single window” principle.
March 4	An agreement was signed with MasterCard International Incorporated to facilitate the development of non-cash payments in the national currency using payment cards of the international systems in the Kyrgyz Republic.
March 6-19	A visit of the IMF Mission to conduct consultations in accordance with Article IV of the IMF’s Articles of Agreement took place.
March 12	A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies measures.
March 13	In accordance with the decision of the Inter-district court of Bishkek city, the lawsuit of the National Bank against OJSC “Ak Bank” to initiate the process of forced liquidation was satisfied and the procedure for forced liquidation of OJSC “Ak Bank” was commenced.
March 15	The Joint Statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on the main directions of economic policy for 2019 was approved by the Government of the Kyrgyz Republic and the Board of the National Bank of the Kyrgyz Republic.
March 19	A special regime of the Provisional Administration in OJSC “Ak Bank” was terminated by the Board of the National Bank on the basis of a decision made by the Inter-district court of Bishkek city to initiate the procedure for the forced liquidation of OJSC “Ak Bank”.

March 25	<ul style="list-style-type: none"> • The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.50 percent. • Participation in the 44th Annual Meeting of the Board of Governors of the IsDB Group.
March 29	The Board of the National Bank adopted the Regulation “On Minimum Requirements for the Liquidity Risk Management in the Commercial Banks of the Kyrgyz Republic”, which stipulates the requirements for the system, structure and process of liquidity risk management to ensure an adequate control system of the commercial banks.
April 1	A round-table meeting “Access to Financial Services”, organized by the National Bank jointly with the authorized representative of the Government of the Kyrgyz Republic in Osh oblast, was held in Kara-Suu town, Kara-Suu District of Osh oblast as part of the initiative “2019 – the Year of Regional Development and Digitalization” announced by the President of the Kyrgyz Republic.
April 2	A round-table meeting “Access to Financial Services”, organized by the National Bank jointly with the authorized representative of the Government of the Kyrgyz Republic in Batken oblast, was held in Kyzyl-Kiya town, Batken oblast as part of the initiative “2019 – the Year of Regional Development and Digitalization” announced by the President of the Kyrgyz Republic.
April 4	A round-table meeting “Access to Financial Services”, organized by the National Bank jointly with the authorized representative of the Government of the Kyrgyz Republic in Jalal-Abad oblast, was held in Bazar-Korgon village, Bazar-Korgon district of Jalal-Abad oblast as part of the initiative “2019 – the Year of Regional Development and Digitalization” announced by the President of the Kyrgyz Republic.
April 10	The Board of the National Bank approved amendments to some regulatory legal acts: <ul style="list-style-type: none"> – aimed at reducing the risks of the banks operating in accordance with the principles of Islamic finance and encouraging them to participate in government programs; – on provisional administration and liquidation of the banks.
April 11	The liquidation term of OJSC “Asia Universal Bank” was extended from April 11, 2019 till April 11, 2020.
April 15	The Board of the National Bank approved amendments to a number of the regulatory legal acts of the National Bank within the framework of assistance in implementation of the Program of the Government of the Kyrgyz Republic “Affordable Housing 2015-2020” and development of the mortgage securities market.
April 24	The Board of the National Bank adopted amendments and additions to certain regulatory legal acts of the National Bank on lending and enforcement measures to increase public access to the financial services.
April 25	A round-table meeting “Access to Financial Services”, organized by the National Bank jointly with the authorized representative of the Government of the Kyrgyz Republic in Naryn oblast, was held in Naryn city, Naryn oblast as part of the initiative “2019 – the Year of Regional Development and Digitalization” announced by the President of the Kyrgyz Republic.
May 8	Recommendations to provide financing in accordance with the principles of Islamic finance for agricultural development were approved for the banks and other FCOs.
May 13	A direct banking supervision in OJSC “Rosinbank” was completed.
May 13-17	A visit of the EBRD Technical Mission on macroeconomic modeling took place.

May 17	The licenses of LLC “Mobilnik” on carrying out the activities of a payment system operator and a payment organization were revoked.
May 22	Participation in the 19 th meeting of the Advisory Council on the Monetary Policy of the Central (National) Banks of the EAEU Member States, Moscow, the Russian Federation.
May 24	The Board of the National Bank considered the Financial Sector Stability Report of the Kyrgyz Republic for 2018.
May 27	A visit of the delegation from the Urumqi branch of the People’s Bank of China to the National Bank took place.
May 27-28	The Board of the National Bank decided to reduce the policy rate of the National Bank to 4.25 percent. A press conference on the size of the policy rate was held with involvement of the National Bank administration.
June 13	The Board of the National Bank approved the minimum requirements for the regime and procedure of work with the bank accounts, the bank deposit accounts opened in accordance with the principles of Islamic banking and finance.
June 14	Participation in the meeting of the Advisory Committee on Financial Markets of the Eurasian Economic Union (EAEU) Member States, Minsk, the Republic of Belarus.
June 19	<ul style="list-style-type: none"> • The Board of the National Bank approved amendments to certain regulatory legal acts regarding the use of e-signature for remote customer service. • The National Bank, as the coordinator of the Program for Improving Financial Literacy Levels of the Population for 2016-2020, was awarded the prize of the winner of the competition by the country category “Global Inclusion Awards 2019” in the nomination “Youth Engagement Award 2019” instituted by the Child and Youth Finance International (CYFI). The prize was awarded for significant achievements and efforts in the field of financial education in the country among schoolchildren, the youth and school teachers. The ceremony took place in Johannesburg, South Africa.
June 21	A direct banking supervision regime in OJSC “Russian-Kyrgyz “Amanbank” was extended for three months.
June 24	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.25 percent.
June 25	Participation in the 7 th meeting of the working group on coordination of the national payment systems development, Moscow, the Russian Federation.
June 28	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – approved the Regulations “On Consolidated Supervision” and “On Periodic Regulatory Consolidated Reporting”, as well as amendments and additions to certain regulatory legal acts on the issues of the structure and capital adequacy ratios in accordance with Basel III international standards; – terminated the special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” due to expiration of the special regime extended term; – introduced a special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” for a period of six months due to the fact that the bank’s own capital is less than 75 percent of the amount established by the National Bank.
July 5	JSC “Halyk Bank of Kazakhstan” was registered as an operator of the international money transfer system “Faster”.

July 9	A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies measures.
July 10	The Board of the National Bank approved amendments and additions to the Instruction on considering the cases of violation in the National Bank of the Kyrgyz Republic.
July 25	A meeting of the Interagency Commission on increasing the share of non-cash payments and settlements in the Kyrgyz Republic was held.
July 30	A certificate of registration was issued to Public Fund “MCA “IRM Salym”.
August 7	A certificate on registration was issued to LLC “MCC Valiuta Plus” (Currency Plus).
August 14	The Board of the National Bank: <ul style="list-style-type: none"> – approved amendments to the Regulation “On Operations Conducted in Accordance with the Principles of Islamic Banking and Finance”; – approved a number of the regulatory legal acts that establish requirements for the banks and the non-banking financial-credit organizations on implementation of an internal control program, application of a risk-based approach, the client due diligence and other issues regarding CTF/AML.
August 15	<ul style="list-style-type: none"> • A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies measures. • LLC “I.MARKET” (FINTENO) was registered as an operator of the international e-money system.
August 20	A round-table meeting “Access to Financial Services”, organized by the National Bank jointly with the authorized representative of the Government of the Kyrgyz Republic in Osh oblast, was held in Kara-Kuldzha village, Kara-Kuldzha district of Osh oblast as part of the initiative “2019 – the Year of Regional Development and Digitalization” announced by the President of the Kyrgyz Republic.
August 21	The Board of the National Bank approved amendments to the Regulation “On Licensing the Banks’ Activities”.
August 26	<ul style="list-style-type: none"> • The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.25 percent. • LLP “Innoforce systems” was registered as an operator of the international e-money system. • The licenses to carry out the activities of a payment system operator and a payment organization were issued to LLC “Karman”.
August 27	A certificate of registration was issued to the institution MCA “ACTIF-RAZVITIYE” (“ACTIF-DEVELOPMENT”).
August 28	A permit to conduct operations with precious metals in the form of refined measuring bullions, issued by the National Bank in cash and non-cash form was issued to CJSC “EcoIslamicBank”.
September 2	The Board of the National Bank approved: <ul style="list-style-type: none"> – a new edition of the Regulation “On Contingencies in the Payment System”; – a new edition of the Regulation “On Licensing the Activities of Payment Organizations and Payment System Operators”; – amendments and additions to the Instruction “On conducting inspections of the activities of payment system operators and payment organizations”.

- September 3-6 The first International Symposium in Central Asia “Banknotes Design and Security” on banknotes issue was held with the support of the National Bank.
- September 4
- OJSC “Investment Bank “Chang An” was excluded from the registry of banks due to obtaining a microfinance company license.
 - A license was issued to CJSC “MFC “Chang An”.
- September 9 The Board of the National Bank approved:
- the Regulation “On Establishment and Registration of the Guarantee Funds in the Kyrgyz Republic”;
 - the Rules to regulate the activities of the guarantee funds, as well as additions and amendments to a number of the regulatory legal acts.
- September 20 A license was issued to the Commercial Cooperative “Credit Union “Diyas-Finance”.
- September 21 Direct banking supervision regime in OJSC “Russian-Kyrgyz “Amanbank” was extended for three months.
- September 24 Silver collection coin “5 years of the Eurasian Economic Union” of the series “Historical events” was put into circulation.
- September 25 The Board of the National Bank approved amendments:
- to the Regulation “On the Signs of Solvency and the Rules for the Exchange of Banknotes and Coins of the Kyrgyz Republic” regarding administrative responsibility in case of violation of the banking legislation and unauthorized use of the images of banknotes/coins in the national currency of the Kyrgyz Republic to bring the Regulation in line with the Code of the Kyrgyz Republic on violations that entered into force on January 1, 2019;
 - to the Regulation “On Individual Transactions/Operations of the Commercial Banks and the Microfinance Companies of the Kyrgyz Republic with Real Estate”, developed due to peculiarities of working with other real estates of the banks operating in accordance with the principles of Islamic banking and finance, and aimed at protecting the rights of the banking services consumers.
- September 27 A banking round-table meeting, organized by the National Bank with participation of the representatives of the Union of Legal Entities “Union of Banks of Kyrgyzstan”, the Russian-Kyrgyz Development Fund, the State Committee of Information Technologies and Communications of the Kyrgyz Republic, the Deposit Protection Agency of the Kyrgyz Republic, the commercial banks and other organizations, was held to discuss and solve current issues of the banking sector.
- September 30
- The Board of the National Bank approved:
 - a new edition of the Regulation “On Governing the Activities of Payment Organizations and Payment System Operators”;
 - a new edition of the Regulation “On Enforcement Measures Applicable to Payment System Operators/Payment Organizations”;
 - amendments and additions to the Regulation “On E-money in the Kyrgyz Republic”.
 - A consent was issued to OJSC “BAKAI BANK” and CJSC “BTA Bank” to carry out reorganization by merging CJSC “BTA Bank” with OJSC “BAKAI BANK”.
- September 30 - October 1 The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.25 percent. A press conference on the size of the policy rate was held with involvement of the National Bank administration.

October 2	<ul style="list-style-type: none"> • Participation in the meeting of the Advisory Committee on Financial Markets of the Eurasian Economic Union (EAEU) Member States, Yerevan, the Republic of Armenia. • A certificate of registration was issued to LLC “MCC “Belen Finance”.
October 3	A license and a list of permitted banking operations were replaced with a license on conducting banking operations in the national and/or foreign currency of OJSC “Keremet Bank”.
October 8	A press conference on digitalization of the banking sector was held with involvement of the National Bank administration.
October 11	<ul style="list-style-type: none"> • A license to operate as a payment organization was issued to LLC “Digital Payments-K”. • The licenses to operate as a payment system operator and a payment organization were issued to LLC “Balance KG”.
October 14-18	A visit of the EBRD Technical Mission on macroeconomic modeling took place.
October 14-20	Participation in the Annual Meeting of the Boards of Governors of the World Bank Group and the International Monetary Fund, Washington, USA.
October 16	A permit to conduct banking operations on issue of e-money was issued to CJSC “Bank of Asia”.
October 16-31	The National Bank held the World Savings Day-2019 with participation of the Savings Banks Foundation for International Cooperation, the Ministry of Education and Science of the Kyrgyz Republic and the commercial banks.
October 25	The liquidation term of CJSC “Manas Bank” was extended from October 25, 2019 till October 25, 2020.
October 28	The licenses to operate as a payment system operator and a payment organization of LLC “Bars Money” were revoked.
October 30	<ul style="list-style-type: none"> • The Board of the National Bank: <ul style="list-style-type: none"> – approved the Regulation “On Disclosure Requirements for Commercial Bank’s activities”; – approved amendments and additions to a number of the regulatory legal acts on issues of the economic standards, corporate governance, market risk management in the banks; – considered the Financial Sector Stability Report of the Kyrgyz Republic for the first half of 2019. • Registration of the international e-money systems operators was canceled: LLP “WOOPPAY”, LLP “RPS Asia”, LLC “GLOBEPAY”.
October 31	Participation in the 20 th meeting of the Advisory Council on the Monetary Policy of the Central (National) Banks of the EAEU Member States, Minsk, the Republic of Belarus.
November 1	<ul style="list-style-type: none"> • The Board of the National Bank approved: <ul style="list-style-type: none"> – the Regulation “On Licensing the Housing and Savings Credit Companies”; – the Rules for regulating the activities of the housing and savings credit companies, as well as amendments to some regulatory legal acts of the National Bank.

