



**National Bank  
of the Kyrgyz Republic**

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# **THE FINANCIAL SECTOR STABILITY REPORT OF THE KYRGYZ REPUBLIC**

**according to the results of 2024**

**June, 2025**

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**Bishkek**

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Adjustments to previously published data are possible, and, therefore, a period of 10 years is considered to be “open” due to possible change in accounting methods or historical data used in this publication.

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## **Other Publications of the National Bank of the Kyrgyz Republic**

### ***Annual Report of the National Bank of the Kyrgyz Republic***

This publication is a complete report on the activity of the National Bank for the previous year. It 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. It is published in the Kyrgyz, Russian and English languages.

### ***Bulletin of the National Bank of the Kyrgyz Republic***

The publication contains the statistical data on key macroeconomic and financial indicators of the Kyrgyz Republic. It is published on the official website of the National Bank in the Kyrgyz, Russian and English languages.

### ***Monetary Policy Report***

The Report informs 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. It is published on the official website of the National Bank in the Kyrgyz, Russian and English languages.

### ***Balance of Payments of the Kyrgyz Republic***

The publication describes the recent development trends in the external sector and contains the 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 to draw up the balance of payments. It is published quarterly – in February, June, August, and November in the Kyrgyz, Russian and English languages.

### ***Regulatory Acts of the National Bank of the Kyrgyz Republic***

These are the regulations, instructions and other regulatory legal acts adopted by the National Bank of the Kyrgyz Republic. The estimated frequency of the journal publication is once a month in the Kyrgyz, and Russian languages.

The publications of the National Bank are distributed according to the approved list, and are also posted on the official website of the National Bank at: [www.nbkr.kg/Publications](http://www.nbkr.kg/Publications).

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## **PREAMBLE**

National Bank of the Kyrgyz Republic has been publishing the Financial Sector Stability Report of the Kyrgyz Republic since 2012. The objective of the Report is to inform the public on the general assessment of the stability and soundness of the financial system of the Kyrgyz Republic.

Financial Stability in this publication means smooth and continuous functioning of the financial institutions, the financial markets and the payment systems enabling to perform functions of the financial intermediation even in conditions of financial imbalances and shocks.

Results of the monitoring and analysis of financial stability are considered by the National Bank in forming the main directions of the National Bank's monetary policy, regulating the banking activity and development of the strategy for financial-credit organizations of the Kyrgyz Republic.

The Financial Sector Stability Report of the Kyrgyz Republic is oriented to financial market participants and the audience interested in the financial stability issues.

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## MAJOR CONCLUSIONS

In 2024, economic activity remained high in the Kyrgyz Republic being accompanied by growth in key production sectors. Increased domestic demand was supported by growth in real incomes of the population, which contributed to stable economic development.

The fiscal sector demonstrated positive dynamics - state budget revenues exceeded expenditures.

Measures taken by the National Bank contributed to maintaining price stability, ensuring inflation dynamics within the medium-term target range of 5-7 percent during 2024.

In the reporting period, there was an increase in the key indicators of the banking sector, such as assets, loan portfolio, deposit base, capital, and the level of financial intermediation.

During the period under review, there was a decline in the level of dollarization of loans and deposits of the banking sector as compared to the same period of 2023.

The results of “reverse” stress tests still reflect the availability of financial strength based on the results of 2024 and the ability to withstand certain macroeconomic shocks. At the same time, it should be noted that a significant part of the banking sector is able to withstand possible combined shocks.

In general, despite geopolitical situation worldwide and the current sanctions restrictions in relation to the trading partner countries, during the reporting period, there are certain risks for the banking sector, however their level does not pose a threat to the stability of the entire financial sector. The banking sector of the Kyrgyz Republic demonstrates the availability of financial strength.

In 2024, the level of risks in the systemically important and significant payment systems was within the permissible limits, which was ensured by the risk management mechanisms provided for by the legislation of the Kyrgyz Republic and the payment systems rules, existing high level of liquidity, the system of insured deposits and prepayments.

In the reporting period, development of the regulatory legal framework governing the activities of the financial-credit organizations was focused on improving the principles of Islamic finance, developing the conditions for provision of the banking services, as well as the system of lending and consumers’ rights protection.



## I. MACROECONOMIC AND FINANCIAL ENVIRONMENT

### 1.1. Macroeconomic Conditions and Risks

*Economic activity remained high in the Kyrgyz Republic, growth was observed in the main production sectors of the economy. Domestic demand remained high due to increase in real incomes of the population. In the fiscal sector, the state budget revenues exceeded its expenditures, while the volume of budget financing increased due to issue of the government securities.*

*The monetary policy measures taken by the National Bank ensured price stability in the Kyrgyz Republic, maintaining inflation dynamics during 2024 within the medium-term target of 5-7 percent.*

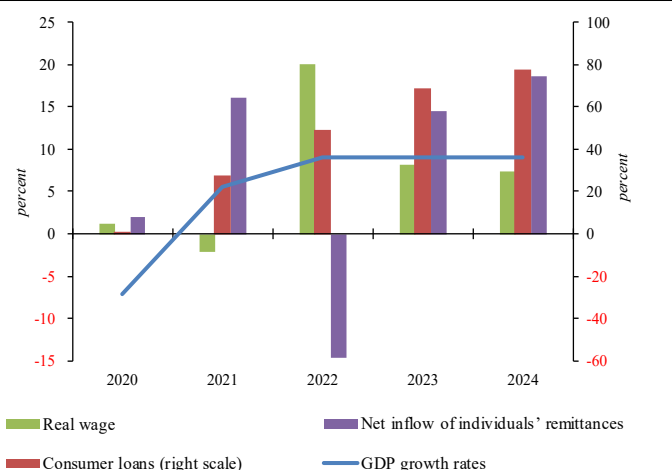
#### External Conditions

The world economy demonstrated gradual recovery, however economic growth rates of most leading countries remained moderate. Gradual slowdown in the global inflation rate created prerequisites for easing of monetary policies in a number of countries. Nevertheless, geopolitical challenges and the processes of world trade fragmentation affected multidirectional development of price trends in different regions of the world. Increased inflationary pressure was stable in some countries of our region, including the key trading partners of the Kyrgyz Republic. In particular, acceleration of the inflation rate in the Russian Federation conditioned tightening of the monetary policy despite simultaneous growth of gross domestic product. In the second half of 2024, there was acceleration of the annual inflation growth rates in the Republic of Kazakhstan due to stable external and internal pro-inflationary risks.

The world food markets were characterized by relatively stable price dynamics during 2024 amid favorable situation in the main commodity markets: cereals and sugar. However, the world commodity markets – oil and gold – remained highly volatile due to existing high uncertainty and geopolitical factors.

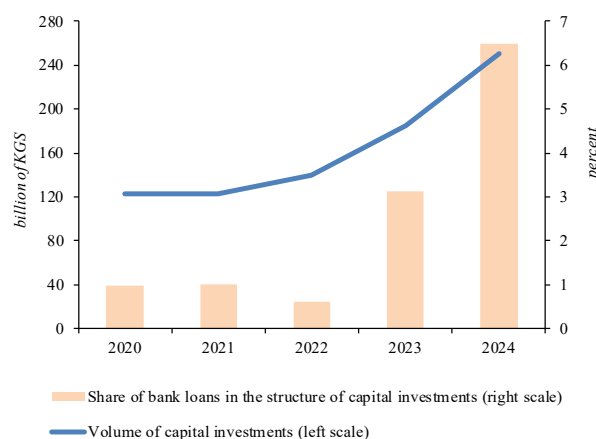
#### Internal Conditions

**Chart 1.1.1. Factors of Domestic Demand**



Source: NSC KR, NBKR.

During 2024, the Kyrgyz Republic demonstrated stable high economic activity. In 2024, growth of the real GDP of the country by 9.0 percent, the same as in 2022-2023, was provided by almost all production sectors of the economy, primarily the services and construction sectors. The services sector, with the share of about 52 percent of GDP, was mainly supported by high activity in the wholesale and retail trade.

**Chart 1.1.2. Capital Investments**

Source: NSC KR.

Expansion of capital investments (in 2024, +24.8 percent) significantly supported the construction sector of the economy. At that, primarily, loans and funds of the republican budget provided increase in investments under the conditions of active implementation of the national investment projects.

The share of bank loans in the structure of capital investments increased from 3.1 percent in 2023 up to 6.5 percent in 2024. The loan portfolio of commercial banks expanded, in addition, due to the positive dynamics of mortgage loans, as well as the loans for the construction sector, which increased by 30.5 and 14.4 percent, accordingly in the reporting year.

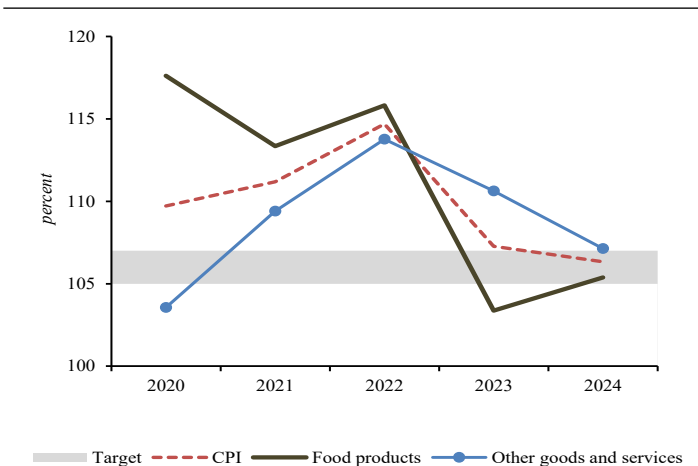
There was expansion of domestic demand in the economy of the country amid growth of real incomes of the population, increase in consumer lending and net inflow of individuals' remittances into the country.

Increase of lending by the commercial banks resulted from increased demand for loans conditioned by positive expectations of economic development, easing of the monetary conditions and increase in the availability of loans.

In January-December 2024, the labor market demonstrated positive trend amid growth in real wages by 7.3 percent in annual terms and creation of 263 thousand new jobs. In general, growth of real and nominal wages was observed in all spheres of economic activity. Moreover, the highest growth of wages was observed in the sectors of wholesale and retail trade (+32.3 percent) and construction (+30.0 percent) due to growing investments in the reporting period. Population's expenditures on improvement of living conditions increased, as evidenced by growth of housing lending in the total volume of loan portfolio and provision of construction and commissioning of residential buildings at the expense of population's funds (88.1 percent of their total commissioning). Growth of the population's savings on the bank accounts also reflected improved financial status of the population.

According to the Ministry of Labor, Social Security and Migration, the number of unemployed people fell by 22.8 percent, from 91.6 thousand in 2023 down to 70.7 thousand at the end of 2024. The official registered unemployment rate in the total labor force was 1.8 percent compared to 2.5 percent at the end of 2023.

During 2024, the inflation rate in the Kyrgyz Republic was within the medium-term monetary policy target of 5-7 percent. In December 2024, the annual inflation rate was 6.3 percent. The structure of inflation at the end of 2024 is as follows: prices for food products increased by 5.4 percent, for non-food products – by 5.1 percent, for alcoholic drinks and tobacco products – by 11.4 percent, for services – by 8.1 percent.

**Chart 1.1.3. Inflation Dynamics in the Kyrgyz Republic**

Source: NSC KR.

During the reporting year, the factors of inflation were as follows: expansion of domestic demand, impact of the state tariff policy measures, as well as the external economic environment amid geopolitical tension worldwide and price volatility in the world commodity markets.

The monetary policy measures taken by the National Bank contributed to limiting the impact of the internal and external inflation factors on price stability and ensured sustainability of the national currency purchasing power. The situation in the interbank money and domestic foreign exchange markets remained stable.

### *Fiscal Sector*

In 2024, the state budget of the country was executed with a surplus of 2.5 percent to GDP and amounted to KGS 37.7 billion. Higher rates of increase in the current revenues compared to expenditures amid economic activity and improvement of the tax and customs procedures were the main factors of the surplus.

At the same time, there was stable increase in the volume of government securities issue, which increased the volume of internal debt from KGS 145.0 billion up to KGS 178.8 billion. The share of internal debt in total public debt increased from 25.9 percent at the end of 2023 up to 31.2 percent at the end of 2024.

## 1.2. Structure of the Financial Sector

Institutional structure of the financial sector in the Kyrgyz Republic is represented by the commercial banks and other financial institutions.