- An agreement was signed with VISA Int. to facilitate the development of non-cash payments in the national currency using payment cards of international systems in the Kyrgyz Republic.
 - A meeting of the Interagency Commission to increase the share of non-cash payments and settlements in the Kyrgyz Republic was held.
- November 5 The collection silver coin “Household items: Kyrgyz vase” of the series “Age of the Kyrgyz kaganate” and the collection silver coin and the copper-nickel coins “Household items: Kyrgyz clothing items, jewelry” of the series “Age of the Kyrgyz kaganate” were put into circulation.
- November 13 A round-table meeting “Access to Financial Services”, organized by the National Bank jointly with the authorized representative of the Government of the Kyrgyz Republic in Osh oblast, was held in Uzgen town, Osh oblast as part of the initiative “2019 – the Year of Regional Development and Digitalization” announced by the President of the Kyrgyz Republic.
- November 15 The Board of the National Bank approved:
- the main directions of the banking services digital transformation in the Kyrgyz Republic for 2020-2021;
 - the Regulation “On Operations of the Commercial Banks with Precious Metals Carried out in Accordance with the Principles of Islamic Banking and Finance” to develop the precious metals market as an alternative instrument of savings and investment for the population and the banks;
 - amendments to the Regulation “On Bank Payment Cards in the Kyrgyz Republic” to issue credit cards by the banks for the non-banking financial-credit organizations and their further distribution.
- November 19 Participation in the 8th meeting of the working group on coordination of the national payment systems development, Minsk, the Republic of Belarus.
- November 20 Restrictions were lifted in the license of OJSC “Dos-CredoBank” to extend loans and other loan substitutes without security in the national and/or foreign currency.
- November 20-26 A visit of the IMF Mission to discuss the latest economic trends, including the state budget of the country took place.
- November 25 The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.25 percent.
- November 25-29 Participation in the meeting of the working group of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), Ashgabat, Turkmenistan.
- November 26 A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies measures.
- December 9 A certificate of registration was issued to LLC “MCC “BMCC”.
- December 11 The Board of the National Bank approved:
- the Rules for making payments using barcode two-dimensional symbols (QR code) to standardize barcodes (QR code) for ensuring the payments and the possibility of intersystem integration of various payment systems to provide the payers with a single payment space;
 - amendments to the Regulation “On Minimum Requirements for Remote Services Rendering in the Kyrgyz Republic” to provide the borrowers and the clients of the microfinance organizations with the opportunity to receive up-to-date products and to interact via remote service channels.

December 18	<ul style="list-style-type: none"> • The Board of the National Bank approved the Statement of the National Bank of the Kyrgyz Republic on monetary policy for 2020. • Operations with derivative financial instruments (derivatives) were included in the list of permitted banking operations of CJSC “Tolubay” subject to established restrictions. • A permit to conduct operations with precious metals in the form of refined measuring bullions, emitted (issued) by the National Bank in cash and non-cash form, and with precious metals of other issuers in depersonalized (non-cash) form was issued to CJSC “Bank of Asia”.
December 22	A direct banking supervision regime in OJSC “Russian-Kyrgyz “Amanbank” was extended for three months.
December 23	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.25 percent.
December 27	<p>In order to bring the regulatory legal acts in line with Basel II and III international standards and within the framework of further harmonization of the legislation of the EAEU member states, the Board of the National Bank approved:</p> <ul style="list-style-type: none"> – the procedure to determine the amount of capital required to cover the banks’ operational risks; – amendments to a number of the regulatory legal acts on calculating the total capital adequacy ratio, taking into account operational risks, leverage ratio, as well as liquidity indicators in foreign currency; – the Regulation “On Prudential Standards and Requirements Compulsory for the Commercial Banks of the Kyrgyz Republic”; – the Regulation “On Calculation of the Commercial Banks Liquidity Ratio”.
December 28	The Board of the National Bank extended the special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” for six months.
December 30	LLP “Hermes Garant Group” (WebMoney Kazakhstan) was registered as an operator of the international e-money system.
December 31	A certificate of registration was issued to OJSC “Guarantee Fund”.

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Table 1.
Macroeconomic Indicators

	unit of measurement	2015	2016	2017	2018	2019
Real sector						
Nominal GDP ¹	millions of KGS	430,489.4	476,331.2	530,475.7	569,385.6	590,042.4
Rate of growth of real GDP ¹	percent	3.9	4.3	4.7	3.8	4.5
Rate of growth of industrial output ¹	percent	-3.1	5.9	8.9	5.1	6.9
Rate of growth of gross agricultural output ¹	percent	6.2	2.9	2.2	2.6	2.6
Rate of growth of wholesale and retail trade; repair of motor vehicles and motorcycles ¹	percent	7.1	8.0	7.1	5.7	4.9
Growth of CPI (in % December to December)		3.4	-0.5	3.7	0.5	3.1
- food products		-4.2	-5.0	2.7	-2.6	5.7
- alcoholic beverages and tobacco products		12.4	4.3	4.0	6.4	3.4
- non-food products		12.3	1.6	3.2	1.4	0.6
- services		6.7	5.2	6.9	4.1	0.4
Growth of PPI ² (in % to the corresponding period of the previous year)		8.8	6.4	1.7	1.5	4.1
Unemployment rate	percent	2.2	2.2	2.3	2.8	3.0
Average nominal wage	KGS	13,277.0	14,492.0	15,391.0	16,218.0	17,166.0
Estimated minimum subsistence level	KGS	5,183.0	4,794.3	4,900.8	4,792.5	4,806.3
Financial sector						
NBKR policy rate (end-of-period)	percent	10.00	5.00	5.00	4.75	4.25
Yield of NBKR notes (average for the period)	percent	9.9	2.6	2.0	3.0	3.8
Yield of ST-Bills (average for the period)	percent	12.8	9.9	5.0	5.6	5.1
Yield of ST-Bonds (average for the period)	percent	15.8	16.5	13.0	11.8	10.3
Interbank Domestic Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	1,059.0	1,852.0	748.0	65.7	91.2
- interest rate (average for the period)	percent	14.1	6.9	3.4	0.0	2.3
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	420.8	35.6	116.9	-	467.1
- interest rate (average for the period)	percent	1.4	2.0	2.6	-	3.2
Repo Operations						
- volume (for the period)	millions of KGS	32,077.1	4,515.2	10,291.7	31,305.5	38,686.8
- interest rate (average for the period)	percent	9.3	4.0	1.8	2.4	3.0
Foreign Exchange Market						
Non-cash Transactions at Interbank Foreign Exchange Auctions	millions of USD	1,212.1	757.3	518.5	588.4	680.4
Deposit and Credit Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	38,982.6	59,062.9	69,989.2	76,612.3	93,520.7
- interest rate (average for the period)	percent	23.6	24.5	19.8	19.5	19.0
- interest rate (end of period)	percent	22.8	22.2	18.8	18.0	17.5
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	39,454.9	36,881.4	35,991.1	37,103.8	36,583.0
- interest rate (average for the period)	percent	14.3	12.4	10.5	9.7	9.6
- interest rate (end of period)	percent	15.7	13.5	11.3	10.1	9.7
Deposits in National Currency:						
- volume (for the period)	millions of KGS	190,092.6	249,003.8	289,676.4	328,293.9	387,578.7
- interest rate (average for the period)	percent	2.5	2.4	2.8	2.4	1.5
- interest rate (end of period)	percent	7.2	6.5	6.2	6.2	6.0
Deposits in Foreign Currency:						
- volume (for the period)	millions of KGS	210,082.7	214,848.5	237,864.0	272,873.4	278,461.8
- interest rate (average for the period)	percent	1.1	0.6	0.6	0.4	0.3
- interest rate (end of period)	percent	3.5	2.7	2.1	1.5	1.4
State Budget						
Revenue	millions of KGS	128,291.9	130,569.6	149,502.0	151,540.4	167,096.3
including the share of tax revenue	percent	66.0	71.8	69.1	77.0	72.7
Expenditure	millions of KGS	105,252.4	115,948.1	124,910.3	129,098.1	136,116.4
Net purchase of non-financial assets	millions of KGS	29,188.8	35,499.6	41,067.9	28,631.2	31,412.3
Deficit (-) / Surplus (+)	millions of KGS	-6,149.3	-20,878.1	-16,476.2	-6,188.9	-432.3
in percent of GDP	percent of GDP	-1.4	-4.4	-3.1	-1.1	-0.1
External Economic Sector						
Export of goods and services	percent of GDP	37.8	35.7	34.3	33.2	37.5
Import of goods and services	percent of GDP	75.3	69.8	66.4	71.6	65.7
Current account balance ³ (including transfers)	percent of GDP	-16.4	-11.5	-6.3	-12.1	-9.9
Gross international reserve assets	months of import of next year's goods and services	4.5	4.6	4.4	4.7	5.0

* preliminary data

Source: NBKR, NSC KR, CT MF KR, commercial banks of KR

¹ Indicators given by Gross Value Added

² The data were recalculated in accordance with the State Classifier "Economic activities", version 3.

³ Positive balance – "+"; Negative balance – "-"

Table 2.GDP Composition
(percent)

	2015	2016	2017	2018	2019*
Total	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishery	14.1	12.8	12.5	11.7	12.1
Extraction of minerals	0.8	0.6	1.0	1.0	1.0
Processing industry	14.1	15.4	15.0	14.3	14.3
Provision (supply) of electricity, gas, steam, and conditioned air	1.7	1.9	2.5	2.8	2.2
Water supply, waste treatment and production of secondary raw materials	0.2	0.2	0.3	0.4	0.3
Construction	8.4	8.4	8.6	9.0	9.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.8	17.9	17.8	17.9	18.3
Transport operations and storage of goods	3.9	3.8	3.9	3.8	3.8
Hotel and restaurant activity	1.9	1.8	1.7	1.7	1.7
Information and communication	4.3	3.5	3.1	2.6	2.6
Financial intermediation and insurance	0.5	0.5	0.5	0.7	0.7
Real estate transactions	2.6	2.5	2.6	2.5	2.4
Professional, scientific and technical activities	1.6	1.4	1.6	1.9	1.8
Administrative and support service activities	0.4	0.4	0.5	0.4	0.4
Public administration and defense, compulsory social security	5.4	5.4	5.7	5.8	5.7
Education	5.3	5.9	5.7	5.5	5.5
Health care and social services to the population	2.8	2.7	2.6	2.5	2.6
Arts, entertainment and recreation	0.5	0.5	0.4	0.5	0.4
Other service activities	1.2	1.1	1.1	1.1	1.0
Net (less subsidies) taxes on products	11.8	13.1	13.1	14.1	13.4

* preliminary data

Source: NSC KR

The data were recalculated in accordance with the State Classifier "Economic activities", version 3.

Table 3.Composition of Capital Investment by Sources of Financing
(percent)

	2015	2016	2017	2018	2019*
Total	100.0	100.0	100.0	100.0	100.0
Domestic investment	57.8	57.4	57.5	72.0	69.5
including those financed through:					
Republican budget	3.6	7.5	5.6	4.1	2.7
local budget	1.0	1.0	1.1	0.8	1.1
funds of enterprises and organizations	30.5	24.6	25.5	33.3	32.9
bank loans	0.9	0.04	2.0	4.3	2.1
public funds, including charitable aid to residents of the Kyrgyz Republic	21.8	24.4	23.4	29.5	30.7
Foreign investment	42.2	42.6	42.5	28.0	30.5
including those financed through:					
foreign loan	30.6	28.4	29.1	13.1	15.9
foreign direct investments	9.8	11.5	9.0	8.7	7.9
foreign grants and humanitarian aid	1.8	2.7	4.3	6.2	6.7

* preliminary data

Source: NSC KR

Table 4.
Monetary Base and Monetary Aggregates (end of period)
(millions of KGS)

	2015	2016	2017	2018	2019*
Monetary base	67,055.3	85,584.1	100,019.0	106,347.3	118,065.4
Currency in circulation	58,398.0	74,838.8	91,104.3	93,566.1	106,244.8
Money outside banks (M0)	53,118.0	69,338.8	84,450.9	84,826.7	96,009.9
Monetary aggregate (M1)	70,452.7	97,656.6	118,144.1	121,631.9	139,682.1
Money supply (M2)	82,267.2	115,444.1	142,859.1	154,576.3	181,768.1
Monetary aggregate (M2X)	143,143.0	164,017.4	193,390.6	204,071.1	230,260.6
Multiplier M1	1.05	1.14	1.18	1.14	1.18
Multiplier M2	1.23	1.35	1.43	1.45	1.54
Multiplier M2X	2.13	1.92	1.93	1.92	1.95
Velocity M1	6.45	5.80	4.49	4.68	4.22
Velocity M2	5.48	4.92	3.71	3.68	3.25
Velocity M2X	3.33	3.23	2.74	2.79	2.56
Money outside banks/Deposits	0.59	0.73	0.78	0.71	0.72
Deposits/Monetary Aggregate (M2X)	0.63	0.58	0.56	0.58	0.58

* preliminary data

Source: NBKR, NSC KR, Commercial banks of KR

Currency in circulation = banknotes and coins issued by the NBKR minus banknotes and coins in circulating cash in vaults of the National Bank;

Money outside banks (M0) = currency in circulation less notes and coins in national currency in vaults of commercial banks;

Monetary aggregate (M1) = M0 + settlement (current) accounts and residents' demand deposits in national currency;

Money supply (M2) = M1 + residents' time deposits in national currency;

Monetary Aggregate (M2X) = M2 + settlement (current) accounts and deposits in foreign currency;

Multiplier = the ratio of monetary aggregate to the monetary base;

Velocity of money = the ratio of nominal GDP to the volume of the monetary aggregate.

Table 5.Analytic Balance Sheet of the National Bank of the Kyrgyz Republic (end of period)
(millions of KGS)

	2015	2016	2017	2018	2019
Net foreign assets	123,166.9	126,836.9	140,716.9	142,089.2	160,750.0
Net international reserves	108,489.7	121,249.6	134,613.7	134,078.3	151,837.5
Gold	10,932.2	11,810.1	19,937.3	32,153.3	48,834.0
Foreign currency (assets)	100,507.0	111,148.3	115,591.8	102,087.4	103,004.1
Foreign currency (liabilities)	-2,949.5	-1,708.9	-915.4	-162.4	-0.6
Other external assets	23,605.9	13,451.3	14,414.4	16,233.0	17,059.2
SDR allocation	-8,928.6	-7,864.0	-8,311.2	-8,222.2	-8,146.7
Long-term external liabilities	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-56,111.6	-41,252.8	-40,697.9	-35,741.9	-42,684.6
<i>Net domestic credits</i>	-20,283.0	-20,325.4	-18,244.2	-15,819.4	-27,358.5
Net claims to General Government	-13,714.2	-7,746.9	-8,994.4	-12,289.7	-16,906.1
Net claims to Government	-13,714.2	-7,746.9	-8,994.4	-12,289.7	-16,906.1
Securities	1,402.0	312.5	251.3	189.5	127.0
Credits to Government in foreign currency	0.0	0.0	0.0	0.0	0.0
Deposits	-15,104.6	-8,048.9	-9,235.2	-12,468.6	-17,033.2
Budget accounts	-11,620.9	-6,322.4	-7,014.4	-9,596.9	-2,361.4
Counterpart funds	0.0	0.0	0.0	0.0	0.0
Other Government accounts	-712.8	-835.5	-1,106.1	-1,699.3	-2,604.6
Government deposits in foreign currency	-2,770.9	-891.0	-1,114.7	-1,172.3	-12,067.2
Government Credit	-11.6	-10.6	-10.5	-10.7	0.0
Net claims to special funds	0.0	0.0	0.0	0.0	0.0
Net claims to other depository corporations	-2,204.5	-10,993.1	-8,818.2	-3,277.4	-10,020.0
Credits	5,119.5	5,718.6	5,569.2	7,794.1	5,031.3
including: "overnight" credits	0.0	0.0	0.0	0.0	0.0
credits in foreign currency	156.1	40.8	0.0	0.0	0.0
Securities	-2,126.4	-5,243.4	-5,212.3	-7,992.3	-8,048.5
including: notes issued by the NBKR	-2,126.4	-5,243.4	-5,212.3	-7,992.3	-8,048.5
securities under repo agreements	0.0	0.0	0.0	0.0	0.0
Deposits	-5,197.5	-11,468.3	-9,175.1	-3,079.3	-7,002.9
including: deposits in foreign currency	-2,591.5	-3,910.8	-3,811.3	-2,174.3	-1,380.9
Derivatives	0.0	0.0	0.0	0.0	0.0
Net claims to other financial institutions	-4,364.3	-1,585.3	-431.6	-252.2	-432.3
<i>Capital account</i>	-37,928.1	-24,178.1	-25,614.9	-23,213.3	-29,206.8
<i>Other items</i>	2,099.5	3,250.7	3,161.2	3,290.7	13,880.7
Monetary base	67,055.3	85,584.1	100,019.0	106,347.3	118,065.4
Currency in circulation	58,398.0	74,838.8	91,104.3	93,566.1	106,244.8
Reserves of other depository corporations in national currency	8,657.3	10,745.3	8,914.7	12,781.1	11,820.7
<i>Reference:</i>					
Monetary base-broad definition	72,252.8	97,052.3	109,194.1	109,426.6	125,068.3
Currency in circulation	58,398.0	74,838.8	91,104.3	93,566.1	106,244.8
Reserves of other depository corporations	10,000.7	12,337.6	11,530.6	13,982.6	12,983.0
Reserves of other depository corporations in national currency	8,657.3	10,745.3	8,914.7	12,781.1	11,820.7
Reserves of other depository corporations in foreign currency	1,343.4	1,592.3	2,615.9	1,201.4	1,162.4
Deposits in foreign currency	3,854.1	9,876.0	6,559.2	1,877.9	5,840.5

Source: NBKR

Note: Methodology of the analytical balance sheet preparation complies with the concept and principles of the IMF Monetary and Financial Statistics Manual 2000

Table 6.

External Economic Indicators

	unit of measurement	2015	2016	2017	2018	2019*
Balance of payments indicators						
Total balance	<i>millions of USD</i>	-79.2	305.6	15.3	-163.6	46.7
	<i>percent of GDP²</i>	-1.2	4.5	0.2	-2.0	0.6
Current account balance ¹	<i>millions of USD</i>	-1,068.9	-788.0	-481.8	-997.0	-835.2
	<i>percent of GDP²</i>	-16.4	-11.5	-6.3	-12.1	-9.9
Export of goods (FOB)	<i>millions of USD</i>	1,619.0	1,607.9	1,813.9	1,916.0	2,022.2
	<i>percent of GDP²</i>	24.8	23.4	23.6	23.2	23.9
Import of goods (FOB)	<i>millions of USD</i>	3,859.8	3,744.4	4,197.2	4,949.9	4,588.3
	<i>percent of GDP²</i>	59.1	54.5	54.5	59.9	54.3
Gross international reserve assets	<i>months of next year's import of goods and services</i>	4.5	4.6	4.4	4.7	5.0
Public external debt						
Public external debt ³	<i>millions of USD</i>	3,601.1	3,742.7	4,089.8	3,825.7	3,850.7
	<i>percent of GDP⁴</i>	64.5	54.4	53.1	46.9	45.5
	<i>percent of export of goods and services</i>	145.9	152.8	155.1	139.3	121.4
Public external debt servicing (actual)	<i>millions of USD</i>	128.5	144.8	157.4	184.0	203.1
	<i>percent of GDP²</i>	2.0	2.1	2.0	2.2	2.4
	<i>percent of export of goods and services</i>	5.2	5.9	6.0	6.7	6.4

* - preliminary data

Source: NBKR, NSC KR, MF KR

¹ - Positive balance - "+", negative balance - "-"² - In the calculation of indicators USD equivalent of GDP calculated at the average rate for the year was used³ - Including IMF loans⁴ - According to NBKR estimates; in the calculation of indicators USD equivalent of GDP calculated at the rate to the end of the year was used

Table 7.**Monetary Policy Instruments**

	unit of measurement	2015	2016	2017	2018	2019
NBKR Credits						
intraday credits	<i>millions of KGS</i>	139.4	-	-	-	406.4
"overnight" credits	<i>millions of KGS</i>	26,663.3	2,045.6	13,816.5	18,102.3	286.4
7-day credits	<i>millions of KGS</i>	-	-	-	-	-
credit auctions*	<i>millions of KGS</i>	1,475.0	1,440.0	4,810.0	3,000.0	2,020.0
maintaining liquidity	<i>millions of KGS</i>	702.3	-	538.3	571.7	-
credits to international organizations created within the framework of the EAEU	<i>millions of KGS</i>	1,200.0	678.2	72.5	300.0	300.0
"Overnight" Deposits	<i>billions of KGS</i>	325.6	1,986.5	1,903.0	956.3	976.7
NBKR Policy Rate (end of period)	<i>percent</i>	10.00	5.00	5.00	4.75	4.25
NBKR Notes						
maturity:						
7 days						
sales volume	<i>millions of KGS</i>	67,139.7	102,293.4	54,718.0	64,888.8	87,911.9
average yield	<i>percent</i>	9.9	2.6	1.3	2.3	3.7
14 days						
sales volume	<i>millions of KGS</i>	800.0	8,000.0	3,638.0	312.0	5,100.0
average yield	<i>percent</i>	9.9	0.7	2.5	3.4	3.7
28 days						
sales volume	<i>millions of KGS</i>	-	-	20,969.8	18,363.5	27,788.6
average yield	<i>percent</i>	-	-	3.1	3.3	4.0
91 days						
sales volume	<i>millions of KGS</i>	-	-	5,614.5	23,938.4	12,681.2
average yield	<i>percent</i>	-	-	4.9	4.6	4.4
182 days						
sales volume	<i>millions of KGS</i>	-	-	-	1,580.3	200.0
average yield	<i>percent</i>	-	-	-	4.7	4.6
Open Market Transactions						
Direct repo transactions	<i>millions of KGS</i>	-	-	49.6	-	-
Reverse repo transactions	<i>millions of KGS</i>	-	-	-	-	-
NBKR Foreign Exchange Interventions						
Purchase	<i>millions of USD</i>	44.0	191.9	34.5	20.6	-
Sale	<i>millions of USD</i>	339.1	162.7	107.2	168.3	143.5
NBKR Foreign Exchange Swaps						
Purchase	<i>millions of Euro</i>	1.3	-	-	-	-
Sale	<i>millions of Euro</i>	-	-	-	-	-
Reserve Requirements						
Reserve requirement ratio (end of period)**						
in national currency	<i>percent</i>	4.0	4.0	4.0	4.0	4.0
in foreign currencies of the EAEU countries and the PRC	<i>percent</i>	4.0	4.0	4.0	4.0	4.0
in foreign currencies except for the EAEU countries and the PRC	<i>percent</i>	12.0	12.0	12.0	12.0	14.0
Required reserves (annual average)	<i>millions of KGS</i>	7,100.3	7,333.3	7,519.6	8,194.3	9,524.4
Excess reserves (annual average)	<i>millions of KGS</i>	740.0	1,369.9	1,321.7	663.1	366.9

Source: NBKR

* The amount of actually issued loans for a reporting period

** According to the Resolution of the Board of the National Bank of the Kyrgyz Republic dated December 23, 2015 No 78/7 RR ratios are set separately by liabilities in national currency, in foreign currencies of the EAEU countries, the PRC and other countries.

Table 8.

Policy rate of the National Bank of the Kyrgyz Republic (end of period)
(percent)

	2015	2016	2017	2018	2019
January	11.00	10.00	5.00	5.00	4.75
February	11.00	10.00	5.00	5.00	4.50
March	11.00	8.00	5.00	5.00	4.50
April	11.00	8.00	5.00	5.00	4.50
May	9.50	6.00	5.00	4.75	4.50
June	9.50	6.00	5.00	4.75	4.25
July	8.00	6.00	5.00	4.75	4.25
August	8.00	6.00	5.00	4.75	4.25
September	10.00	6.00	5.00	4.75	4.25
October	10.00	6.00	5.00	4.75	4.25
November	10.00	5.50	5.00	4.75	4.25
December	10.00	5.00	5.00	4.75	4.25

Source: NBKR

Table 9.**State Treasury Bills and Bonds Market**

	unit of measurement	2015	2016	2017	2018	2019
State Treasury Bills (ST-Bills)						
maturity:						
3 months						
sales volume	millions of KGS	14.0	456.0	420.0	-	2,352.2
average yield	percent	8.1	3.6	2.1	-	5.1
6 months						
sales volume	millions of KGS	878.9	1,800.0	1,032.7	-	2,300.6
average yield	percent	12.1	8.1	4.1	-	5.8
12 months						
sales volume	millions of KGS	2,884.5	3,463.7	2,698.3	2,628.4	793.9
average yield	percent	13.0	11.3	5.7	5.6	4.9
State Treasury Bonds (ST-Bonds)						
maturity:						
2 years						
sales volume	millions of KGS	3,009.2	4,758.5	3,665.7	2,382.8	1,309.0
average yield	percent	15.5	16.1	10.1	7.8	6.8
3 years						
sales volume	millions of KGS	828.5	2,140.9	2,464.9	2,200.0	1,177.1
average yield	percent	16.3	15.9	11.4	9.3	8.8
5 years						
sales volume	millions of KGS	1,405.7	1,095.3	2,540.0	2,650.0	2,706.7
average yield	percent	17.7	19.1	15.0	11.0	10.4
7 years						
sales volume	millions of KGS	-	-	2,638.9	4,971.5	5,937.7
average yield	percent	-	-	16.6	12.9	11.4
10 years						
sales volume	millions of KGS	-	-	1,800.0	7,270.0	364.0
average yield	percent	-	-	18.5	15.3	13.5
State Treasury Bonds in Foreign Currency (ST-Bonds-B)						
maturity:						
5 years						
sales volume	millions of KGS	-	49.4	-	-	-
average yield	percent	-	1.8	-	-	-

Source: NBKR

Note: Sales volume includes the volume of additional placement of ST-Bills and ST-Bonds

Table 10.Interest Rates of Deposits in National Currency (for the period)
(percent)