**Table 1.2.1. Institutional Structure of the Financial Sector**  
(number of the financial institutions)

Financial institutions	2020	2021	2022	2023	2024
<b>Commercial banks</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>21</b>
<b>Other financial companies, including:</b>	<b>642</b>	<b>630</b>	<b>711</b>	<b>842</b>	<b>983</b>
<b>Non-banking financial-credit organizations (NBFCO), including:</b>	<b>617</b>	<b>604</b>	<b>686</b>	<b>815</b>	<b>956</b>
Microfinance organizations, including:	134	133	130	121	108
microcredit companies	87	86	87	78	64
microcredit agencies	38	37	34	34	35
microfinance companies	9	10	9	9	9
Specialized Financial-Credit Organization	1	1	1	1	1
Credit offices	2	2	2	2	3
Credit unions	92	88	84	81	78
Exchange offices	387	379	467	609	765
OJSC "Guarantee fund"	1	1	1	1	1
Housing saving credit company	-	1	1	0	0
<b>Insurance companies</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>17</b>	<b>17*</b>
<b>Investment funds</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3*</b>
<b>Stock exchanges</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4*</b>
<b>Pension funds</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3*</b>

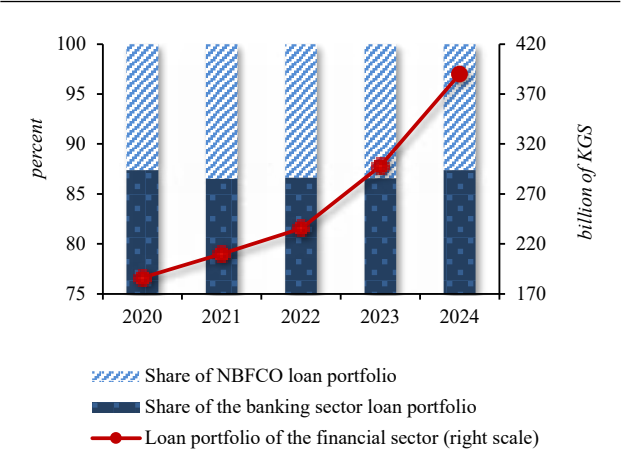
Sources: CBs, NBFCOs, NSC KR, State Financial Supervision Service.

\* Preliminary data.

At the end of 2024, assets of the banks and non-banking financial-credit organizations (NBFCOs) amounted to KGS 883.9 billion or 58.0 percent to GDP.

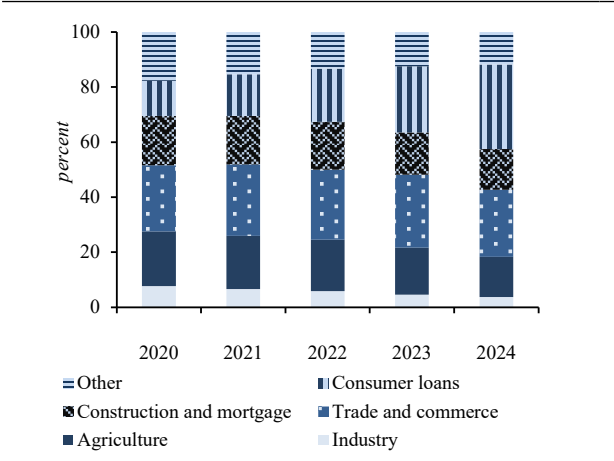
At the end of 2024, the total loan portfolio of the financial sector amounted to KGS 389.9 billion or 25.6 percent to GDP. The share of banks' loans in the loan portfolio of the financial sector made 87.4 percent at the end of 2024 (Chart 1.2.1).

Chart 1.2.1. Structure of the Loan Portfolio



Source: CBs and NBFCOs.

Chart 1.2.2. Sectoral Structure of the Loan Portfolio in the Financial Sector



Source: CBs and NBFCOs.

There were significant changes in the sectoral structure of the commercial banks' loan portfolio. Thus, consumer loans showed the highest concentration, moreover, high concentration of loans was still observed in the trading sector. The situation in NBFCOs has not changed, the highest concentration of loans was observed in consumer lending. The aggregate share of the loan portfolio in the financial sector among the aforementioned sectors of the economy at the end of 2024 reached 55.0 percent of total issued loans and amounted to KGS 214.6 billion (Chart 1.2.2).

### 1.3. Financial Markets

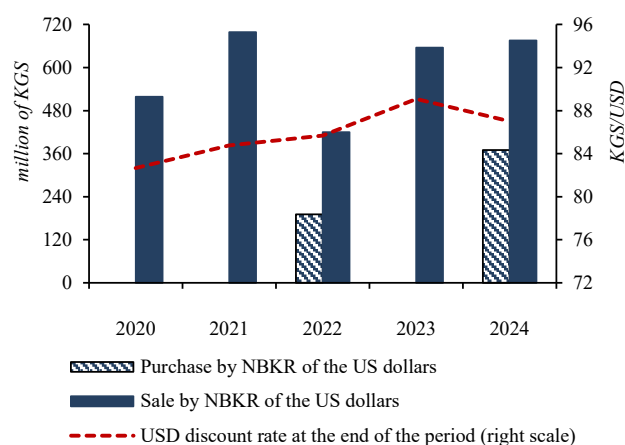
*In 2024, exchange rate flexibility was stable in the domestic foreign exchange market, and some periods were characterized by strengthening of the national currency.*

*The interbank money market was characterized by a decline in the short-term interest rates, which were near the lower rate of the interest rate corridor set by the National Bank, due to easing of the monetary conditions in Q2. The volume of transactions in the interbank money market as well as in the National Bank's notes market decreased compared to 2023. The volume of transactions increased in the short-term segment of the government securities market, while there was decrease in the volume of transactions in the long-term segment.*

#### 1.3.1. Foreign Exchange and Money Market

##### Foreign Exchange Market

**Chart 1.3.1. Dynamics of Interventions of the NBKR in the Foreign Exchange Market**



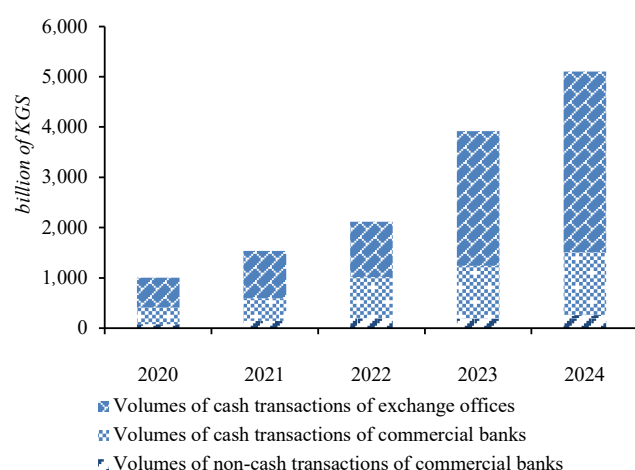
Source: NBKR.

foreign exchange trading to smooth sharp fluctuations in the exchange rate: foreign exchange interventions for sale of foreign currency in the amount of USD 675.7 million (in 2023, USD 655.7 million), for purchase of foreign currency – in the amount of USD 369.9 million (no interventions for purchase of foreign currency were conducted in 2023). Total net sales amounted to USD 305.8 million.

In the reporting year, the situation in the domestic foreign exchange market was stable.

At the end of 2024, the USD/KGS official exchange rate was 87.0000 KGS/USD, having decreased by 2.3 percent compared to the end of 2023.

In the first half of 2024, there was an excess of foreign currency supply over demand for it in the foreign exchange market of the country, and since the second half of the year, multidirectional dynamics of the exchange rate was observed due to an increase in demand for foreign currency in certain periods. As a result, the fluctuation range of the official exchange rate expanded from KGS 84.0300 to KGS 89.5100 per USD. The National Bank participated in

**Chart 1.3.2. The Volume of Purchases and Sales of Foreign Currency by the Commercial Banks by Form of Settlement (in KGS equivalent)**

Source: NBKR.

In the reporting period, the total volume of foreign currency purchase and sale transactions conducted by the commercial banks and exchange bureaus in the foreign exchange market, including transactions with non-residents, increased by 30.2 percent, up to KGS 5.1 trillion. The increase in the volume of transactions was observed in all main currencies (U.S. dollar, Russian ruble, Chinese yuan), except for euro and Kazakh tenge, the volumes thereof changed insignificantly.

There were changes in the general structure of transactions by currencies: the main share fell on the transactions on purchase and sale of U.S. dollars (their share decreased from 48.6 percent down to 46.0 percent compared to 2023); the share of transactions on purchase and sale of Russian rubles, on the

contrary, increased from 48.4 percent up to 49.2 percent; the share of transactions in Kazakh tenge decreased from 0.05 percent down to 0.03 percent, the share of transactions in euro also decreased from 1.6 percent down to 1.3 percent; meanwhile, the share of transactions with Chinese yuan increased from 1.4 percent up to 3.4 percent.

Generally, the transactions were conducted in cash (94.9 percent), meanwhile, in the structure of cash transactions the largest share, as before, was accounted for the cash transactions of the exchange bureaus (70.4 percent), which was mainly due to the current situation in the domestic foreign exchange market.

### **Interbank Money Market**

In 2024, the activity in the interbank credit market decreased compared to 2023 due to stable excess liquidity in the banking system.

In the reporting year, the volume of transactions in the interbank credit market decreased by 56.5 percent compared to 2023 and amounted to KGS 11.1 billion. During the period under review, standard transactions were not conducted in the national and foreign currencies, all transactions were conducted on repo terms. The average weighted rate in the interbank market was 7.5 percent (-3.9 percentage points), a decrease in the rate compared to 2023 is conditioned by easing of the monetary policy in Q2 2024 and subsequent keeping the National Bank's policy rate unchanged at 9.00 percent. The average weighted term increased from four to five days in 2024.

The commercial banks used the interbank borrowings to cover temporary liquidity gaps, therefore the banks did not need short-term credit resources of the National Bank. In 2024, overnight loans were not issued. In 2024, the gross volume of funds placed by the commercial banks on overnight deposits increased by 3.0 times compared to 2023 and amounted to KGS 13,317.8 billion (average daily volume – KGS 53.7 billion).

### **1.3.2. Securities Market**

In 2024, the activity of the short-term government securities market increased compared to 2023, meanwhile the short-term segment was represented only by the state treasury bills (ST-Bills) with a maturity of 12 months. The sales of ST-Bills on the platform of the National Bank amounted to KGS 1 billion, meanwhile the sale thereof on the platform of "Kyrgyz Stock Exchange" CJSC (KSE) constituted KGS 1.1 billion. Thus, the total volume of ST-Bills sales including additional placements (auctions on the trading platform of the National Bank and the KSE) amounted to KGS 2.1 billion (an increase by 8.2 times compared to the indicator of 2023).

According to the results of auctions on placement of ST-Bonds held on the platform of the National Bank, the weighted average yield made 12.2 percent (+3.7 percentage points), ST-Bonds were placed on

the KSE platform with the weighted average yield of 13.1 percent (+0.3 percentage points). During 2024, the weighted average yields on the KSE platform showed downward trend from 14.2 percent in Q1 to 11.2 percent in Q3.

During the reporting period, the long-term government securities segment demonstrated a decline in activity compared to 2023. The total volume of ST-Bonds sales taking into account additional placements (auctions on the trading platform of the National Bank and KSE) amounted to KGS 44.8 billion (-17.6 percent compared to 2023). Generally, the institutional investors' demand was primarily focused on the state treasury bonds on the trading platform of the National Bank.

During the reporting period, the weighted average yield of ST-Bonds on the National Bank's platform (excluding 2-year ST-Bonds) showed downward trend from 16.0 percent in January to 13.3 percent in December, however the value for 2024 changed insignificantly compared to 2023 and amounted to 15.6 percent (-0.04 percentage points compared to 2023). The investment activity of 3-year ST-Bonds auctions primarily influenced this dynamics.

In the reporting period, the National Bank's notes market was still characterized by an increased level of participants' activity due to high level of excess liquidity in the banking system. In 2024, the volume of notes sales decreased by 9.4 percent compared to 2023, down to KGS 773.9 billion. In the reporting period, the National Bank's notes market was represented by 7-, 28-, 91- and 182-day notes. In 2024, the largest volume of sales fell on the National Bank's notes with a maturity of 7 days, while the market participants' interest was also focused on 28-day notes. In 2024, the weighted average yield of the notes decreased by 4.8 percentage points compared to 2023, down to 7.1 percent.



1.4. Real Estate Market

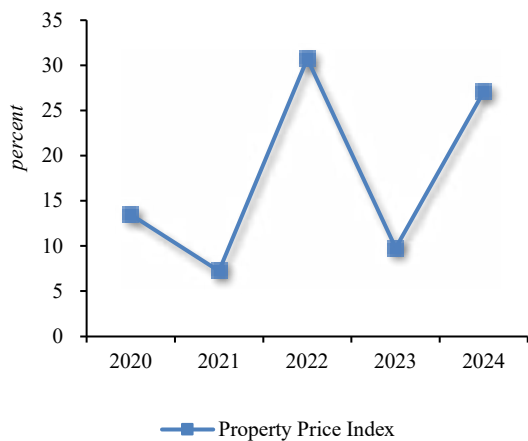
*At the end of 2024, there is an increase in the price index growth rate in the real estate market of the Kyrgyz Republic due to rise in prices for individual houses (increase in prices by 26.7 percent) and apartments (increase in prices by 27.5 percent) compared to 2023.*

*In the reporting period, there was deterioration (growth) in the housing affordability index from 7.0 to 7.6 years due to the growth rate of real estate prices (27.5 percent) outrunning the growth rate of average monthly nominal wages (12.3 percent). This fact indicates deterioration of the situation with the real estate affordability.*

*Risks to the financial sector from the real estate market remain moderate, which was conditioned by a low share of mortgage loans<sup>1</sup> in the total loan portfolio of the banks.*

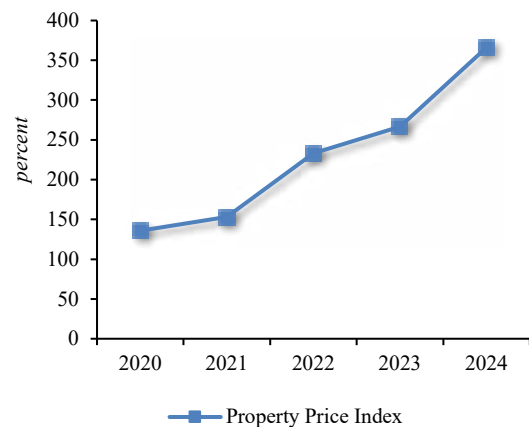
At the end of 2024 in the Kyrgyz Republic, increase in the growth rate of the property price index from 9.8 percent to 27.1 percent, and growth of the property basis price index from 266.7 percent to 366.0 percent were observed in the Kyrgyz Republic due to rise in prices for individual houses by 26.7 percent and for apartments – by 27.5 percent compared to 2023.

Chart 1.4.1. Price Index Growth Rate in the Real Estate Market



Source: LRS under MA KR, NBKR calculations.

Chart 1.4.2. Basis Price Index Growth Rate in the Real Estate Market<sup>2</sup>

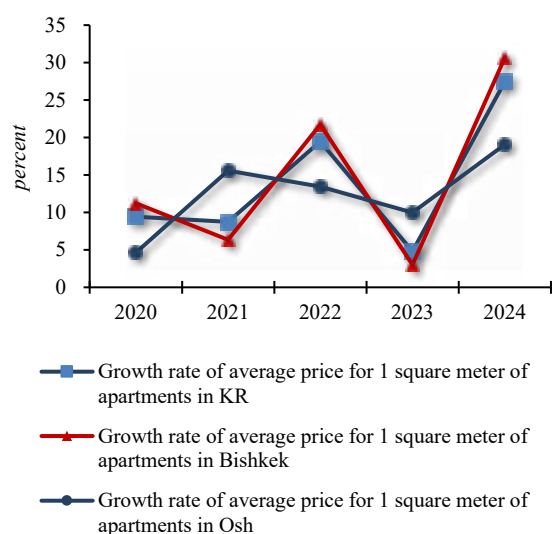


Source: LRS under MA KR, NBKR calculations.

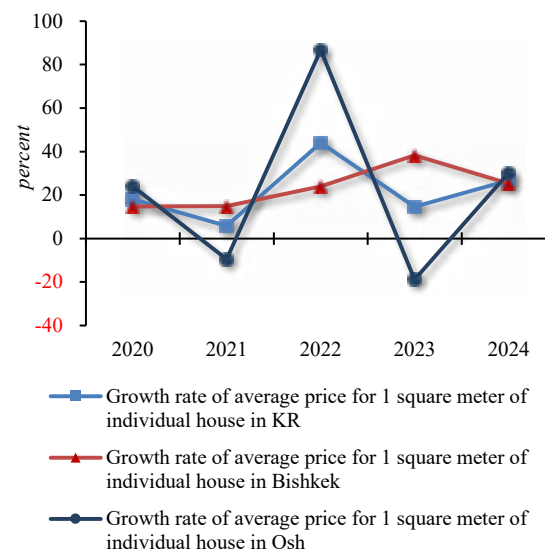
As of December 31, 2024, the average price of 1 square meter of housing (apartment) in Osh increased by 19.1 percent (up to KGS 64.4 thousand), in Bishkek – by 30.7 percent (up to KGS 95.9 thousand) compared to 2023. The average price of 1 square meter of individual houses in Osh city increased by 30.2 percent (up to KGS 119.0 thousand), in Bishkek city it increased by 25.3 percent (up to KGS 142.1 thousand) compared to 2023.

<sup>1</sup> Currently, a mortgage loan is usually a long-term loan extended on security of the title to real estate in the Kyrgyz Republic.

<sup>2</sup> The year 2010 was taken as the base period.

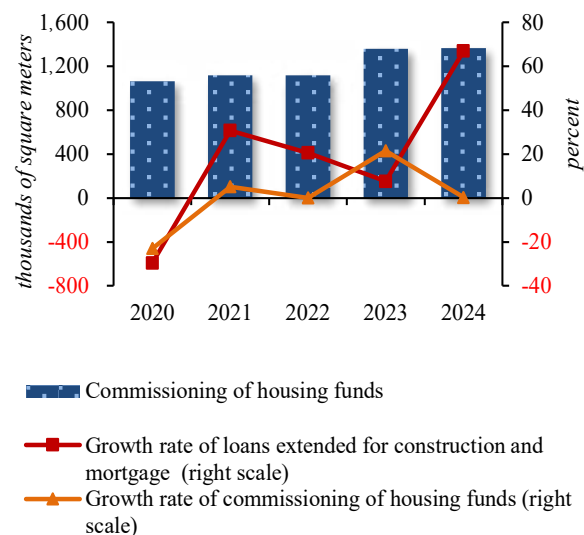
**Chart 1.4.3. Dynamics of Price Changes for Apartments**

Source: LRS under MA KR, NBKR calculations.

**Chart 1.4.4. Dynamics of Price Changes for Individual Houses**

Source: LRS under MA KR, NBKR calculations.

In the reporting period, the number of transactions on the real estate purchase and sale decreased by 9.1 percent and amounted to 47,986. The transactions on the apartments purchase and sale decreased by 8.0 percent and the transactions on the houses purchase and sale decreased by 10.7 percent compared to 2023 and amounted to 27,869 and 20,117 transactions, accordingly.

**Chart 1.4.5. Dynamics of Housing Commissioning and Loans Extended for Construction and Mortgage<sup>3</sup>**

Source: CBs, NBKR.

There was an increase in the level of housing funds commissioning. At the end of 2024, the aggregate level of housing funds commissioning increased by 0.3 percent compared to 2023 mainly due to growth in the volume of housing funds commissioning in Issyk-Kul (43.8 percent), Talas (39.5 percent), Naryn (22.8 percent), Jalal-Abad (14.6 percent), Chui regions (11.9 percent) and Osh city (6.9 percent). Bishkek city, Osh and Batken regions demonstrated decrease in the level of housing funds commissioning.

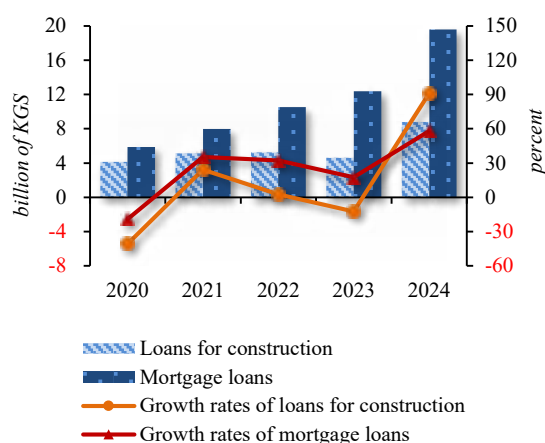
<sup>3</sup> Data for the period.

**Table 1.4.1. Geographic Structure of Commissioned Housing**

	2023		2024	
	Total commissioned area thous. sq.m	Share of total area, %	Total commissioned area thous. sq.m	Share of total area, %
Bishkek city and Chui region	545.9	40.1	554.2	40.6
Osh city and Osh region	287.3	21.1	236.3	17.3
other regions of the KR	527.3	38.8	574.6	42.1
<b>Total</b>	<b>1,360.5</b>	<b>100.0</b>	<b>1,365.1</b>	<b>100.0</b>

Source: NSC KR

As of December 31, 2024, there was an increase in the volume of loans issued to finance construction and mortgage compared to 2023. In the reporting period, the volume of loans extended for construction increased by 91.0 percent (up to KGS 8.8 billion), and the volume of mortgage loans increased by 58.1 percent (up to KGS 19.6 billion). The aforementioned sectors demonstrated growth in the volume of loans extended in the national and foreign currency.

**Chart 1.4.6. Loans Extended for Construction and Mortgage<sup>4</sup>**

Source: CBs, NBKR.

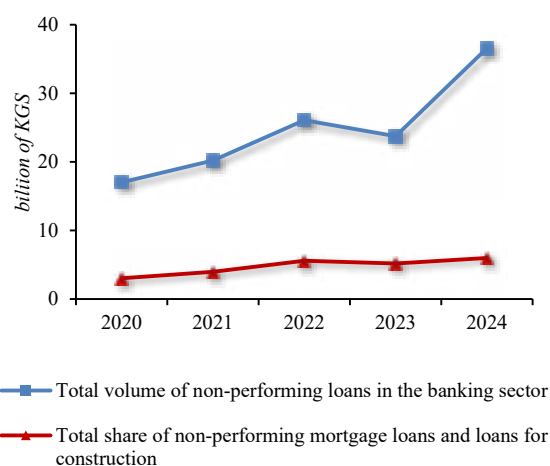
At the end of 2024, residential houses were generally constructed and commissioned at the expense of the population (88.1 percent of their total commissioning)<sup>5</sup>.

As of December 31, 2024, the share of loans for construction and mortgage amounted to 15.5 percent in the total loan portfolio of the commercial banks, the share of mortgage loans thereof constituted 11.5 percent. The share of loans for construction and mortgage decreased by 0.8 percentage points in the total loan portfolio of the commercial banks compared to 2023 (Chart 1.4.7).

<sup>4</sup> Data for the period.<sup>5</sup> "Social and economic situation of the Kyrgyz Republic (January – December 2024)", NSC KR.

**Chart 1.4.7. Total Share of Loans for Mortgage and Construction in the Loan Portfolio of Commercial Banks<sup>6</sup>**

Source: CBs, NBKR.

**Chart 1.4.8. Dynamics of Non-performing Loans**

Source: CBs.

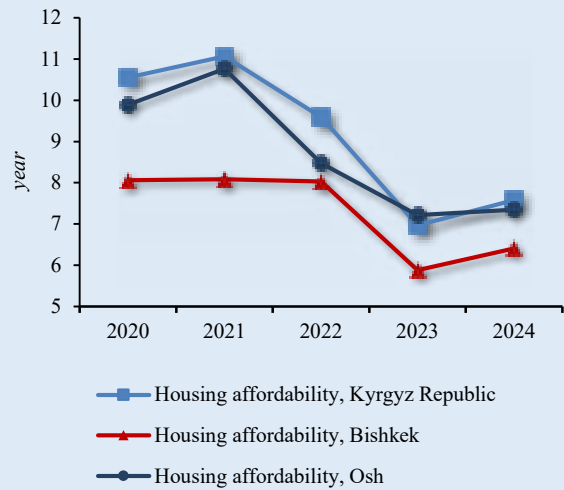
The aggregate volume of non-performing loans for mortgage and construction increased by 15.1 percent and amounted to KGS 5,996.8 million. Therefore, in the reporting period, the aggregate share of non-performing loans in the aforementioned sectors decreased by 5.5 percentage points and constituted 16.4 percent of the total volume of non-performing loans in the banking sector. The volume of non-performing loans for mortgage and construction in foreign currency increased by 22.9 percent and amounted to KGS 4,139.6 million mainly due to deterioration in the quality of loans issued for construction.

<sup>6</sup> Data as of the end of period.

Box 1. Housing Affordability Index

As of December 31, 2024, the housing affordability index in the Kyrgyz Republic decreased from 7.0 to 7.6 years compared to 2023 due to increase of time (number of years) required for an average family to save money for house purchasing of housing. This is due to the growth rate of real estate prices (27.5 percent) outrunning the average monthly nominal wages (12.3 percent, Chart 1).

Chart 1. Housing (Apartments) Affordability Index including Minimal Consumer Budget



According to the results of 2024, to purchase an apartment of 54 square meters in the Kyrgyz Republic, one should save the average monthly nominal wage of the family consisting of three people (KGS 37,361.0), where the income is received by two people, and the minimum consumer budget of KGS 24,153.7 (32.3 percent of total family income), for 7.6 years, all other things being equal.

Source: NSC KR, LRS under MA KR, NBKR.

## Box 2. Stress Testing of Impact from Price Changes in the Real Estate Market on the Banking Sector<sup>7</sup>

As at December 31, 2024, the number of loans secured by pledged real estate constituted 9.8 percent of the total volume of loans in the loan portfolio of the banks. The volume of loans secured by real estate (at collateral value) constituted 58.7 percent of the total collateral in the loan portfolio.

Credit risks for the banking sector are conditioned by possible decrease in the value of pledged real estate below the loan repayment balance and further refusal of the borrower from loan repayment. Stress testing is focused on quantitative assessment of possible losses from outstanding loans and identification of the most vulnerable banks.

### Scheme 1. Results of Stress Testing of Impact from Price Changes in the Real Estate Market on the Level of Credit Risk of the Banking Sector

Scenario	Potential losses of the banking sector	Potential losses of systemically important banks	Risk of capital adequacy ratio violation
"Historical" scenario* (decrease in price for real estate by 23% per a year)	----	----	----
"Alternative" scenario (decrease in price for real estate by 40% per 2 years)	----	----	3 banks
"Negative" scenario (decrease in price for real estate by 50% per a year)	KGS -7.9 billion	----	5 banks

\* At the end of 2008, prices for real estate in the Kyrgyz Republic decreased by 23 percent.