	2015	2016	2017	2018	2019
Deposits of Legal Entities	2.5	2.1	2.3	1.7	2.3
<i>demand deposits</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>
<i>time deposits:</i>	<i>13.1</i>	<i>11.9</i>	<i>9.2</i>	<i>9.3</i>	<i>9.5</i>
<i>of which:</i>					
up to 1 month	7.7	6.3	8.0	5.8	4.9
1-3 months	7.7	6.6	5.6	4.1	5.4
3-6 months	11.1	10.4	7.5	5.3	6.5
6-12 months	16.2	13.4	9.8	10.0	9.5
over 1 year	15.0	14.5	12.5	10.5	11.2
Deposits of Individuals	2.4	2.5	2.8	2.5	1.4
<i>demand deposits</i>	<i>1.5</i>	<i>1.5</i>	<i>1.9</i>	<i>1.5</i>	<i>0.4</i>
<i>time deposits:</i>	<i>12.5</i>	<i>12.8</i>	<i>11.0</i>	<i>10.2</i>	<i>9.4</i>
<i>of which:</i>					
up to 1 month	4.8	5.5	6.4	7.2	6.0
1-3 months	7.0	6.3	5.7	5.7	5.4
3-6 months	9.8	9.6	7.8	7.5	6.6
6-12 months	13.2	13.4	11.1	10.4	9.5
over 1 year	14.3	15.1	13.0	11.7	10.8
Deposits on Non-residents	1.5	2.0	2.1	2.5	2.4
<i>demand deposits</i>	<i>0.0</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.3</i>
<i>time deposits:</i>	<i>11.3</i>	<i>13.3</i>	<i>11.3</i>	<i>10.9</i>	<i>10.0</i>
<i>of which:</i>					
up to 1 month	5.4	6.5	6.9	6.9	5.1
1-3 months	5.8	7.9	7.2	6.6	6.0
3-6 months	9.0	9.8	6.9	8.5	6.6
6-12 months	12.4	13.0	11.2	11.3	10.0
over 1 year	14.6	15.2	13.2	11.6	11.0
Average Weighted Rate	2.5	2.4	2.8	2.4	1.5

Source: Commercial banks of KR

Table 11.Interest Rates of Deposits in Foreign Currency (for the period)
(percent)

	2015	2016	2017	2018	2019
Deposits of Legal Entities	1.0	0.3	0.2	0.1	0.2
<i>demand deposits</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>
<i>time deposits:</i>	<i>4.8</i>	<i>3.2</i>	<i>2.6</i>	<i>2.6</i>	<i>3.5</i>
<i>of which:</i>					
up to 1 month	1.7	2.2	4.2	0.5	3.5
1-3 months	2.1	1.9	3.6	2.5	2.5
3-6 months	3.9	2.2	2.9	1.9	2.5
6-12 months	5.2	3.7	3.2	2.8	4.0
over 1 year	7.9	4.3	3.4	3.4	4.0
Deposits of Individuals	1.2	1.0	1.0	0.6	0.4
<i>demand deposits</i>	<i>0.1</i>	<i>0.3</i>	<i>0.5</i>	<i>0.2</i>	<i>0.0</i>
<i>time deposits:</i>	<i>6.5</i>	<i>5.0</i>	<i>4.2</i>	<i>3.5</i>	<i>3.2</i>
<i>of which:</i>					
up to 1 month	1.9	3.7	3.5	2.4	2.1
1-3 months	3.0	3.9	3.6	2.5	1.9
3-6 months	4.6	3.4	3.8	2.5	2.4
6-12 months	6.5	5.4	4.4	3.6	3.4
over 1 year	8.5	5.5	4.3	4.2	3.8
Deposits on Non-residents	1.1	0.6	0.9	0.6	0.5
<i>demand deposits</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>
<i>time deposits:</i>	<i>7.0</i>	<i>4.9</i>	<i>5.2</i>	<i>4.2</i>	<i>3.7</i>
<i>of which:</i>					
up to 1 month	2.5	6.8	4.0	3.3	2.6
1-3 months	2.6	3.4	4.1	3.7	2.3
3-6 months	4.5	2.5	3.8	3.5	2.3
6-12 months	6.9	5.6	4.5	4.7	4.3
over 1 year	8.1	5.4	5.5	4.1	3.9
Average Weighted Rate	1.1	0.6	0.6	0.4	0.3

Source: Commercial banks of KR

Table 12.

Interest Rates of Loans of Commercial Banks in National Currency (for the period)
(percent)

	2015	2016	2017	2018	2019
Average Weighted Rate	23.6	24.5	19.8	19.5	19.0
Industry	16.4	15.8	13.6	13.7	13.9
Agriculture	22.2	24.0	20.3	20.4	19.3
Transport and communication	27.6	26.9	20.3	20.9	20.4
Trade	22.4	23.7	17.7	16.5	15.8
Procurement and processing	27.8	17.7	9.7	9.2	8.0
Construction	26.7	25.3	18.8	18.2	19.0
Mortgage	19.7	19.3	14.3	14.5	13.6
Consumer loans	30.8	31.0	27.4	26.7	25.5
Other	26.0	24.4	19.4	18.4	18.6
up to 1 month	20.0	21.7	18.6	17.2	16.3
Industry	16.5	16.6	16.6	17.3	17.4
Agriculture	-	35.0	34.0	22.0	10.0
Transport and communication	22.0	-	12.0	-	12.6
Trade	15.6	16.7	15.2	13.2	13.0
Procurement and processing	-	-	-	-	-
Construction	-	25.0	20.4	-	-
Mortgage	-	-	-	-	13.1
Consumer loans	30.8	30.1	27.2	27.3	24.8
Other	18.4	25.4	26.0	23.7	26.2
1-3 months	22.3	25.6	24.6	20.7	24.5
Industry	17.1	26.0	23.5	19.7	16.2
Agriculture	32.0	32.3	31.0	29.5	27.9
Transport and communication	33.5	33.7	-	24.6	31.0
Trade	23.2	30.7	26.9	21.7	21.1
Procurement and processing	-	-	-	-	-
Construction	30.0	31.6	20.4	26.6	26.8
Mortgage	9.3	7.5	0.0	-	-
Consumer loans	29.8	30.7	30.1	27.5	29.5
Other	21.5	22.0	23.6	21.6	26.1
3-6 months	27.7	31.1	29.7	24.5	24.7
Industry	20.6	30.9	29.2	19.2	19.6
Agriculture	28.6	31.8	31.3	28.8	25.2
Transport and communication	32.5	29.8	28.5	20.7	25.7
Trade	25.9	29.2	26.6	23.3	18.2
Procurement and processing	32.1	35.4	-	32.0	28.0
Construction	31.6	30.3	26.5	25.8	25.5
Mortgage	-	28.4	20.7	17.1	23.2
Consumer loans	33.2	34.0	31.5	26.3	27.2
Other	27.6	27.8	26.2	25.2	22.0
6-12 months	26.3	28.5	26.0	25.2	24.2
Industry	22.6	23.4	20.1	16.3	18.5
Agriculture	23.2	25.9	22.8	22.5	21.2
Transport and communication	30.2	29.9	24.8	23.7	26.5
Trade	25.5	27.3	23.6	21.7	20.7
Procurement and processing	34.4	34.0	29.1	26.6	29.1
Construction	32.8	30.4	26.9	25.5	26.4
Mortgage	25.7	25.4	20.0	19.9	19.3
Consumer loans	32.6	33.1	31.1	28.9	27.3
Other	28.8	28.6	26.3	24.8	25.1
over 1 year	23.7	23.7	18.7	18.6	18.4
Industry	16.4	15.4	13.3	13.6	13.6
Agriculture	22.2	23.5	19.8	19.8	18.8
Transport and communication	28.9	26.7	20.7	21.0	20.0
Trade	24.8	25.3	18.3	18.0	17.3
Procurement and processing	25.9	15.7	8.1	7.9	7.7
Construction	26.0	24.9	18.6	17.7	18.6
Mortgage	20.1	19.3	14.3	14.5	13.6
Consumer loans	29.7	29.9	25.9	25.1	24.6
Other	26.5	24.1	18.1	17.2	17.5

Source: Commercial banks of KR

Table 13.Interest Rates on Loans of Commercial Banks in Foreign Currency (for the period)
(percent)

	2015	2016	2017	2018	2019
Average Weighted Rate	14.3	12.4	10.5	9.7	9.6
Industry	13.8	11.8	10.3	8.7	9.2
Agriculture	17.6	13.2	11.4	8.2	8.4
Transport and communication	17.0	14.8	12.1	11.2	11.1
Trade	13.7	12.5	11.0	10.0	9.7
Procurement and processing	14.7	14.4	10.6	11.5	10.3
Construction	14.0	12.3	9.5	9.2	9.0
Mortgage	16.8	15.8	12.3	13.0	11.9
Consumer loans	18.9	16.2	12.4	10.3	10.6
Other	14.6	12.2	9.8	9.7	9.8
up to 1 month	12.6	12.6	11.2	8.9	7.5
Industry	14.3	14.0	14.8	17.0	15.0
Agriculture	-	17.0	-	8.0	7.9
Transport and communication	-	-	0.0	-	0.0
Trade	12.3	12.4	11.2	9.3	7.4
Procurement and processing	-	-	-	-	-
Construction	3.8	0.0	8.0	12.0	-
Mortgage	17.0	22.0	11.0	22.0	2.4
Consumer loans	16.7	12.3	7.9	3.8	4.6
Other	31.6	13.0	5.9	14.2	12.2
1-3 months	14.8	14.1	13.0	12.7	11.8
Industry	13.6	13.0	15.4	-	12.7
Agriculture	23.7	14.8	-	-	-
Transport and communication	-	20.0	20.0	-	-
Trade	15.7	15.1	13.2	14.6	12.1
Procurement and processing	-	-	-	-	-
Construction	10.5	8.0	-	16.0	13.0
Mortgage	-	30.0	-	-	-
Consumer loans	17.9	16.4	17.4	30.0	-
Other	22.6	17.3	14.4	9.7	14.4
3-6 months	14.6	13.6	10.7	11.7	12.0
Industry	14.0	13.2	14.2	8.3	11.7
Agriculture	24.5	23.3	19.8	-	-
Transport and communication	22.0	-	-	11.5	-
Trade	16.4	14.1	11.6	12.8	11.3
Procurement and processing	13.5	-	-	-	-
Construction	6.3	10.7	-	-	78.2
Mortgage	20.0	10.6	13.0	-	-
Consumer loans	18.9	17.6	17.6	18.0	7.3
Other	18.3	16.8	18.2	13.8	17.3
6-12 months	15.3	13.5	11.8	12.0	10.0
Industry	15.3	14.7	10.7	10.1	9.0
Agriculture	21.7	19.5	27.7	23.7	17.4
Transport and communication	19.5	22.0	17.3	16.3	13.3
Trade	15.6	12.9	11.3	12.6	11.7
Procurement and processing	23.5	-	-	-	9.0
Construction	9.2	18.1	15.5	15.9	13.8
Mortgage	17.6	15.5	6.7	19.5	16.0
Consumer loans	21.6	23.0	24.8	24.9	23.6
Other	16.9	15.6	19.2	16.4	16.4
over 1 year	15.0	12.5	10.5	9.8	10.0
Industry	13.6	11.2	9.9	8.7	9.5
Agriculture	17.6	12.5	11.3	8.7	8.8
Transport and communication	17.0	14.7	12.1	11.2	11.2
Trade	14.7	12.9	10.9	10.2	10.4
Procurement and processing	14.4	14.4	10.6	11.5	10.2
Construction	15.2	12.5	9.6	9.2	8.9
Mortgage	16.9	15.8	12.5	12.9	12.1
Consumer loans	19.5	18.5	14.9	14.6	14.1
Other	14.5	12.1	10.3	9.7	9.8

Source: Commercial banks of KR

Table 14.

Interest Rates on Loans of Non-banking Financial and Credit Organizations (end of period)
(percent)

	2015	2016	2017	2018	2019
Microfinance organizations	32.2	31.4	31.1	30.4	30.0
Industry	26.9	25.8	27.9	28.3	28.2
Agriculture	33.2	31.7	30.9	31.0	30.3
Transportation	24.6	26.7	29.8	29.5	27.8
Communication	35.3	39.6	36.1	34.4	32.6
Trade and commerce	32.6	31.0	29.2	28.7	29.0
Procurement and processing	20.5	13.7	15.0	14.2	17.4
Construction and mortgage	31.0	33.3	31.8	31.1	30.3
Services	34.0	33.8	33.1	32.5	31.1
Consumer loans	34.2	34.0	33.6	31.5	31.8
Loans to financial and credit organizations	21.2	21.0	17.4	16.2	15.8
Other	22.9	26.9	31.1	30.0	27.8
Credit Unions	27.9	27.8	25.9	27.4	26.6
Industry	30.0	31.7	31.3	31.9	30.3
Agriculture	27.7	28.3	27.2	28.3	27.5
Transport and communication	25.6	25.4	26.9	27.2	26.3
Trade and commerce	27.5	27.0	24.1	27.6	27.2
Procurement and processing	26.7	29.3	28.4	29.1	28.9
Construction and mortgage	22.8	23.3	22.5	21.7	21.4
Services	26.9	31.3	30.0	30.4	30.8
Other	31.1	29.8	27.6	30.1	29.0
SFCO OJSC "FC CU"	16.5	16.6	16.5	15.7	15.2

Source: Non-banking Financial and Credit Organizations of KR

Table 15.

Annual Average Interest Rate of Interbank Credits
(percent)

	2015	2016	2017	2018	2019
Interbank Repo Operations	9.3	4.0	1.8	2.4	3.0
up to 1 day	8.9	4.8	1.9	2.0	2.6
2 - 7 days	9.2	3.7	1.5	2.3	3.1
8 - 14 days	10.1	4.6	1.9	2.9	3.3
15 - 30 days	10.7	1.5	2.8	4.6	3.9
31 - 60 days	-	-	2.9	4.1	4.1
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
Interbank Credits in National Currency	14.1	6.9	3.4	0.0	2.3
up to 1 day	-	-	-	-	2.3
2 - 7 days	11.0	8.3	4.1	0.0	2.3
8 - 14 days	13.0	3.3	3.4	0.0	-
15 - 30 days	-	6.7	1.7	-	-
31 - 60 days	13.0	2.0	4.1	-	-
61 - 90 days	-	10.0	-	-	-
91 - 180 days	18.0	12.0	-	-	-
181 - 360 days	-	10.6	3.5	-	-
over 360 days	-	-	6.7	-	-
Interbank Credits in Foreign Currency	1.4	2.0	2.6	-	3.2
up to 1 day	-	-	-	-	-
2 - 7 days	1.4	2.0	1.3	-	2.7
8 - 14 days	-	2.0	1.3	-	3.3
15 - 30 days	-	-	-	-	4.0
31 - 60 days	-	-	-	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	4.0	-	-
over 360 days	-	-	-	-	-

Source: Commercial banks of KR

Note: interest rates are specified without taking account the transactions with non-residents

Table 16.Balance of Payments of the Kyrgyz Republic
(millions of USD)

	2015	2016	2017	2018	2019*
Current Account	-1,068.9	-788.0	-481.8	-997.0	-835.2
Goods and services	-2,445.4	-2,340.0	-2,475.3	-3,166.9	-2,385.8
Trade balance	-2,240.8	-2,136.5	-2,383.3	-3,033.8	-2,566.1
Export (FOB) ¹	1,619.0	1,607.9	1,813.9	1,916.0	2,022.2
EAEU countries	410.2	447.2	541.5	640.6	621.1
Non-EAEU countries	1,208.8	1,160.7	1,272.4	1,275.4	1,401.1
Import (FOB)	3,859.8	3,744.4	4,197.2	4,949.9	4,588.3
EAEU countries	1,919.8	1,519.8	1,733.4	2,011.0	1,880.9
Non-EAEU countries	1,940.0	2,224.6	2,463.8	2,938.9	2,707.5
Balance of services	-204.6	-203.5	-92.0	-133.0	180.3
Transportation services	-265.4	-239.4	-225.9	-280.0	-183.6
Travels	17.9	-28.6	136.2	145.3	292.7
Other services	62.9	84.5	17.6	21.7	91.2
Technical assistance	-20.0	-20.0	-20.0	-20.0	-20.0
Income ¹	-251.0	-350.7	-371.6	-251.0	-617.8
Direct investment income	-181.3	-269.5	-295.9	-191.8	-547.9
Portfolio investment income	0.0	0.0	0.0	0.0	0.0
Other investment income	-51.8	-64.9	-56.9	-45.6	-57.3
Interest on loans	-69.2	-69.8	-76.2	-77.2	-81.3
Other income on other investment	17.4	4.9	19.3	31.6	23.9
Compensation of employees	-18.7	-16.3	-18.8	-13.6	-12.6
Current transfers	1,627.5	1,902.7	2,365.1	2,420.9	2,168.4
Official transfers	113.2	83.8	106.3	45.6	111.8
Private transfers	1,514.3	1,818.9	2,258.8	2,375.4	2,056.4
Capital and Financial Account	779.2	708.1	909.3	536.3	512.9
Capital account	79.1	112.6	131.3	335.0	88.4
Capital transfers	79.1	112.6	131.3	335.0	88.4
Financial account	700.1	595.5	778.0	201.3	424.5
Direct investment ¹	1,009.1	579.0	221.9	139.3	208.6
Portfolio investment	-129.0	-7.2	-24.9	-9.2	25.0
Financial derivatives	5.3	6.3	2.8	-0.4	0.0
Other investment	-185.2	17.5	578.2	71.6	190.9
Assets ("-" increase)	-409.4	-98.3	424.4	-72.2	-116.0
Commercial banks	-157.1	92.1	-5.5	-3.7	-20.1
Accounts receivable	-25.3	-163.9	283.0	-109.9	-81.1
Accounts of enterprises abroad	-201.4	-193.4	143.4	77.9	-1.5
Other assets	-25.6	167.0	3.5	-36.4	-13.4
Liabilities ("+" increase)	224.2	115.8	153.8	143.8	306.9
Commercial banks	17.4	-33.7	-13.2	47.7	16.4
Loans	206.2	92.1	176.2	-61.3	229.0
Loans to public sector	234.2	237.4	214.8	-191.2	66.2
Loans to private sector	-28.0	-145.4	-38.6	130.0	162.8
Accounts payable	0.6	57.4	-9.2	157.4	61.5
Other liabilities	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	210.4	385.5	-412.1	297.1	368.9
Total Balance	-79.2	305.6	15.3	-163.6	46.7
Financing	79.2	-305.6	-15.3	163.6	-46.7

* preliminary data

Source: NBKR, NSC KR, MF KR other organizations

¹ Including NBKR additional estimates

Table 17.

Structure of External Public and Government Guaranteed Debt of the Kyrgyz Republic by Creditors
(millions of USD)

	2015	2016	2017	2018	2019
External public and government guaranteed debt (1+2+3):	3,601.1	3,742.7	4,089.8	3,825.7	3,850.7
1. Multilateral debt:	1,531.3	1,523.8	1,650.3	1,615.1	1,600.9
World Bank	639,3	618,2	666,8	660,2	657,7
Asian Development Bank	575,4	567,9	600,8	582,2	565,6
European Investment Bank	-	-	-	-	11,2
International Monetary Fund	188,2	188,0	200,3	166,8	140,3
Islamic Development Bank	59,5	64,6	77,0	79,9	92,9
European Bank for Reconstruction and Development	41,0	42,5	50,9	51,8	50,8
International Fund for Agricultural Development	9,9	12,2	15,6	20,1	24,3
Nordic Development Fund	4,6	4,3	4,7	4,3	4,0
OPEC	4,5	4,8	4,7	5,4	5,1
Eurasian Development Bank	3,5	5,5	11,5	27,4	32,2
European Union	5,4	15,8	18,0	17,2	16,8
2. Bilateral debt:	2,069.7	2,219.0	2,439.6	2,210.6	2,249.8
2.1. CIS countries:	300,0	270,0	240,0	-	-
Russia	300,0	270,0	240,0	-	-
2.2. other:	1,769.7	1,949.0	2,199.6	2,210.6	2,249.8
China	1,296.4	1,482.8	1,708.1	1,719.4	1,778.5
Japan	229,0	236,0	243,6	244,4	239,2
Germany	100,1	81,7	93,3	86,7	82,0
The Republic of Korea	15,6	15,1	17,0	16,0	14,8
Kuwait Fund	9,7	8,6	7,6	11,1	6,9
Turkey	97,0	97,0	97,0	97,0	93,3
France	4,8	4,7	5,3	5,0	4,7
Denmark	3,2	3,1	3,0	2,9	2,8
Saudi Development Fund	7,4	11,2	15,5	17,7	19,6
UAE	6,4	8,8	9,1	10,6	8,2
3. Government guaranteed external debt	-	-	-	-	-

Source: MF KR

Table 18.
Information on Authorized (Stock) Capital of Commercial Banks (end of period)
(millions of KGS)

Bank	2015			2016			2017			2018			2019		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
Total	16,188.4	16,088.4	6,885.7	19,047.2	18,977.2	8,349.0	22,621.8	21,893.8	10,906.0	24,103.6	23,500.8	11,120.1	28,799.4	28,649.4	9,145.8
1 OJSC "Aiyi Bank"	1,797.5	1,697.5	-	1,922.3	1,922.3	-	2,083.7	2,083.7	-	2,268.8	2,268.8	-	3,379.2	3,379.2	-
2 OJSC RK "AMANBANK"	680.0	680.0	0.1	750.0	680.0	0.1	853.4	725.4	0.1	1,002.5	799.6	0.1	949.6	799.6	0.1
3 CJSC "Bank of Asia"	335.6	335.6	260.8	400.0	400.0	310.8	500.0	400.0	310.8	620.0	620.0	543.1	620.0	620.0	543.1
4 OJSC Bank "Bai-Tushum" ¹	715.0	715.0	329.9	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	404.9
5 OJSC "BAKAI BANK"	475.9	475.9	-	482.8	482.8	-	501.2	501.2	-	627.9	627.9	-	697.7	697.7	-
6 CJSC "BTA Bank"	1,000.0	1,000.0	710.0	1,000.0	1,000.0	710.0	2,000.0	2,000.0	1,710.0	2,000.0	2,000.0	1,864.2	2,000.0	2,000.0	-
7 CJSC "Demir Kyrgyz International Bank"	300.0	300.0	300.0	400.0	400.0	400.0	500.0	500.0	500.0	600.0	600.0	600.0	600.0	600.0	600.0
8 OJSC "DOS-KREDOBANK"	304.4	304.4	-	404.4	404.4	-	522.5	522.5	-	623.0	623.0	-	623.0	623.0	-
9 OJSC "Eurasian Savings Bank"	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	67.0
10 OJSC "Capital Bank"	382.6	382.6	-	432.9	432.9	-	522.9	522.9	-	616.4	616.4	-	616.4	616.4	-
11 CJSC "Bank Companion" ²	-	-	-	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6
12 CJSC "Kyrgyz-Swiss Bank"	422.4	422.4	422.4	566.4	566.4	566.4	566.4	566.4	566.4	670.0	670.0	502.5	670.0	670.0	502.5
13 CJSC "Kyrgyz Investment Credit Bank"	1,328.2	1,328.2	1,195.4	1,211.5	1,211.5	1,090.4	1,204.7	1,204.7	1,084.2	1,222.4	1,222.4	1,100.1	1,218.8	1,218.8	1,096.9
14 OJSC "Kyrgyzkommertsbank" ³	300.0	300.0	0.1	400.0	400.0	0.1	1,000.0	1,000.0	529.2	1,000.0	1,000.0	529.2	1,000.0	1,000.0	529.2
15 OJSC "Commercial Bank KYRGYZSTAN"	921.3	921.3	-	1,080.8	1,080.8	-	1,126.4	1,126.4	-	1,301.7	1,301.7	-	1,301.7	1,301.7	-
16 OJSC "Optima Bank"	700.0	700.0	680.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0
17 OJSC "Keremet Bank" ⁴	647.2	647.2	582.5	647.2	647.2	356.4	1,082.2	782.2	402.6	1,082.2	782.2	78.1	4,498.7	4,498.7	78.1
18 OJSC "RSK Bank"	1,741.0	1,741.0	-	1,846.0	1,846.0	-	1,926.3	1,926.3	-	2,011.2	2,011.2	-	2,136.7	2,136.7	-
19 CJSC JSCB "Tolubay"	322.0	322.0	5.2	412.0	412.0	6.3	500.0	500.0	7.4	600.0	500.0	7.4	600.0	600.0	8.9
20 OJSC "FinanceCreditBank KAB"	300.0	300.0	54.5	550.0	550.0	-	750.0	550.0	-	710.0	710.0	-	710.0	710.0	-
21 CJSC "FINCA Bank" ⁵	1,353.8	1,353.8	1,353.8	1,353.8	1,353.8	1,353.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8
22 OJSC "Halyk Bank Kyrgyzstan"	534.2	534.2	534.2	534.2	534.2	534.2	600.0	600.0	600.0	600.0	600.0	600.0	1,200.0	1,200.0	1,200.0
23 OJSC "Chang An Bank" ⁶	600.0	600.0	-	600.0	600.0	-	600.0	600.0	600.0	600.0	600.0	600.0	-	-	-
24 CJSC "EcoIslamicBank"	427.3	427.3	-	512.3	512.3	38.3	666.8	666.8	38.3	732.3	732.3	38.3	762.3	762.3	19.8
25 Bishkek Branch of the National Bank of Pakistan	300.0	300.0	300.0	400.0	400.0	400.0	500.0	500.0	500.0	600.0	600.0	600.0	600.0	600.0	600.0

Source: Commercial banks of KR

Note: a - announced authorized capital, b - paid-in authorized capital, c - including the share of foreign investors

¹ Since June 11, 2019 CJSC Bank "Bai-Tushum" was renamed as OJSC Bank "Bai-Tushum".

² Upon reorganization of CJSC MFC "Financial Group Companion", bank CJSC "Bank Companion" was established, which was provided with the licenses on January 12, 2016 for carrying out banking operations in national and foreign currencies.

³ Since June 17, 2015 OJSC "Kazkommertsbank Kyrgyzstan" was renamed as OJSC "Kyrgyzkommerts".

⁴ Since September 27, 2019 OJSC "Rosinbank" was renamed as OJSC "Keremet Bank".

⁵ Upon reorganization of CJSC "Microcredit Company "Finca", bank CJSC "FINCA Bank" was established, which was provided with the licenses on March 3, 2015 for carrying out banking operations in national and foreign currencies.

⁶ Since September 4, 2019 OJSC "Chang An Bank" was re-registered as CJSC MFC "Chang An Bank".

Table 19.