In addition to the stress test, the threshold level of decrease in prices for real estate, when there is a risk of a decrease in the profits of the banking sector and when the banks potentially suffer losses, was calculated. The banking sector may face the risk of decrease in profits and losses of individual banks if prices for the real estate decrease by 46.0 percent and borrowers refuse to service previously obtained loans secured by real estate, as well as if collateral is put on the banks' books with subsequent sale thereof in the market at decreased prices. At the same time, individual systemically important banks are likely to face a similar risk in case of a decrease in the price of real estate by 52.5 percent. There is a risk of violation of the capital adequacy ratio by the banking sector, as well as by the systemically important banks, when prices for real estate are likely to decrease by 69.1 and 73.9 percent, respectively<sup>8</sup>.

<sup>7</sup> Stress test was conducted on the basis of the commercial banks' data provided in the course of the survey as of December 31, 2024.

<sup>8</sup> The banks did not take into account in their calculations possible difference in estimated value of pledged real estate, which may be less than the market value by up to 20 percent. Taking this into account the aforementioned facts, reduction in the threshold level of prices for real estate may reach 20 percent.

## II. BANKING SECTOR

**Growth of the main indicators of the banking sector: assets, loan portfolio, deposit base and capital was observed in 2024.**

**At the end of 2024, net profit of the banking sector increased by 28.2 percent compared to the results of 2023, mainly due to the growth of interest and non-interest income, amounted to KGS 31.1 billion.**

**During the reporting period, there was a decrease in the level of dollarization of the loan portfolio and the deposit base of the banking sector compared to 2023.**

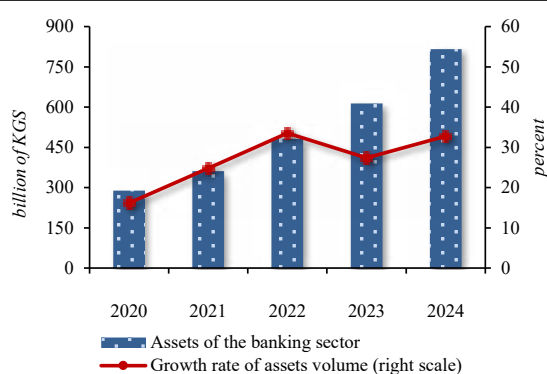
### 2.1. Major Trends of the Banking Sector Development

At the end of 2024<sup>9</sup>, 21 commercial banks and 304 bank branches worked in the territory of the Kyrgyz Republic, among which there were 11 banks with foreign participation in the capital. All banking institutions of the country are universal by type of business.

#### Assets

Generally, at the end of 2024, there was an increase in the volume of assets in the banking sector of the Kyrgyz Republic. Assets of the banking sector amounted to KGS 815.6 billion, having increased by 32.8 percent compared to 2023 (Chart 2.1.1).

**Chart 2.1.1. Dynamics of Assets in the Banking Sector**



Source: NBKR.

#### Loan Portfolio

At the end of 2024, the banks' loan portfolio increased in all main sectors of the economy compared to 2023.

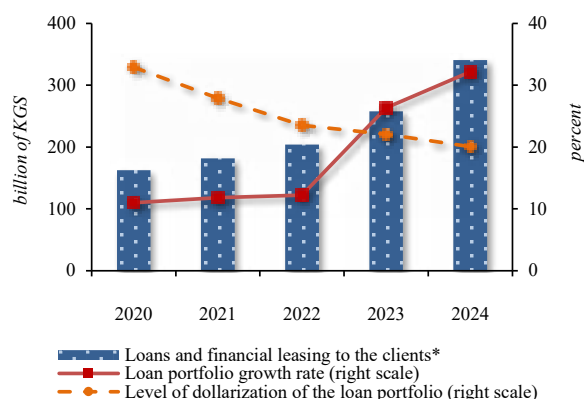
At the end of the reporting period, the level of dollarization of the loan portfolio in the banking sector decreased by 2.0 percentage points compared to 2023 and amounted to 20.1 percent (Chart 2.1.2).

The growth of assets was mainly provided by increase of:

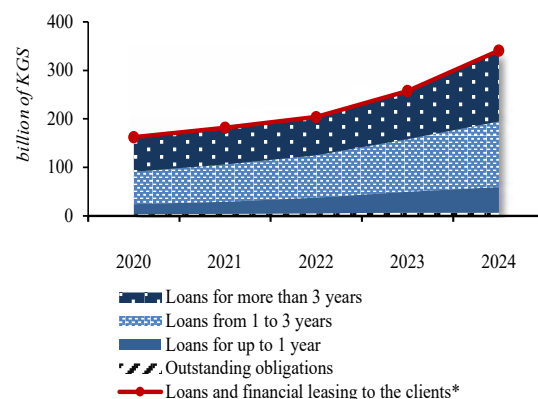
- liquidity in the form of cash and funds on correspondent accounts by 27.0 percent or KGS 63.6 billion;
- the loan portfolio by 32.2 percent or by KGS 82.9 billion;
- other assets by 155.6 percent or by KGS 71.0 billion.

The share of the loan portfolio in the structure of assets constituted 41.7 percent, having decreased by 0.2 percentage points compared to 2023.

<sup>9</sup> The data are submitted according to periodic regulatory reporting of the commercial banks (PRBR).

**Chart 2.1.2. Dynamics of Loan Portfolio in the Banking Sector**

\* Exclusive of loans provided by FCO and special loan loss provisions  
Source: NBKR.

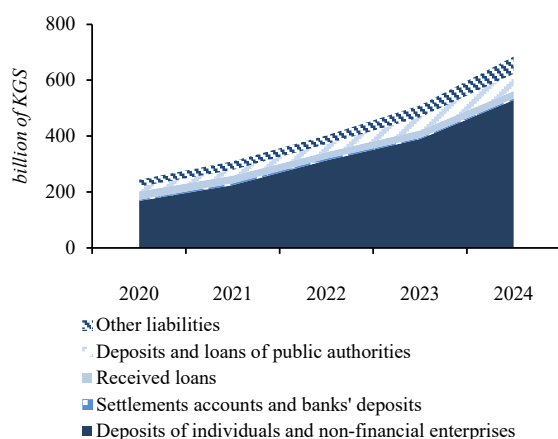
**Chart 2.1.3. Structure of Loan Portfolio by Maturity**

\* Exclusive of loans provided by FCO and special loan loss provisions  
Source: NBKR.

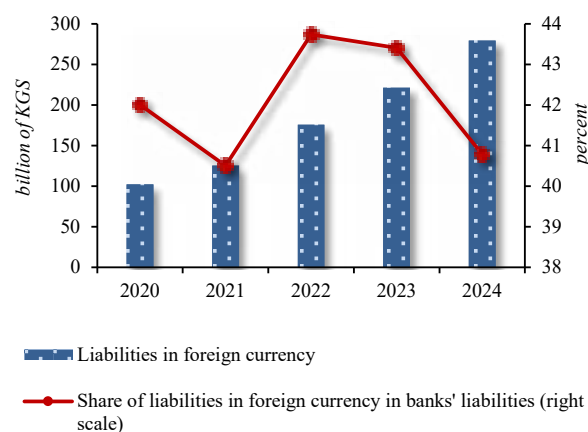
In the maturity structure of loans issued in 2024, the main shares are accounted for short-term loans – 35.7 percent or KGS 137.8 billion, and medium-term loans – 33.1 percent or KGS 127.6 billion.

### Liabilities

At the end of 2024, liabilities of the banking sector of the Kyrgyz Republic increased by 34.3 percent compared to 2023 and amounted to KGS 684.8 billion.

**Chart 2.1.4. Structure of Banks' Liabilities by the Reserve Sources**

Source: NBKR.

**Chart 2.1.5. Banks' Liabilities in Foreign Currency**

Source: NBKR.

At the end of the reporting period, deposits of individuals and non-financial enterprises increased by 35.8 percent and amounted to KGS 528.7 billion (Chart 2.1.4). The share of individuals' and non-financial enterprises' deposits in the banks' liabilities increased by 0.9 percentage points and amounted to 77.2 percent.

In 2024, the share of liabilities in foreign currency in the total amount of attracted funds decreased by 2.6 percentage points and amounted to 40.8 percent (Chart 2.1.5).



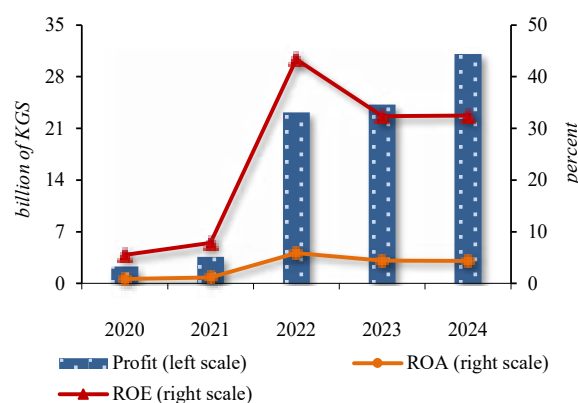
### Financial Results

At the end of 2024, a decrease of the banking sector's profitability indicators was observed compared to 2023 due to excess of assets and capital growth rates over the growth rates of the commercial banks' profitability:

- return on assets (ROA) constituted 4.3 percent;
- return on equity (ROE) formed at 32.5 percent.

In 2024, net profit of the banking sector increased by 28.3 percent and amounted to KGS 31.1 billion (Chart 2.1.6).

**Chart 2.1.6. Profitability Indicators of the Banking Sector**



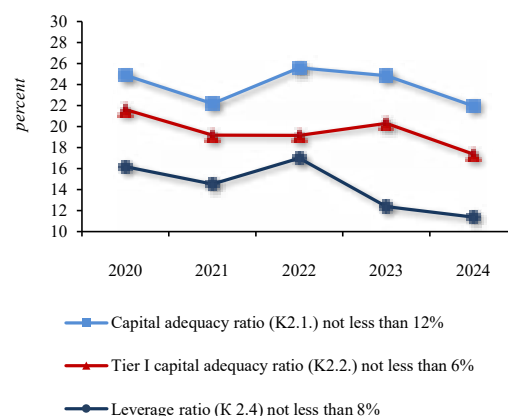
Source: NBKR.

### Capital Adequacy

With statutory minimum capital adequacy at 12.0 percent, at the end of 2024, this figure decreased by 2.8 percentage points compared to 2023 and amounted to 22.0 percent (Chart 2.1.7).

At the same time, the actual level of capital adequacy in the banking sector generally formed according to the results of 2024, exceeded the established standard (at least 12 percent) by 1.8 times, indicating the relative stability of the banking sector to negative shocks, as well as the presence of certain potential to increase the level of financial intermediation and efficiency of the banking sector activity in the future.

**Chart 2.1.7. Dynamics of Capital Adequacy Ratios**



Source: NBKR.

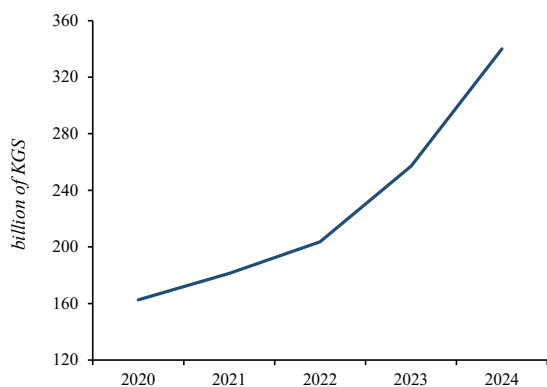
## 2.2. Banking Sector Risks

### 2.2.1. Credit Risk

Credit risk is one of the main risks that accompany banking activity.

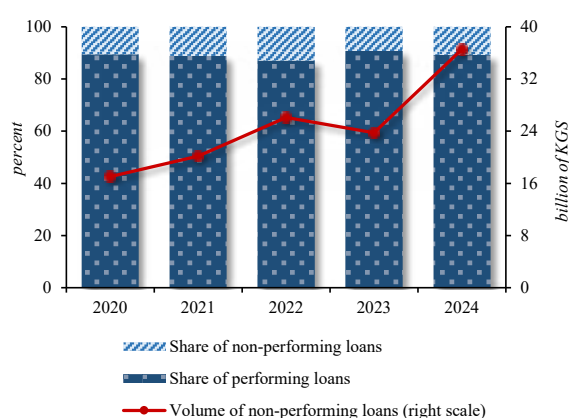
In 2024, the loan portfolio increased by 32.2 percent and amounted to KGS 340.7 billion (Chart 2.2.1). The share of non-performing loans in the loan portfolio of banks increased from 9.2 to 10.8 percent compared to 2023 (Chart 2.2.2.).

Chart 2.2.1. Dynamics of Loan Portfolio<sup>10</sup>



Source: NBKR.

Chart 2.2.2. Loan Portfolio Quality



Source: NBKR.

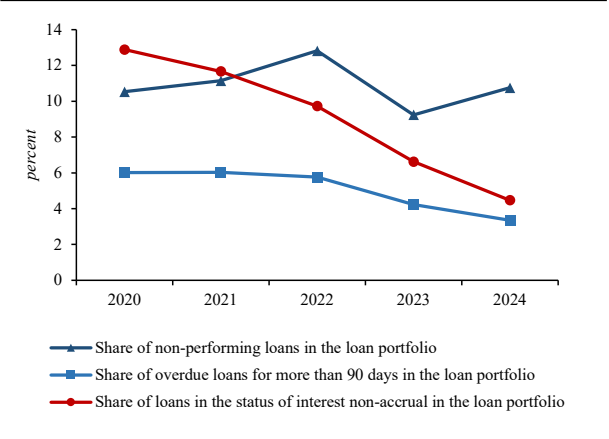
In order to assess the quality of the loan portfolio, the commercial banks use a loan classification system, which contributes to determining the possible level of potential losses from bad loans and compensating them in time through creation of appropriate reserves (Chart 2.2.3).