Consolidated Regulatory Report of Commercial Banks of the Kyrgyz Republic
(millions of KGS)

	2015	2016	2017	2018	2019*
ASSETS					
Cash assets	10,748.1	13,289.3	13,092.9	15,457.7	18,135.7
Correspondent account with the NBKR	9,852.1	12,303.3	11,464.4	13,895.5	12,983.0
Correspondent accounts with other banks	26,991.2	15,960.5	15,464.1	14,026.4	12,759.8
Deposits in other banks	9,719.1	7,571.3	10,136.0	10,500.3	12,527.6
Securities portfolio	7,710.7	13,044.9	17,690.6	21,666.5	23,107.1
Securities purchased under repo agreements	325.3	15.1	400.0	404.2	469.8
"Net" loans and financial lease	90,804.2	87,108.1	101,352.3	119,633.7	137,403.6
Loans and financial lease to financial and credits organizations ¹	3,179.8	1,245.3	1,128.0	1,148.6	1,862.2
Loans and financial lease to clients ²	93,953.5	93,499.0	108,325.0	127,882.1	146,438.6
(less) Special LLP for credits and financial lease	-6,329.1	-7,636.2	-8,100.7	-9,397.0	-10,897.2
Fixed assets	7,684.8	9,172.7	10,603.2	12,001.9	14,215.2
Investment and financial participation	228.0	291.6	342.8	357.8	403.8
Other assets	13,964.5	19,421.5	17,464.8	14,010.0	16,982.2
TOTAL: ASSETS	178,028.2	178,178.3	198,011.0	221,954.0	248,987.9
LIABILITIES					
Liabilities to the NBKR	4,686.8	5,515.0	5,549.4	7,764.2	5,012.4
Settlement accounts and deposits of banks	7,068.1	2,216.1	1,301.0	1,896.0	3,361.2
Resident banks	3,300.6	382.1	317.4	311.1	409.3
Non-resident banks	3,767.4	1,834.0	983.6	1,584.9	2,951.9
Settlement accounts	29,233.5	34,522.2	39,003.2	40,745.3	39,287.9
Settlement accounts of financial-credit organizations	841.8	687.7	521.7	667.7	867.9
Settlement accounts of clients ³	28,391.7	33,834.5	38,481.5	40,077.6	38,420.0
Demand deposits	21,805.7	24,574.6	30,205.8	32,234.5	37,662.8
Demand deposits of financial-credit organizations	719.7	368.0	199.2	178.9	548.1
Demand deposits of clients ³	21,086.0	24,206.6	30,006.5	32,055.6	37,114.7
Time deposits	38,315.3	34,865.1	39,084.3	45,567.8	56,445.3
Time deposits of financial-credit organizations	889.5	665.4	556.8	636.3	731.4
Time deposits of clients ³	37,425.8	34,199.7	38,527.5	44,931.5	55,713.9
Deposits of non-residents ⁴	6,415.1	5,862.0	7,079.7	9,746.3	10,624.9
Government deposits	7,108.1	7,255.3	6,224.0	4,824.1	6,932.6
Government loans	1,943.6	2,600.1	3,445.8	3,858.0	4,723.8
Securities sold under repo agreements	325.3	15.1	400.0	404.2	469.8
Loans received	21,630.7	19,325.0	19,905.5	22,819.9	25,467.5
Other liabilities	13,412.4	12,811.5	13,582.9	16,733.5	16,922.8
TOTAL LIABILITIES	151,944.6	149,562.1	165,781.6	186,593.8	206,911.1
CAPITAL					
Stock capital	16,132.1	19,189.5	21,760.5	23,748.0	28,345.5
Reserves for future needs of the bank	723.6	597.9	631.2	811.4	844.1
Undistributed profit of previous years	7,173.9	7,171.3	7,083.6	6,865.6	9,244.6
Current year profits/losses	1,531.4	890.9	2,138.4	3,005.6	2,952.3
Revaluation accounts	522.5	766.6	615.8	929.6	690.2
TOTAL: CAPITAL	26,083.6	28,616.1	32,229.4	35,360.3	42,076.8
TOTAL: LIABILITIES AND CAPITAL	178,028.2	178,178.3	198,011.0	221,954.0	248,987.9

* - preliminary data

Source: Commercial banks of KR

¹ Includes loans to banks and other financial-credit organizations, resident and non-resident.

² Includes loans to legal entities and individuals, resident and non-resident.

³ Includes accounts of legal entities and individuals

⁴ Includes accounts of financial-credit organizations, legal entities and individuals

Table 20.

Information on Head Offices and Branches of Commercial Banks as at the end of 2019

Bank	Head Office Location	Total Branches	Bishkek	Batken oblast	Jalal-Abad oblast	Issyk-Kul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast
Total branches										
Branches of resident banks										
1	OJSC "Aiyyl Bank"	35	4	4	5	4	2	9	2	5
2	OJSC RK "AMANBANK"	13	2	-	1	2	-	5	1	2
3	CJSC "Bank of Asia"	9	3	-	1	2	-	1	-	2
4	OJSC Bank "Bai-Tushum"	7	1	1	1	1	1	1	1	-
5	OJSC "BAKAI BANK"	9	1	1	1	1	1	1	1	2
6	CJSC "BTA Bank"	15	3	1	2	3	-	4	-	2
7	CJSC "Demir Kyrgyz International Bank"	14	7	1	1	1	1	2	1	2
8	OJSC "DOS-KREDOBANK"	9	2	-	1	2	1	1	-	2
9	OJSC "Eurasian Savings Bank"	3	1	-	1	-	-	1	-	-
10	OJSC "Capital Bank"	6	1	1	1	1	-	2	-	-
11	CJSC "Bank Companion"	18	3	2	4	2	2	3	1	1
12	CJSC "Kyrgyz-Swiss Bank"	1	-	-	-	-	-	1	-	-
13	CJSC "Kyrgyz Investment Credit Bank"	17	6	1	2	1	1	3	1	2
14	OJSC "Kyrgyzkommertsbank"	3	2	-	-	-	-	1	-	-
15	OJSC "Commercial Bank KYRGYZSTAN"	31	8	1	6	3	2	5	1	5
16	OJSC "Optima Bank"	19	8	1	1	3	-	2	1	3
17	OJSC "Keremet Bank"	12	5	1	1	2	-	1	1	1
18	OJSC "RSK Bank"	52	4	5	10	7	5	9	4	8
19	CJSC JSCB "Tolubay"	2	2	-	-	-	-	-	-	-
20	OJSC "FinanceCreditBank KAB"	6	-	-	1	1	1	2	-	1
21	CJSC "FINCA Bank"	24	3	3	5	2	2	4	2	3
22	OJSC "Halyk Bank Kyrgyzstan"	10	4	-	1	2	-	2	-	1
23	CJSC "EcolslamicBank"	8	2	1	1	1	-	2	-	1
Branches of non-resident banks										
24	Bishkek Branch of the National Bank of Pakistan ^{1/}	-	-	-	-	-	-	-	-	-

Source: "Register of Issued Banking Licenses and Register of Branches of Banks, maintained in NBKR"

^{1/} The branch of the non-resident bank was entered into the "Register of Issued Banking Licenses" on April 24, 2000, with the right to conduct banking operations

Table 21.
Composition of Circulating Cash of Commercial Banks and Its Rate of Collection in 2019
(billions of KGS)

	Receipt				Issue				Deviation (+/-) (9-4)	Collection Rate (%) (4/9)		
	Taxes, customs duties and fees		From sales of foreign exchange		To Treasury for salary payments		Purchases of foreign exchange				Other expenses	Total
	1	2	3	4	5	6	7	8				
Total for the Republic	46.4	154.4	1,864.5	2,065.3	3.3	2.3	210.1	1,869.6	2,085.3	20.0	99.0	
Bishkek city	10.0	112.5	947.5	1,070.0	1.7	0.3	97.8	956.5	1,056.3	-13.7	101.3	
Batken oblast	1.3	2.7	81.9	85.9	0.1	0.3	15.9	69.5	85.8	-0.1	100.1	
Jalal-Abad oblast	1.1	6.6	201.4	209.1	0.1	0.4	26.5	196.2	223.1	14.0	93.7	
Issuk-Kul oblast	0.9	2.7	97.2	100.8	0.3	0.2	6.8	98.0	105.3	4.5	95.7	
Naryn oblast	0.3	0.4	44.0	44.7	0.2	0.1	1.0	46.0	47.2	2.5	94.7	
Osh city	3.0	18.0	226.1	247.1	0.3	0.3	34.9	218.3	253.8	6.7	97.4	
Osh oblast	4.0	3.5	89.1	96.6	0.1	0.5	11.1	84.7	96.4	-0.2	100.2	
Talas oblast	0.4	1.0	46.2	47.6	0.2	0.1	2.0	51.8	54.1	6.5	88.0	
Chui oblast	25.4	7.0	131.1	163.5	0.4	0.1	14.1	148.7	163.3	-0.2	100.1	

Source: Commercial banks of KR

Table 22.
Pattern of Payments in the Gross System of Settlements

	2015		2016		2017		2018		2019	
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments
payments up to 1 thousand KGS	10	20,399	9	19,360	11	22,708	14	28,315	20	38,626
from 1 thousand to 100 thousand of KGS	4,022	155,027	4,149	157,127	4,479	167,625	5,416	204,405	6,008	231,686
from 100 thousand to 1 million of KGS	31,044	76,502	31,570	77,611	39,660	90,980	41,058	100,964	43,713	108,174
from 1 million to 10 million of KGS	178,151	59,272	186,365	64,140	231,140	79,715	252,220	89,762	263,909	93,013
from 10 million to 100 million of KGS	482,706	14,664	485,813	14,009	460,744	13,828	534,896	15,753	619,324	18,121
payments of over 100 million of KGS	1,050,286	3,571	4,376,054	6,474	4,015,959	5,850	2,186,516	5,041	2,193,404	5,159
Total	1,746,219	329,435	5,083,960	338,721	4,751,993	380,706	3,020,120	444,240	3,126,378	494,779

Source: Gross Settlement System in Real Time Regime

Table 23.
Volume and Number of Clearing Payments by Regions

	2015		2016		2017		2018		2019	
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments
Bishkek city and Chui oblast	72,514	2,208,200	87,302	2,465,931	158,177	5,228,672	171,797	5,804,659	181,385	6,389,687
Batken oblast	4,206	202,667	4,965	232,242	2,920	467,413	3,390	540,457	3,246	546,414
Jalal-Abad oblast	6,618	200,343	7,503	280,840	4,806	672,091	5,234	750,457	5,587	797,323
Issyk-Kul oblast	5,500	184,411	6,222	197,542	4,080	413,574	4,070	488,102	4,001	552,069
Naryn oblast	2,486	55,923	2,964	68,752	1,252	205,052	1,305	230,028	1,385	231,869
Osh city and Osh oblast	8,937	328,148	11,588	426,333	13,180	1,139,616	13,684	1,259,739	13,676	1,338,472
Talas oblast	2,220	90,760	2,226	98,823	1,111	204,600	1,298	207,111	1,421	209,548
Total	102,481	3,270,452	122,770	3,770,463	185,526	8,331,018	200,778	9,280,553	210,701	10,065,382

Source: Bulk Clearing System

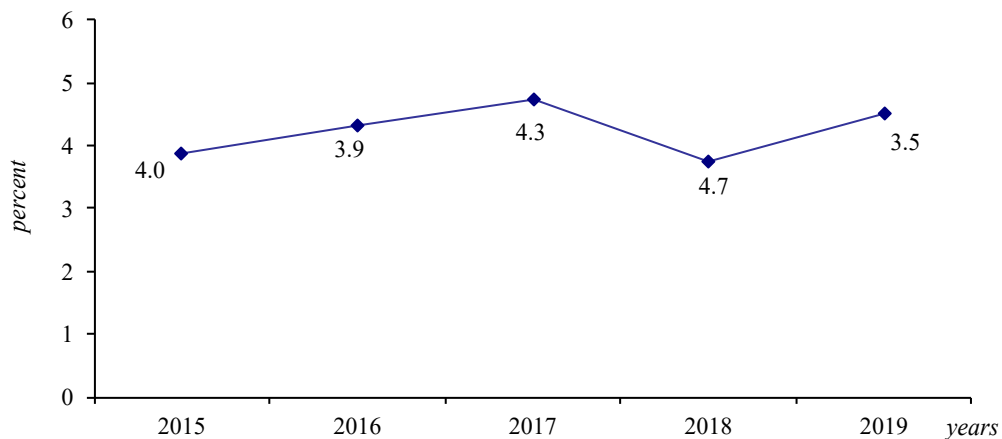
Table 24.
Information on Transactions with Payment Cards at Trade Outlets

Type of Cards	2015		2016		2017		2018		2019	
	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS
Elcard	125,013	129,504	200,231	178,248	773,582	942,533	1,496,388	1,666,556	3,555,947	3,932,230
Elcard-UPI	-	-	4,680	5,606	8,711	14,587	18,743	28,994	21,096	35,048
Zolotaya Korona (Alai Card)	488,825	109,513	476,069	133,956	311,177	127,262	214,657	107,845	90,692	50,885
Visa	1,341,213	3,097,967	1,841,129	3,964,267	2,668,500	5,928,123	4,392,914	8,238,457	6,924,512	13,035,048
Master Card	44,098	340,141	79,643	413,775	133,885	508,276	274,313	797,780	474,685	1,196,816
American Express	2,003	72,513	1,895	60,536	2,607	58,375	3,367	65,530	3,395	60,541
Union Pay	3,772	7,546	12,667	11,741	7,650	9,371	5,408	102,016	3,538	7,016
Mir	-	-	-	-	-	-	-	-	2,127	740

Source: Commercial banks of KR

Chart 1.