The indicator of the risk of default on assets (the ratio of special loan loss provisions (LLP) and loan portfolio) decreased by 1.3 percentage points compared to 2023 and constituted 4.9 percent.

Aggregate reserves created by the commercial banks constituted 6.6 percent of the total loan portfolio. Meanwhile, the share of special LLP in 2024 constituted 75.3 percent of the total reserves (Chart 2.2.4).

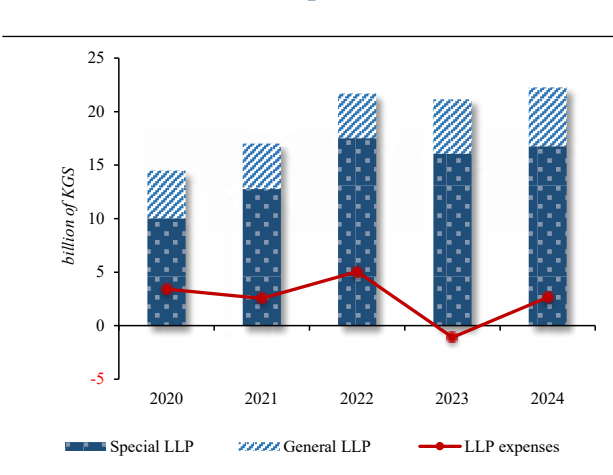
<sup>10</sup> Loan portfolio excluding discount.

Chart 2.2.3. Indicators of the Loan Portfolio Quality



Source: NBKR.

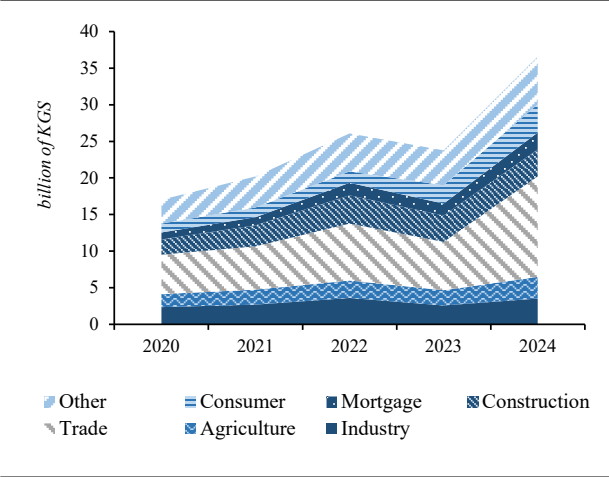
Chart 2.2.4. Total and Special Reserves



Source: NBKR.

As at December 31, 2024, the highest concentration of credit risks was still observed in the sectors of trade, consumer lending and “other loans” (Chart 2.2.5).

Chart 2.2.5. Volume of Non-performing Loans by Sectors of Economy

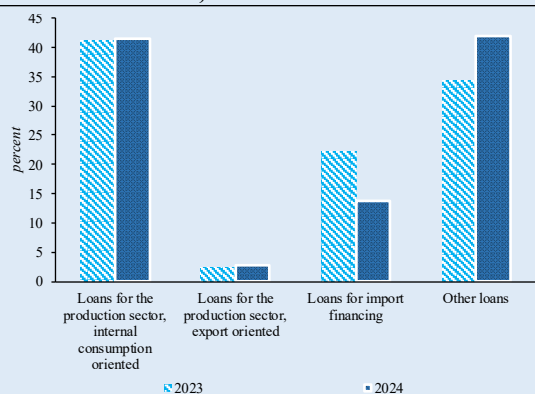


Source: NBKR.

### Box 3. Results of the Commercial Banks' Statistical Observation: Loans

According to the conducted survey of commercial banks, at the end of the reporting period, part of extended loans (41.6 percent of total borrowers' loans), is used in the production sector of the economy<sup>11</sup>, thereby reflecting the impact of lending on the country's GDP, meanwhile, 13.7 percent of issued loans were forwarded for financing of imports (Chart 1).

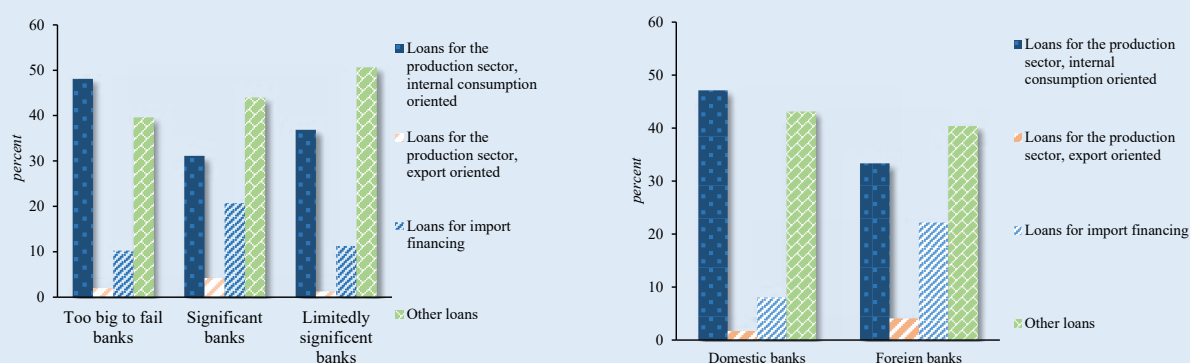
**Chart 1. Sectoral Structure of Loans as of December 31, 2024**



Source: CBs.

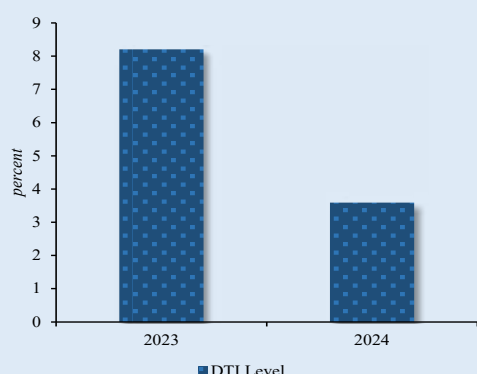
Domestic banks forwarded 47.1 percent of the loan portfolio to the production sector (GDP) and 8.0 percent – to finance imports. Generally, foreign banks also provided loans to the production sector of economy (33.4 percent). In 2024, the share of loans forwarded to finance imports constituted 22.2 percent of the loan portfolio (Chart 2).

**Chart 2. Sectoral Structure of Loans by the Groups of Banks as of December 31, 2024**



Source: CBs

<sup>11</sup> The production sector means the activity of the bank clients connected with the production of goods and services (construction, communication and automobile repair shop services, transport services, real estate leasing, hotels, restaurants, etc.).

**Box 4. Results of the Commercial Banks' Statistical Observation: Largest Clients***Borrowers solvency***Chart 1. DTI Level on 15 Banks' Largest Borrowers**

Source: CBs, NBKR.

At the end of 2024, the level of debt burden of 15 banks' largest clients calculated through DTI index<sup>12</sup> decreased by 4.6 percentage points compared to 2023 and constituted 3.6 percent (Chart 1).

By the group of banks, the largest debt burden was observed in the major borrowers of the *important banks* (4.3 percent of the borrowers' basic income) (Table 1). At the same time, the lowest level of debt burden was observed in the major borrowers of the *limitedly important banks* and constituted 1.2 percent.

**Table 1. Debt Burden of 15 Banks' Largest Borrowers at the End of 2024**

	Banking sector	Systemically important banks	Important banks	Limitedly important banks
Loan balance, <i>billions of KGS</i>	63.5	38.3	18.5	6.8
Share of loans in 15 largest borrowers in the total volume of loan portfolio in the banking sector, <i>in %</i>	18.2	18.7	16.3	21.8
Ratio of expenses for loan debt servicing to the borrowers' total income, <i>in %</i>	3.6	4.1	4.3	1.2

Source: CBs, NBKR.

The level of debt burden in the banks with foreign capital was higher than in the domestic banks (Table 2).

**Table 2. Debt Burden in the Domestic and Foreign Banks at the End of 2024**

	Domestic banks	Foreign banks
Loan balance, <i>billions of KGS</i>	28.0	35.5
Share of loans in 15 largest borrowers in the total volume of loan portfolio in the banking sector, <i>in %</i>	13.4	25.3
Ratio of expenses for loan debt servicing to the borrowers' total income, <i>in %</i>	3.0	4.3

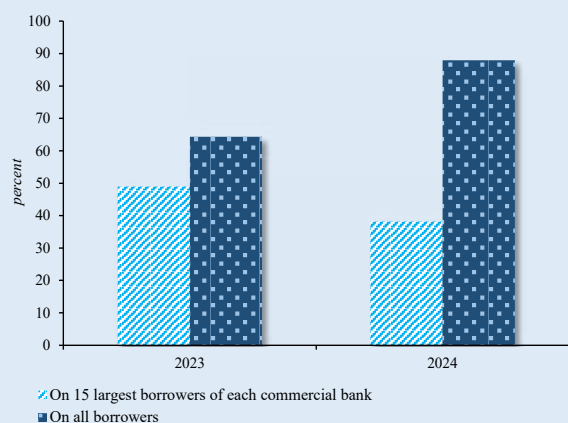
Source: CBs, NBKR.

<sup>12</sup> DTI (debt-to-income) is the ratio of the amount of the borrowers' payments on loans (including the amount of principal and interest payments for the reporting period) to the main annual income of the borrower declared at the time of issuing a loan.

### Security of the borrowers' loans

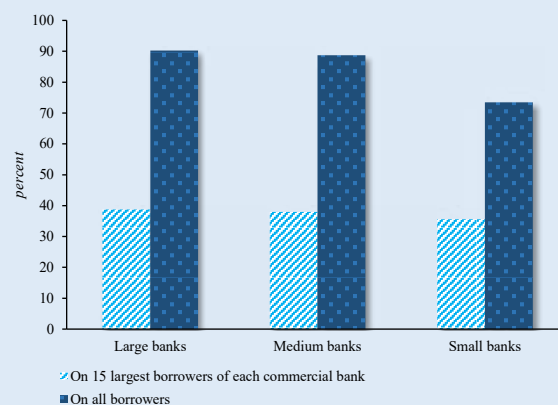
At the end of 2024, the LTV<sup>13</sup> actual level in the banking sector amounted to 88.0 percent. The existing level of collateral indicates a relatively high level of the loans secured by the pledged real estate (Chart 2). At the same time, the LTV value of systemically important banks is higher than that of important and limitedly important banks and the banking sector as a whole (Chart 3).

**Chart 2. LTV Level on All Borrowers and on 15 Largest Borrowers of Each Commercial Bank as of December 31, 2024.**



Source: CBs, NBKR.

**Chart 3. LTV Level on All Borrowers and on 15 Largest Borrowers by the Banks' Groups as of December 31, 2024**



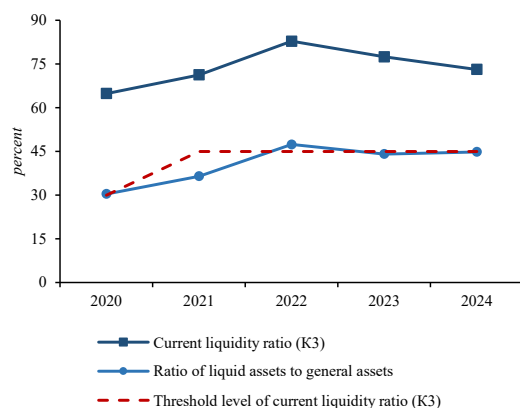
Source: CBs, NBKR.

<sup>13</sup> LTV (loan-to-value ratio) is the ratio of issued loans to the value of collateral.

### 2.2.2. Liquidity Risk

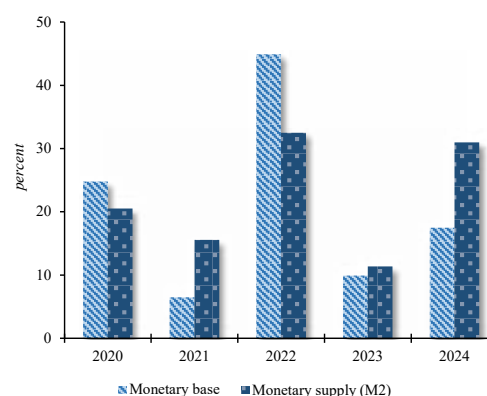
At the end of 2024, current liquidity ratio decreased from 77.4 (at the end of 2023) down to 73.1 percent (Chart 2.2.6). Growth of money supply indicator (M2) was due to increase of cash, settlement accounts and demand deposits in the national currency in the economy (Chart 2.2.7).

**Chart 2.2.6. Liquidity Indicators in the Banking Sector**



Source: NBKR.

**Chart 2.2.7. Growth Rates of Money Supply (M2) and Monetary Base**



Source: NBKR.

Liquidity ratio of the banking sector decreased due to excess of current liabilities over liquid assets growth rates.