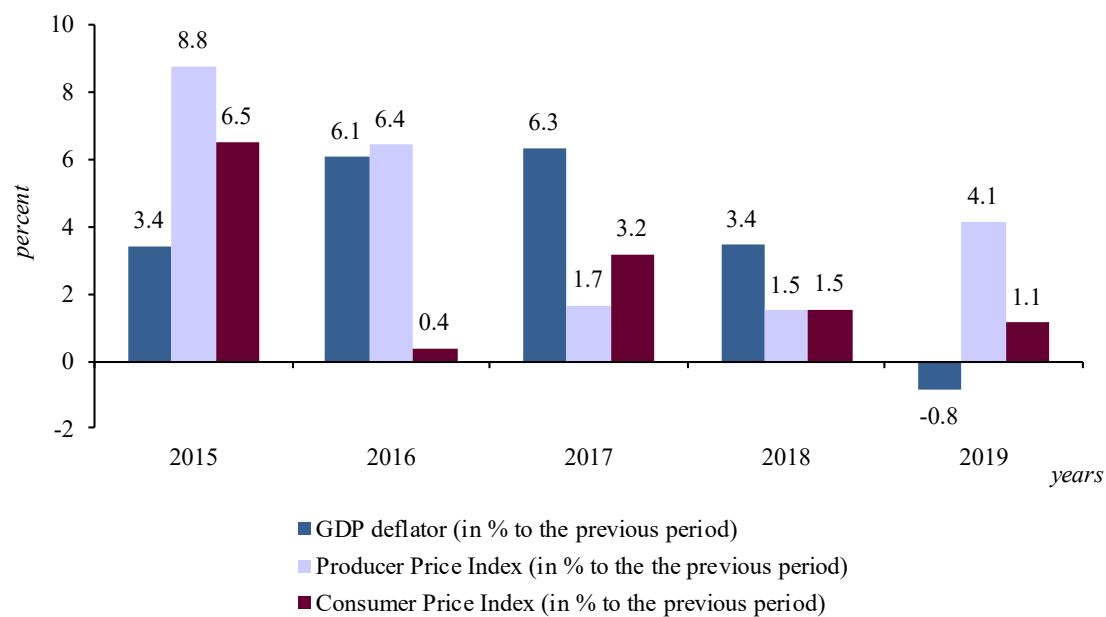
Rates of Growth of Real Gross Domestic Product



Source: NSC KR

Chart 2.

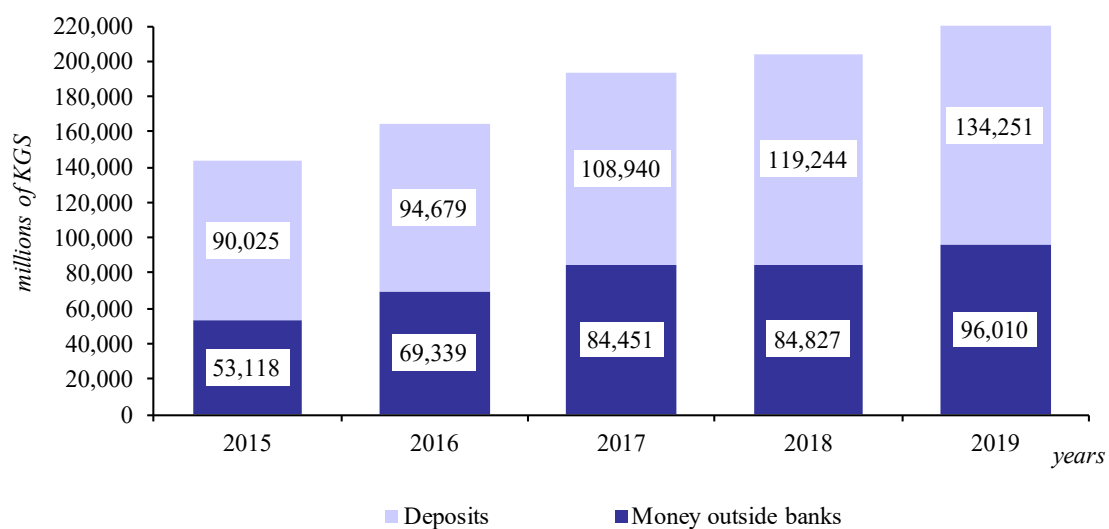
Rates of Growth of Consumer and Producer Prices



Source: NSC KR

Chart 3.

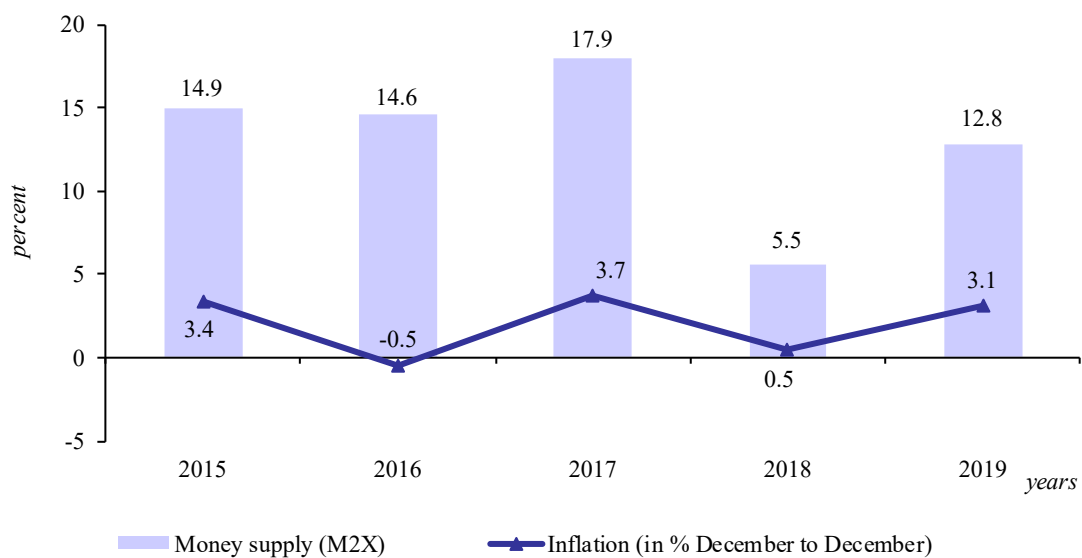
Monetary Aggregates M2X Structure



Source: NBKR

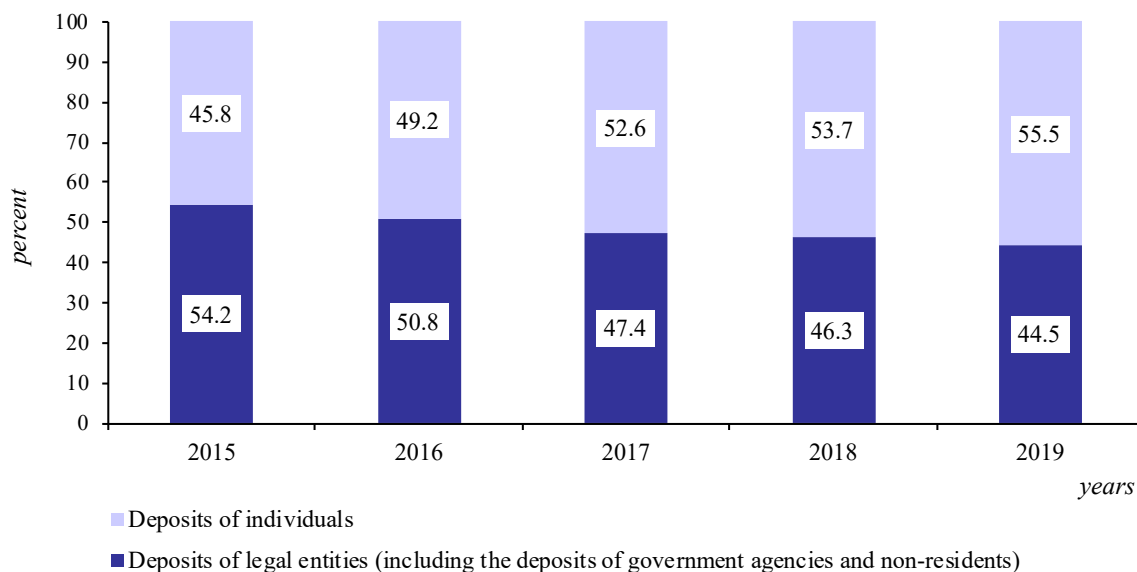
Chart 4.

Rates of Growth of Money Supply and Inflation



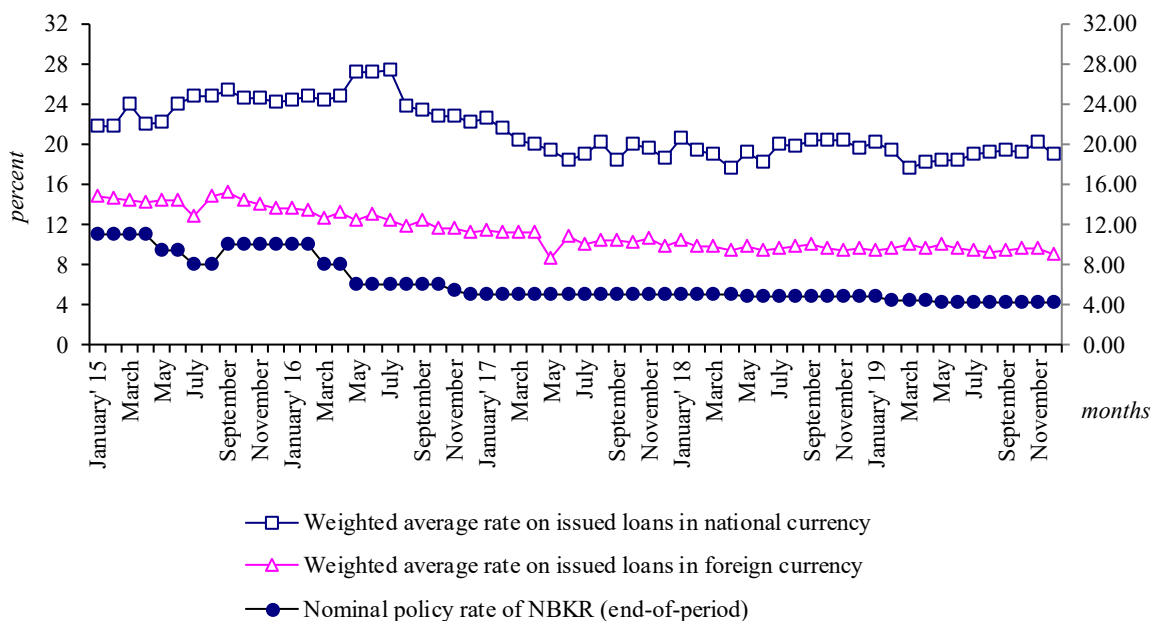
Source: NBKR, NSC KR

Chart 5.
Structure of Deposit Base of Commercial Banks (end of period)



Source: Commercial banks of KR

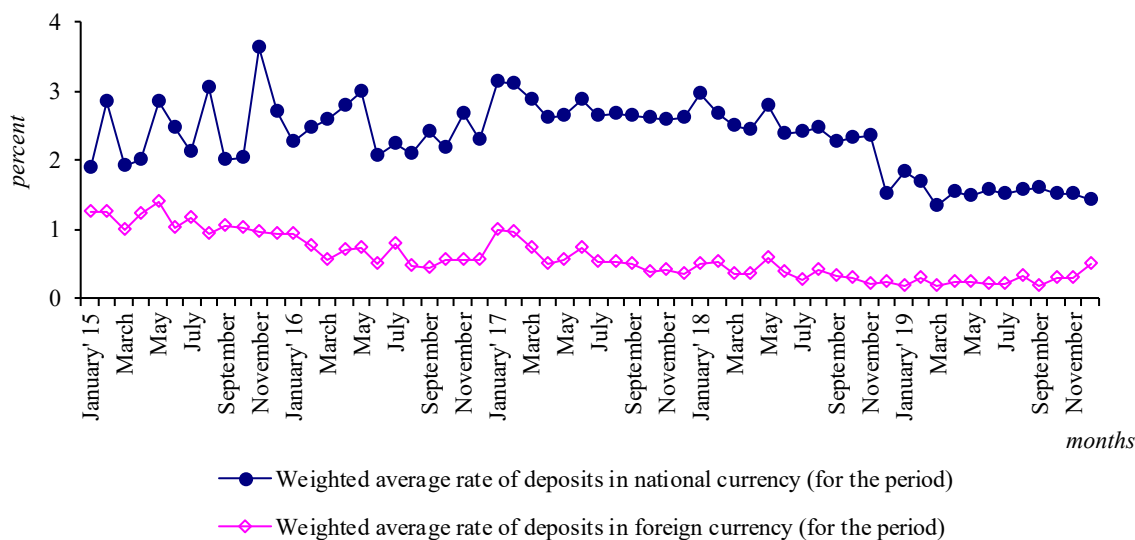
Chart 6.
Interest Rates of Loans Issued by Commercial Banks and Policy Rate of the NBKR



Source: NBKR, Commercial banks of KR

Chart 7.