As before, there was a significant gap between assets and liabilities in terms of their maturity. There was stable negative gap between assets and liabilities with maturity “up to 1 month”. Positive gap between assets and liabilities is observed in the maturity “from 1 to 3 months”, “from 3 to 6 months”, “from 6 to 12 months”, and “more than 12 months” (Table 2.2.1).

**Table 2.2.1. Maturity of Financial Assets and Liabilities**

as of December 31, 2024, millions of KGS

Name	Maturity					Total
	up to 1 month	1-3 months	3-6 months	6-12 months	more than 12 months	
Total financial assets	410 286	32 709	33 711	65 762	297 490	839 959
including loans and financial leasing to the clients	19 551	19 987	26 066	52 437	221 971	340 012
Total financial liabilities	477 988	21 207	27 954	58 868	92 895	678 911
including deposits of individuals and time deposits of legal entities	166 633	11 138	22 918	45 045	48 481	294 215
Gap	-67 701	11 502	5 758	6 894	204 595	161 047
Including on loans and deposits	-147 081	8 849	3 148	7 392	173 490	45 797

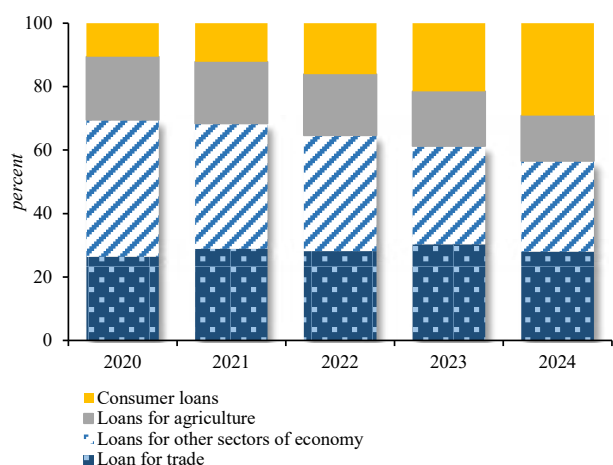
### 2.2.3. Concentration Risk

#### Concentration of the Largest Sources of Financing

The results of “reverse” stress testing show that some banks could not withstand the shock related to monetary funds outflow from one to five large clients, when the liquidity ratio decreases below the threshold level of 45 percent.

#### Loan Concentration

**Chart 2.2.8. Sectoral Concentration of the Loan Portfolio**



Source: CBs, NBKR.

Potential default from one to five largest borrowers in separate banks may decrease regulatory capital below prudential standard of the NBKR.

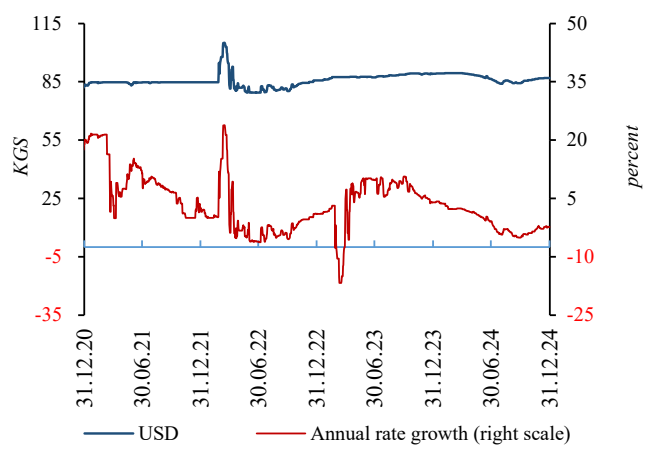
There was a significant increase in the level of consumer loans concentration in the sectoral structure of the loan portfolio amid an increase in the overall level of lending. At the end of 2024, the share of loans for trade decreased by 2.3 percentage points, the share of loans for agriculture decreased by 2.8 percentage points (Chart 2.2.8).



### 2.2.4. Currency Risk

At the end of 2024, the average annual level of currency risk in the banking sector was at a moderate level. In 2024, the KGS/USD exchange rate was stable (Chart 2.2.9).

**Chart 2.2.9. Dynamics of USD/KGS Nominal Exchange Rate**



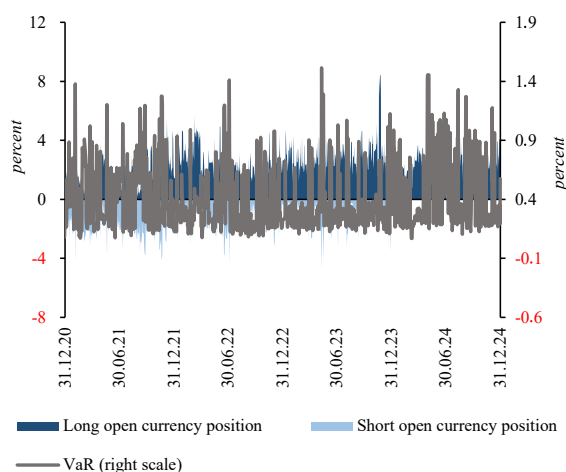
Source: NBKR.

In general, the banks kept open currency positions of assets and liabilities within the limits set by the prudential standards of the National Bank of the Kyrgyz Republic.

During 2024, the risk of currency position overestimation in the banking sector was minimum (VaR: 0.1-1.5 percent of the net total capital, Chart 2.2.10), i.e. the banks adhered to a conservative policy when conducting operations with foreign currency and were weakly exposed to currency risk.

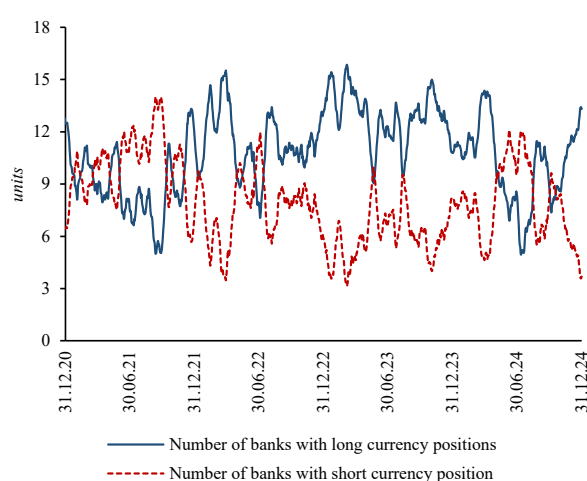
In the reporting period, 10 banks had a long currency position in U.S. dollars, and 8 banks adhered to a short currency position (Chart 2.2.11).

**Chart 2.2.10. Dynamics of Open Currency Position (OCP) and Revaluation Risk (VaR) in percent of NTC**



Source: NBKR.

**Chart 2.2.11. Currency Position of the Banks**



Source: NBKR.

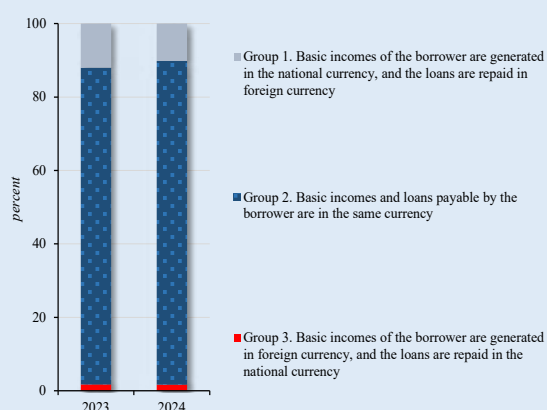
### Box 5. Credit and Currency Risks

As of December 31, 2024, 10.2 percent of the total loan portfolio was accounted for the loans, which were repaid in foreign currency, while the incomes of the borrowers were generated in the national currency (Chart 1). This volume of the loan portfolio was potentially exposed to credit and currency risks.

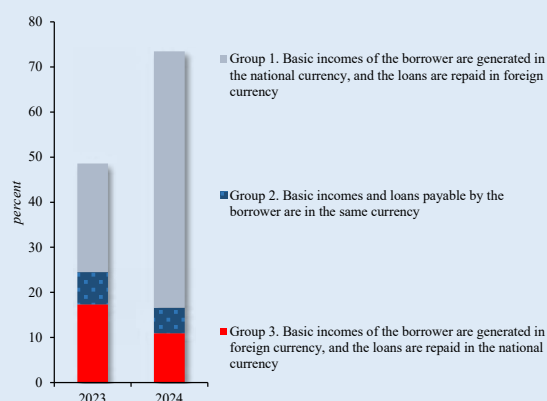
The impact made by the currency risk on credit risk is given in Chart 2 that displays the proportion of non-performing loans by groups of loans:

- Group 1 – 56.9 percent, basic incomes of the borrower are generated in the national currency, and the loans are repaid in foreign currency;
- Group 2 – 5.6 percent, basic incomes and loans payable by the borrower are generated in the same currency;
- Group 3 – 11.0 percent, basic incomes of the borrower are generated in foreign currency, and the loans are repaid in the national currency.

**Chart 1. Loan Portfolio by Groups of Loans<sup>14</sup>**



**Chart 2. Share of Non-performing Loans by Groups of Loans<sup>15</sup>**



<sup>14</sup> Breaking of loans into groups is presented in this chart. For example, the volume of loans for Group 1 as of December 31, 2024 amounted to KGS 33.9 billion or 10.2 percent of the total loan portfolio.

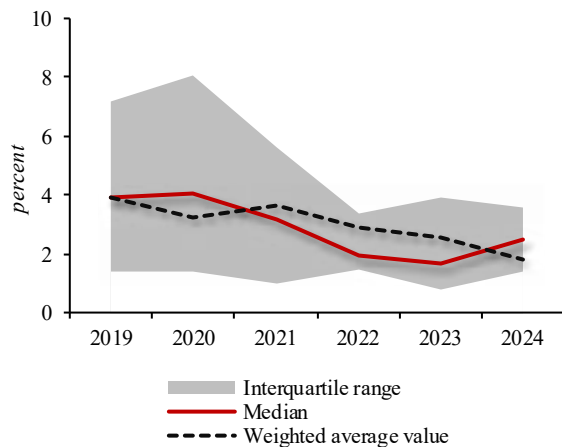
<sup>15</sup> This chart shows the shares of non-performing loans in the loan portfolio by each group of loans. For example, the volume of non-performing loans for Group 1 as of December 31, 2024 amounted to KGS 19.3 billion or 56.9 percent of the total loan portfolio for Group 1 (KGS 33.9 billion).

### 2.2.5. Interest Rate Risk

At the end of the reporting period, there was a decrease in the *interest rate risk* due to the high growth rates of risk-weighted assets compared to the net total capital.

Average value of interest rate risk for the period of 2010-2024 was within acceptable limits (1.8 – 4.4 percent of net total capital) (Chart 2.2.12).

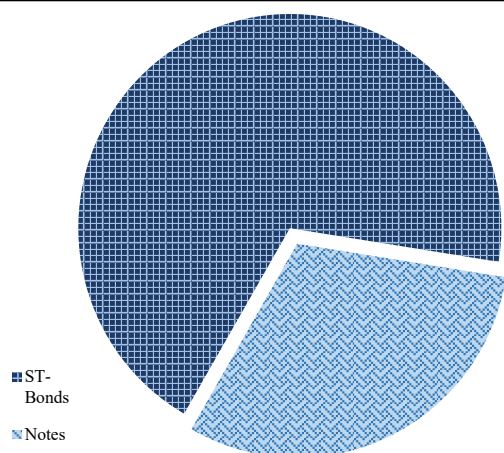
**Chart 2.2.12. Dynamics of Interest Rate Risk (VaR)  
in percent of NTC**



Source: NBKR.

## 2.2.6. “Contagion” Risk

**Chart 2.2.13. Distribution of Interbank Loan Transactions Made during 2023 between Resident Banks, Depending on Collateral**



Source: NBKR.

The purpose of this analysis is to assess the consequences of the “contagion” effect in the interbank credit market of the Kyrgyz Republic, which set off chain reaction upon occurrence of problems with liquidity in one bank.

At the end of 2024, the volume of interbank loan transactions amounted to KGS 11.1 billion<sup>16</sup>.

The loans in the interbank market are generally covered by collateral in the form of highly liquid notes of the National Bank and government securities (Chart 2.2.13) in the banking sector of the Kyrgyz Republic.

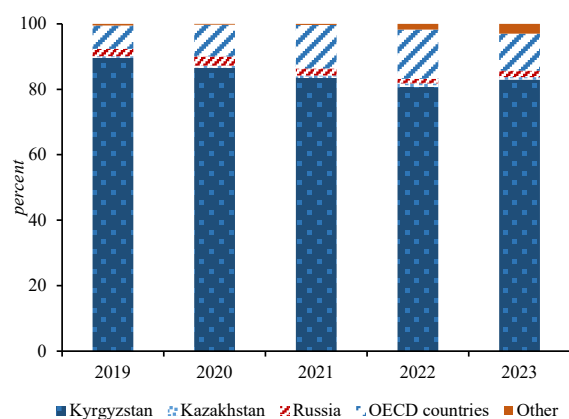
In general, the probability of the “contagion” risk materialization in the interbank credit market of the country is minimal, which is caused by highly liquid collateral.

<sup>16</sup> The total volume of transactions made between the resident banks during 2024 is meant here.

### 2.2.7. Country Risk

As of December 31, 2024, according to the commercial banks, the aggregate volume of placed assets of non-residents constituted KGS 162.5 billion or 19.2 percent of the total banking sector assets. The largest concentration of placements was observed in the Organization for Economic Cooperation and Development (OECD) countries – 8.9 percent (KGS 75.4 billion) of the total assets of the banking sector of the Kyrgyz Republic.

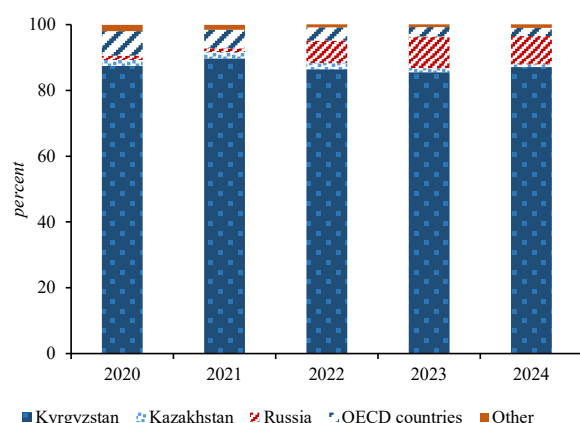
**Chart 2.2.14. Geographic Structure of Assets**



Source: NBKR.

2.5 percent of the liabilities to non-residents were accounted for the OECD countries, 0.6 and 8.6 percent – for the Republic of Kazakhstan and the Russian Federation, accordingly (Chart 2.2.15).

**Chart 2.2.15. Geographic Structure of Liabilities**

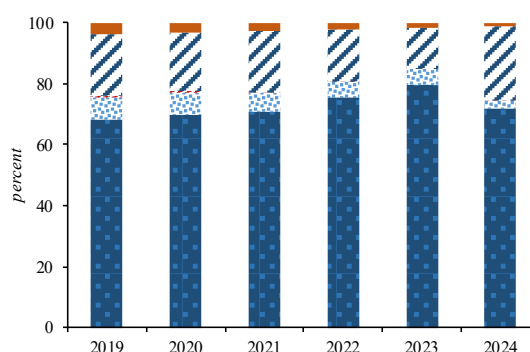


Source: NBKR.

The main share of assets placed abroad is focused on correspondent and deposit accounts and constituted KGS 149.6 billion or 92.1 percent of the total placed assets of non-residents (Chart 2.2.14).

At the end of 2024, banks' liabilities to non-residents of the Kyrgyz Republic totaled KGS 87.4 billion or 12.9 percent of the total liabilities of the banking sector. Significant volume of these resources was drawn from individuals and non-resident legal entities, as well as from non-resident banks in the form of deposits, which amounted to KGS 77.2 billion or 88.3 percent of the total liabilities to non-residents.

**Chart 2.2.16. Authorized Capital by Countries**



Source: NBKR.

At the end of 2024, foreign capital amounted to KGS 21.6 billion or 28.0 percent of the total authorized capital of the banking sector. The structure of foreign capital by countries is distributed among (Chart 2.2.16):

- residents of the OECD countries – 24.4 percent,
- residents of the Republic of Kazakhstan – 2.7 percent,
- residents of other countries – 1.0 percent.

## 2.3. “Reverse” Stress Testing of the Banking Sector

### 2.3.1. “Reverse” Stress Testing of Credit Risk<sup>17</sup>

Maximum allowable share of “performing” loans<sup>18</sup> in the loan portfolio, which upon categorized as “non-performing” loans can reduce the CAR (capital adequacy ratio) down to the threshold level of 12 percent, is calculated by means of the “reverse” stress testing of the credit risk.

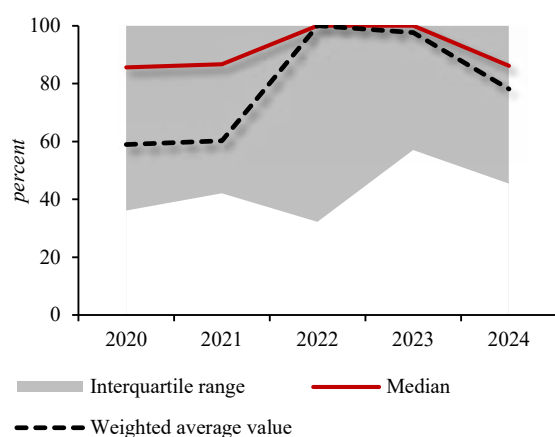
This method allows detecting a buffer stock of capital (net total capital) of banks, which can cover the additional allocations to LLP in connection with the transformation of “performing” loans into the category of “non-performing” loans<sup>19</sup>.

Moreover, the maximum growth rate of “non-performing” loans, where capital adequacy (K2.1) will be reduced to the threshold level of 12 percent, can be calculated by means of this method.

Based on the results of the “reverse” stress testing of the banking sector as of December 31, 2024, the maximum allowable share of “performing” loans, transferring to the category of “non-performing” in the banking sector, amounted to approximately 78.1 percent (Chart 2.3.1).

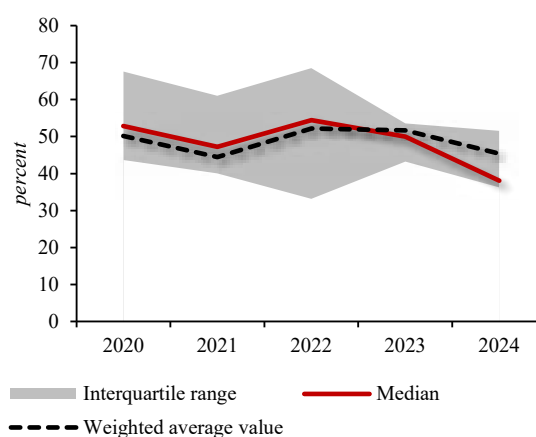
Thus, the banking sector can sustain a significant deterioration in the quality of the loan portfolio, which may require the creation of additional LLP. The volume of additional LLP can reach 45.4 percent of the net total capital (Chart 2.3.2).

**Chart 2.3.1. Maximum Possible Share of “Performing”<sup>20</sup> Loans that May Become “Non-performing” Loans<sup>21</sup>, percent of performing loans**



Source: NBKR.

**Chart 2.3.2. Additional LLP, in Creating thereof CAR Decreases to 12 Percent percent of NTC**



Source: NBKR.

<sup>17</sup> Exclusive of troubled banks.

<sup>18</sup> Exclusive of “normal” loan category, which are risk free.

<sup>19</sup> Herewith, transition of “performing” loans to the category of “non-performing” loans is fulfilled smoothly by three categories (“substandard”, “doubtful” and “losses”).

<sup>20</sup> Exclusive of “normal” loan category, which are risk free.

<sup>21</sup> When CAR decreases to the threshold level of 12 percent.

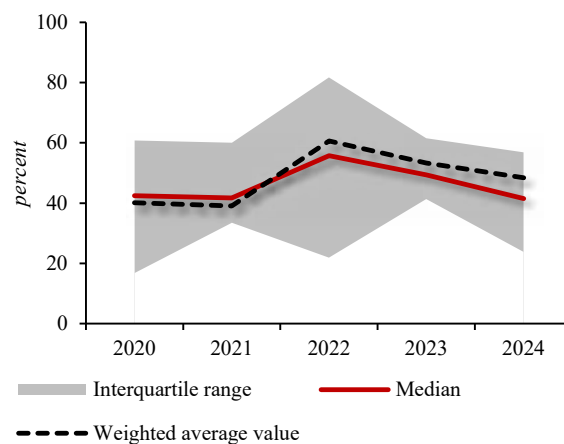
### 2.3.2. “Reverse” Stress Testing of Liquidity Risk

The reserve of liquid assets, which can cover a massive outflow of deposits of the clients’ total deposit base, without violating the NBKR prudential standard on the current liquidity, was calculated for the evaluation of the liquidity risk in the banking sector.

**Shock** is the maximum volume of the outflow of the individuals’ and non-financial enterprises’ deposits, which may reduce the liquidity ratio down to the threshold level of 45 percent.

The results of the “reverse” stress testing show (Chart 2.3.3), that as at December 31, 2024, the actual amount of liquid assets of the banking sector was able to cover the deposits outflow of an average of 48.4 percent of the clients’ total deposit base (Table 2.3.1).

**Chart 2.3.3. Scope of Potential Outflow of Deposits when K3.1 May Drop to 45 Percent, percent of clients’ total deposits**



Source: NBKR.

### 2.3.3. “Reverse” Stress Testing of Market Risk

The results of the “reverse” stress testing of the market risk indicate that the banking sector as of December 31, 2024 has little sensitivity to the interest rate and currency risks.

#### Interest Rate Risk

**Scenario 1** – decrease of average weighted interest rate on loans, when the level of capital adequacy decreases to the threshold level (12 percent).

The results of the “reverse” stress testing indicate little sensitivity of the banking sector to the direct interest rate risk. Decrease of the average interest rates on loans by 20.7 percentage points can reduce the level of capital adequacy ratio to 12 percent (Table 2.3.1).

Generally, the results of the “reverse” stress testing show that the banking sector is characterized by low level of interest rate risk.

#### Currency Risk (Revaluation Risk)

Maximum increase level of the KGS/USD exchange rate, which will influence capital adequacy and net profit, is calculated for valuation of the currency risk in the banking sector.

**Scenario 1** – maximum increase level of the KGS/USD exchange rate, when the level of capital adequacy (K2.1) declines to the threshold level (12 percent).

Calculations of the “reverse” stress testing indicate that the banking sector is characterized by low risk of assets and liabilities revaluation and confirms availability of low sensitivity to currency risk (Table 2.3.1).

**Scenario 2** – maximum increase level of the KGS/USD exchange rate, when net profit of the commercial banks decreases to zero level.

The results of stress testing indicate that the commercial banks can stand the impact of currency risk (Table 2.3.1).

**Table 2.3.1. General Results of the “Reverse” Stress Tests as of December 31, 2024**

		Banking sector
Credit risk		
Scenario 1	Share of performing loans transferring to the category of "non-performing" loans, in percent	78.1
Interest rate risk		
Scenario 1	Decrease of weighted average interest rate on loans, when CAR declines to 12%, in percentage points	20.7
Currency risk		
Scenario 1	USD/KGS rate growth rate (±) at which the CAR falls to 12%, <i>in percent</i>	change of currency rate by 100% percent ( KGS/USD)
Scenario 2	Growth rate of USD/KGS (±) exchange rate, when CAR decreases to 12%, in percent	
Liquidity risk		
Scenario 1	Outflow of clients' deposit and received loans of the total deposits and loans, when current liquidity ratio declines to 45%, in percent	48.4



### III. NON-BANKING FINANCIAL-CREDIT ORGANIZATIONS

*In general, the state of the system of non-banking financial-credit organizations (NBFCOs) is assessed as stable. Increase of major indicators such as assets, loan portfolio, and resource base is observed. At the same time, in the reporting period, the profitability indicators of NBFCOs demonstrated downward trend.*

*Stress test results indicate that the credit risk of the NBFCOs system is moderate.*

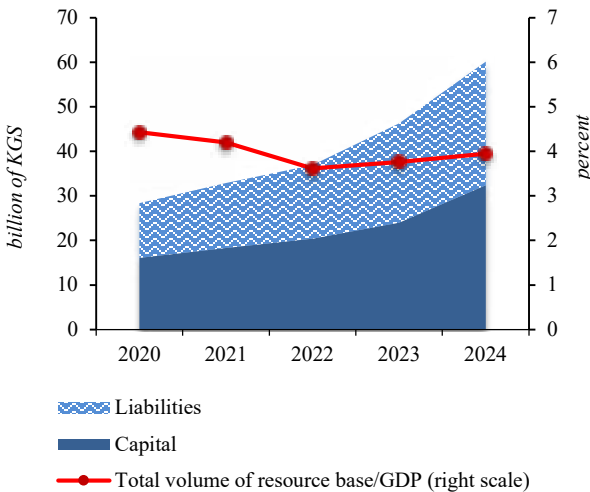
*Weighted average interest rates on loans of the microfinance organizations decreased compared to 2023.*

#### 3.1. Main Trends

The system of non-banking financial-credit organizations subject to licensing and regulation by the National Bank as of December 31, 2024 in the Kyrgyz Republic included: the specialized financial-credit organization “FCCU” JSC, 78 credit unions, 108 microfinance organizations (including 9 microfinance companies, 64 microcredit companies and 35 microcredit agencies), as well as 765 exchange bureaus.

##### Resources

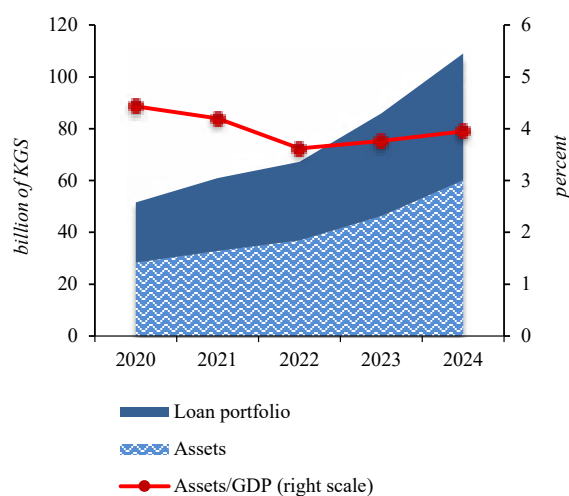
**Chart 3.1.1. Dynamics of NBFCOs Liabilities and Capital**



At the end of 2024, NBFCOs’ liabilities increased by 24.3 percent compared to 2023 and were formed in the amount of KGS 27.7 billion. As of December 31, 2024, NBFCOs’ capital increased by 35.2 percent and totaled KGS 32.4 billion (Chart 3.1.1).