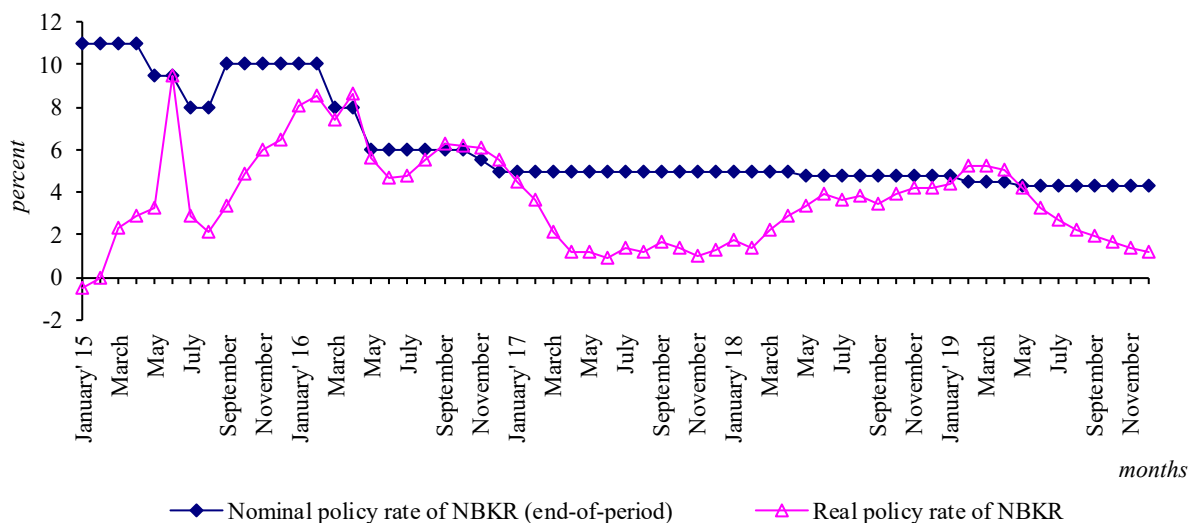
Interest Rates of Deposits of Commercial Banks



Source: NBKR, Commercial banks of KR

Chart 8.

Nominal and Real Policy Rate Development

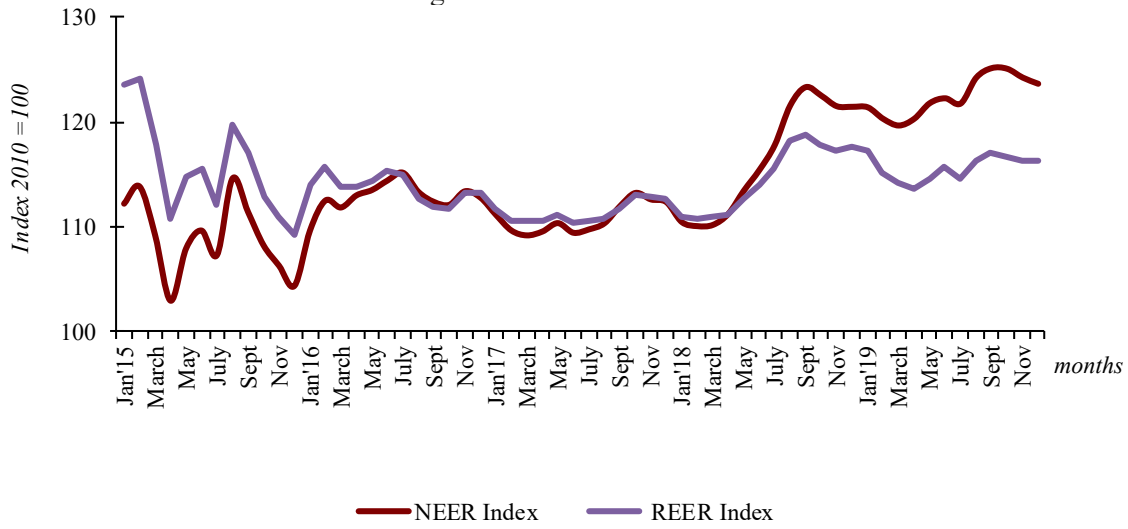


Source: NBKR

Note: the following formula was used to calculate the real interest rate $r = (i - p)/(p+100)*100$, where i - the nominal interest rate, r - the real interest rate, p - annual rate of inflation

Chart 9.

Nominal and Real Effective Exchange Rate Indices



Source: NBKR

Appendix 3
to the Report of the National Bank
of the Kyrgyz Republic for 2019

Periodical Publications and Other Information Tools of the National Bank of the Kyrgyz Republic

No.	Title	Language of Publication	Periodicity	Contents	Distribution
1.	Bulletin of the National Bank of the Kyrgyz Republic	In the state, official, English languages	Monthly	The publication provides the statistical data on basic macroeconomic and financial indicators. It contains the data of the National Bank of the Kyrgyz Republic, the National Statistical Committee of the Kyrgyz Republic, the Ministry of Finance of the Kyrgyz Republic, commercial banks, non-banking financial-credit organizations, payment operators and payment organizations, the Service for Regulation of the Financial Markets of the Kyrgyz Republic.	Electronic version is published on the official website of the National Bank.
2.	Annual Report of the National Bank of the Kyrgyz Republic	In the state, official, English languages	Annually	The report on the activity of the National Bank for the reporting year contains assessment of changes in the real, financial and external sectors of economy, the description of decisions and actions of the National Bank in the monetary sphere, in the banking and payment systems, in the non-banking financial-credit organizations; it includes financial statements and general information on the National Bank, as well as the statistical appendices.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, the Supreme Court of the Kyrgyz Republic, ministries and departments, commercial banks, libraries of the Kyrgyz Republic, CIS central banks, integration institutions, representative offices of international organizations and embassies of countries accredited in the Kyrgyz Republic. Electronic version is published on the official website of the National Bank.
3.	Monetary Policy Report	In the state, official, English languages	Quarterly	The objective of the Report is to inform the public of the decisions made by the National Bank in the monetary policy area based on the analysis and forecast of the key inflation factors and assessment of the economic development in the external and internal environment of the Kyrgyz Republic.	Electronic version is published on the official website of the National Bank.

4.	Financial Sector Stability Report of the Kyrgyz Republic	In the state, official, English languages	Biannually	The objective of the Report is to inform the public of the general assessment of financial system stability and sustainability in the Kyrgyz Republic.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank.
5.	Balance of Payments of the Kyrgyz Republic	In the state, official, English languages	Quarterly	The publication describes the recent development trends in the external economic sector and contains the statistical data on the balance of payments, external trade, international reserves, external debt, and the international investment position, as well as the metadata and the information base of the balance of payments.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank.
6.	Regulatory Acts of the National Bank of the Kyrgyz Republic	In the state, official languages	Monthly	These are the regulations, instructions and other regulatory acts adopted by the National Bank.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, commercial banks, financial-credit organizations, courts of the Kyrgyz Republic, ministries and departments, libraries of the Kyrgyz Republic. Electronic version is published on the official website of the National Bank.
7.	Official website of the National Bank www.nbkr.kg	In the state, official languages	It is updated in the real time mode	Information on activity of the National Bank, including: - information on the banking legislation; - information on the regulatory legal acts of the National Bank; - draft regulatory legal documents submitted for public discussion; - the regularly updated list of organizations licensed/regulated by the National Bank; - information on the official rates of exchange and the monetary policy instruments; - news block.	Free access to information.

				<p>The following information is also posted on the official website: reviews on the banking and non-banking financial sector, the payment system, the statistical data on monetary surveys, foreign economic indicators, balance of payments, international reserves, external debt, and on the international investment position of the country. The special sections are devoted to the materials and information on the history of the national currency and the numismatic museum, the releases of periodical publications and other information and analytical materials of the National Bank. Moreover, leaflets and information for the consumers of the financial services, including excerpts from the regulatory legal acts on the requirements set for the financial-credit organizations and aimed at protecting the rights of the consumers of the financial and payment services, are placed in the special section "Information for the Consumers of the Financial Services", information on combating corruption, with the phone number of the "hot line" indicated therein, vacancies, purchases, sales and other contests of the National Bank is available in separate sections.</p>	
8.	Website of the National Bank on financial literacy www.finsabat.kg	In the state, official languages	It is updated in the real time mode	Information on the programs and events aimed at improving the financial literacy of the population, educational and other materials on financial literacy in the form of articles, audio and video clips, as well as new tools, a solvency calculator, a loan and deposit calculator, and tests on various topics related to financial literacy and other.	Free access to information.
9.	Radio Program "Uluttuk Bank Bildiret" ("The National Bank Reports")	In the state, official languages	Biweekly	The basic aspects of the National Bank activity are highlighted therein in the form of the interviews of the Bank's specialists on the current issues of monetary policy, banking and payment systems, banking legislation and other issues.	Broadcast on the radio "Birinchi Radio", Public Broadcasting Corporation (FM 104.1).

10.	TV Program “Natsbank Razyasniayet” (“The National Bank Explains”)	In the state, official languages	1 time a quarter	The basic aspects of the National Bank activity are highlighted therein in the form of the interviews of the Bank’s representatives on the current issues of monetary policy, banking and payment systems, banking legislation and other issues.	Broadcast on the TV channel “Ala-Too 24”.
11.	Column “Rate of exchange”	In the state, official languages	Daily (except for weekends)	Graphic information on the official exchange rates and prices for gold measuring bullions.	Broadcast on the TV channel “Ala-Too 24”.
12.	Radio Program “Ecolikbez”	In the state language	Bimonthly	Information on the National Bank activity, monetary policy, banking and payment systems, banking legislation, financial literacy and other issues in the form of interviews with involvement of the National Bank representatives.	Broadcast on the radio “Maral FM” (FM 88,50).
13.	Official pages in the social networks Youtube, Facebook, Twitter, Instagram and Telegram	In the state, official languages	It is updated in the real time mode	Information on the decision-making, graphic materials, videos, as well as information in the form of infographics using the data presented on the official website.	https://www.youtube.com/user/NationalBankKR/ https://www.facebook.com/kyrgyzbank1992/ https://twitter.com/NBKR_press https://www.instagram.com/nbkr_kg/ telegram - @news_nbkr_kg

Appendix 4
to the Report of the National Bank
of the Kyrgyz Republic for 2019

List of Abbreviations

ACFEP	Advisory Council on Foreign Exchange Policy
ADB	Asian Development Bank
CTF/AML	Counter-terrorism financing and anti-money laundering
BCS	Bulk Clearing System
CIF	Price at the border of the importing country (cost, insurance, freight)
CIS	Commonwealth of Independent States
CJSC	Close Joint-Stock Company
CT MF KR	Central Treasury of the Ministry of Finance of the Kyrgyz Republic
CU	Credit Union
CYFI	Child and Youth Finance International
DPA	Deposit Protection Agency
EAEU	Eurasian Economic Union
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
EBRD	European Bank for Reconstruction and Development
ECC(N)B	Eurasian Council of Central (National) Banks
EEC	Eurasian Economic Commission
FATF	Financial Action Task Force on Money Laundering
FCCU	Financial Company of Credit Unions
FCO	Financial-Credit Organization
FOB	Price at the frontier of country-exporter (free on board)
GDP	Gross Domestic Product
GIZ	German Corporation for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GS	Government Securities
GVA	Gross Value Added
IsDB	Islamic Development Bank
IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IPC	Interbank Processing Center
ISB	Interstate Bank
IT	Information Technologies
ITFC	International Islamic Trade Finance Corporation
JSC	Joint-Stock Company
JVI	Joint Vienna Institute
KR	Kyrgyz Republic
LLC	Limited Liability Company
LLP	Loan Loss Provision
MCA	Microcredit Agency
MCC	Microcredit Company
ME	Merchant Enterprise
MEFP	Memorandum on Economic and Financial Policy
MFC	Microfinance Company
MF KR	Ministry of Finance of the Kyrgyz Republic
MFO	Microfinance Organization
MHIF	Mandatory Health Insurance Fund under the Government of the Kyrgyz Republic
MM	Mass Media

MP	Monetary Policy
MRC	Monetary Regulation Committee
NBFCO	Non-Banking Financial-Credit Organizations
NBKR	National Bank of the Kyrgyz Republic
NEER	Nominal Effective Exchange Rate
NSC KR	National Statistical Committee of the Kyrgyz Republic
OJSC	Open Joint-Stock Company
OPEC	Organization of the Petroleum Exporting Countries
PBC	Public Broadcasting Corporation
PIF	Principles of Islamic Finance
p.p.	percentage point
PRBR	Periodic Regulatory Bank Reporting
PRC	People's Republic of China
PRR	Periodic Regulatory Report
RBS	Risk-Based Supervision
REER	Real Effective Exchange Rate
RKDF	Russian-Kyrgyz Development Fund
RLA	Regulatory Legal Acts
ROA	Return on Assets
ROE	Return on Equity
RR	Reserve Requirement
RTGSS	Real Time Gross Settlement System
SCEA	State Classifier "Economic activities"
SBFIC	German Savings Banks Foundation for International Cooperation
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds
SCO	Shanghai Cooperation Organization
SDR	Special Drawing Rights
SE	State Enterprise
SECO	State Secretariat for Economic Affairs
SFCO	Specialized Financial-Credit Organization
SFIS	State Financial Intelligence Service
T-Obligations	Treasury Obligations
UAE	United Arab Emirates
USA	United States of America
VAT	Value Added Tax
WB	World Bank