Source: NBKR.

## Assets

**Chart 3.1.2. Dynamics of NBFCOs Assets and Loans**

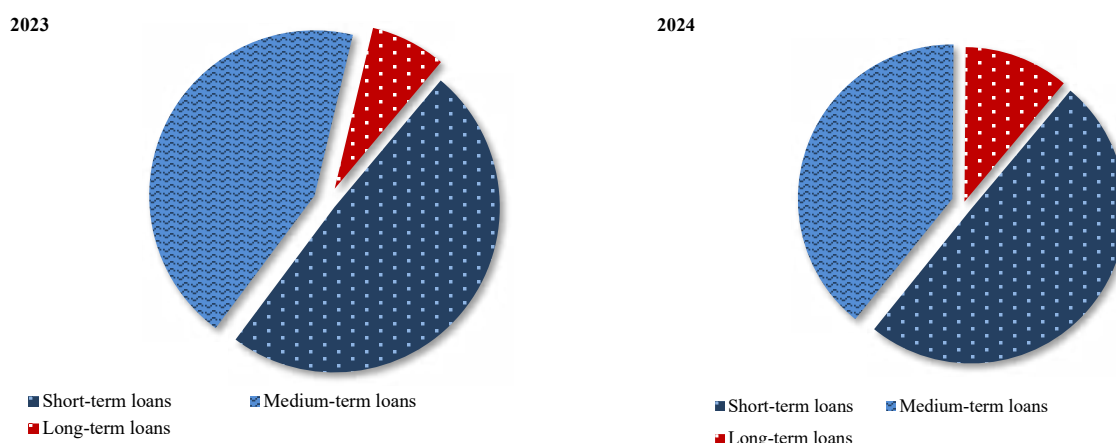
Source: NBKR, NBFCOs.

According to the periodic regulatory reporting data, the total assets of NBFCOs in 2024 increased by 30.0 percent and amounted to KGS 60.1 billion<sup>22</sup>. This increase was due to growth in the loan portfolio of NBFCOs (Chart 3.1.2).

Lending remains the main activity of NBFCOs. As of December 31, 2024, the loan portfolio of NBFCOs increased by 27.2 percent and formed in the amount of KGS 48.9 billion.

As at December 31, 2024, the number of borrowers increased by 15.5 percent compared to 2023 and amounted to 581,612 borrowers.

There was an increase in the share of long-term and short-term loans, as well as a decrease in the share of medium-term loans within the maturity structure of loans provided by the NBFCOs in the reporting period (Chart 3.1.3).

**Chart 3.1.3. Structure of the NBFCOs Loan Portfolio by Maturity, in percent<sup>23</sup>**

Source: NBKR, NBFCOs.

The main regions where the major share of NBFCOs loan portfolio is concentrated (77.5 percent of the total loan portfolio) are Bishkek city, as well as Chui, Osh and Jalal-Abad regions, which is due to the highest level of business activity in these regions of the republic.

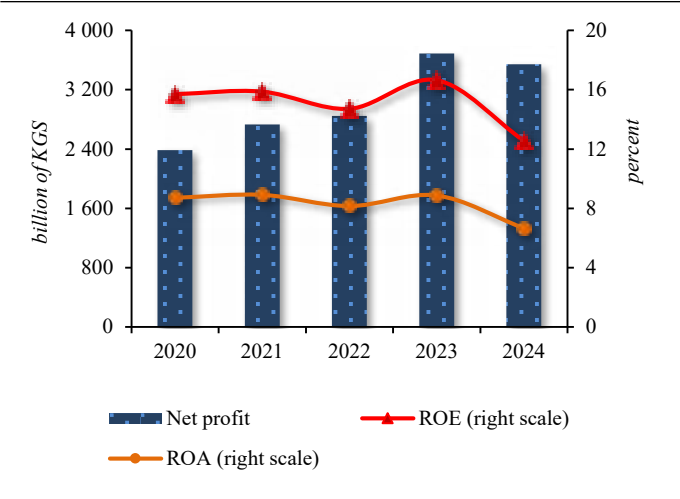
<sup>22</sup> Exclusive of SFCOs.

<sup>23</sup> Data for the period.

Revenue Position<sup>24</sup>

According to the results of 2024, net profit of NBFCOs decreased by 4.0 percent compared to 2023 and amounted to KGS 3.5 billion. At the end of December 2024, ROA decreased by 2.2 percentage points and amounted to 6.7 percent, ROE decreased by 4.1 percentage points and constituted 12.6 percent (Chart 3.1.4).

Chart 3.1.4. Dynamics of NBFCOs Revenue Position<sup>25</sup>



Source: NBKR, NBFCOs.

<sup>24</sup> ROA and ROE indices are provided in annual term.

<sup>25</sup> Exclusive of SFCOs.

### 3.2. Risks of Non-banking Financial-Credit Organizations

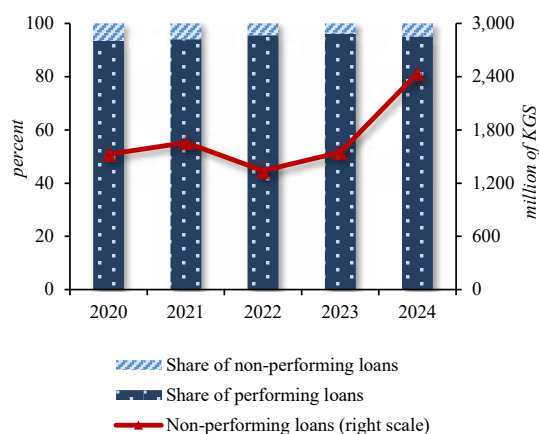
Major risk factors of the activities of NBFCOs are the quality of the loan portfolio, sectoral and institutional concentration, as well as status of the NBFCOs external debt.

#### Quality of the NBFCOs Loan Portfolio

As at December 31, 2024, the share of non-performing loans in the loan portfolio of NBFCOs constituted 4.3 percent, their nominal volume increased by KGS 889.5 million, or by 57.4 percent compared to 2023 (Chart 3.2.1).

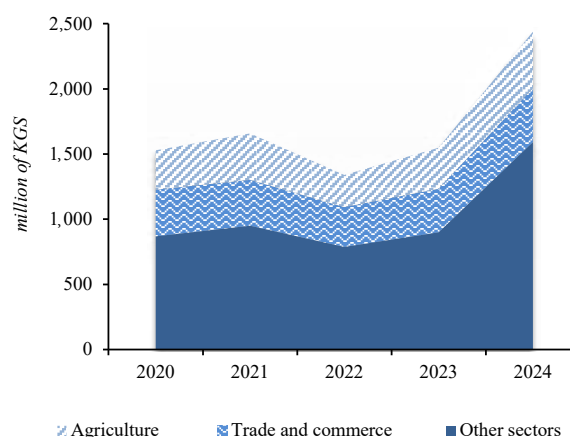
At the end of 2024, the structure of NBFCOs non-performing loans demonstrated a decrease in the share of defaulting loans issued for trade (by 4.8 percentage points), and loans issued for agriculture (by 2.5 percentage points), however, there was an increase in the share of consumer loans (by 5.8 percentage points) compared to 2023. The shares of defaulting consumer loans, loans issued for agriculture and trade in the total non-performing loans of NBFCOs constituted 43.7, 17.7 and 16.9 percent, accordingly (Chart 3.2.2).

**Chart 3.2.1. Quality of NBFCOs Loan Portfolio**



Source: NBKR.

**Chart 3.2.2. Structure of NBFCOs Non-performing Loans by Sectors of Economy**



Source: NBKR.

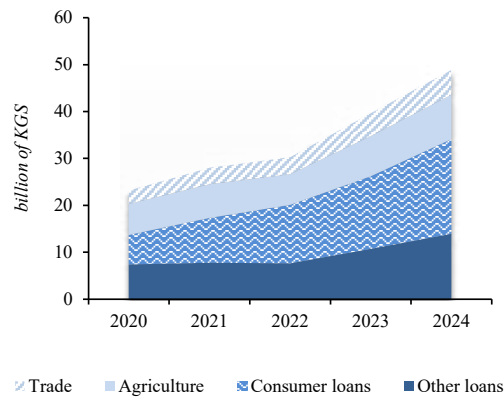
#### Sectoral Concentration

The NBFCOs loan portfolio is concentrated in consumer loans (41.2 percent of NBFCOs total loans), as well as in the loans issued to agriculture and trade (19.4 and 10.8 percent of NBFCOs total loans, accordingly, Chart 3.2.3). Lending of agriculture is associated with significant dependence on climatic conditions.

**Institutional Concentration**

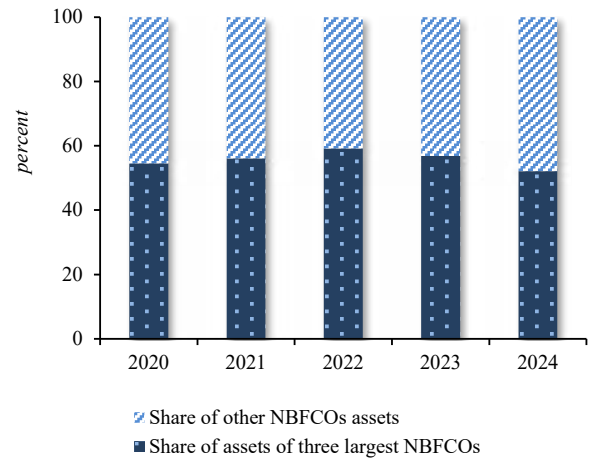
According to the results of 2024, the share of assets of three largest NBFCOs decreased by 4.8 percentage points compared to 2023 and constituted 52.1 percent of the total assets of the NBFCOs system (Chart 3.2.4).

**Chart 3.2.3. Sectoral Structure of NBFCOs Loan Portfolio**



Source: NBKR, NBFCOs.

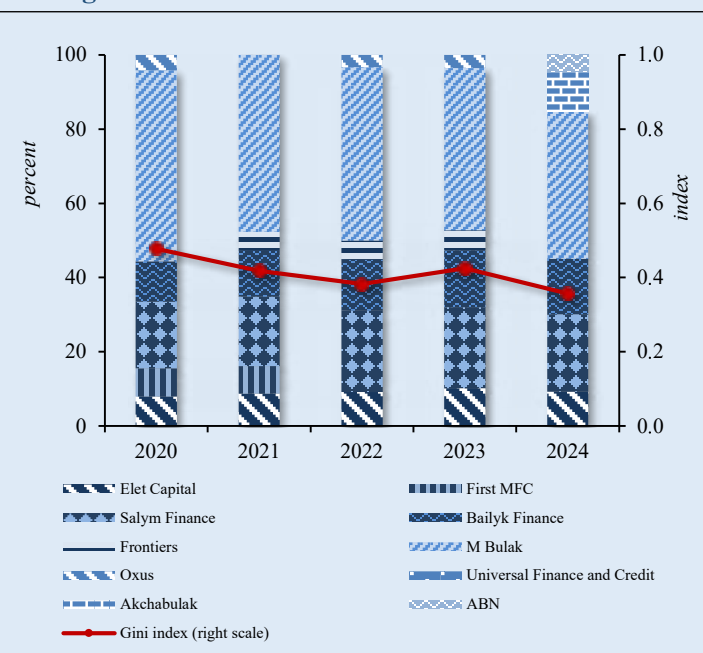
**Chart 3.2.4. Institutional Structure of NBFCOs Assets**



Source: NBKR, NBFCOs.

**Box 6. Concentration Indices based Assessment of NBFCOs Sector Activity<sup>26</sup>*****The Herfindahl-Hirschman Index***

Herfindahl-Hirschman<sup>27</sup> index was calculated for the purposes of concentration risk analysis in the NBFCOs sector. As of December 31, 2024, Herfindahl-Hirschman index for the NBFCOs sector constituted 1,166.7 points. According to the rule of thumb<sup>28</sup>, resulting value indicates availability of moderate concentration of NBFCOs' assets or moderate concentration of microfinance market.

**Chart 1. Dynamics of the Gini Index and Assets of 6 Largest NBFCO**

Source: NBKR, NBFCOs.

***The Gini Index***

The Gini index was calculated for estimating the uniformity of the NBFCOs assets distribution. As of December 31, 2024, the index value constituted 0.36 points. The Gini index value decreased by 0.07 points compared to 2023, which indicates a decrease in the level of concentration of asset distribution among 6 large NBFCOs (Chart 1).

<sup>26</sup> Concentration indices are calculated on the basis of data submitted by 6 largest NBFCOs.

<sup>27</sup>  $H = \sum_{i=1}^n (share_i)^2$ .

<sup>28</sup> The following rule of thumb was used for determining the level of market concentration:

- index value is below 0.1 (or 1.000) – insignificant market concentration;
- index value is from 0.1 to 0.18 (or from 1.000 to 1.800) – average market concentration;
- index value is above 0.18 (or 1.800) – high market concentration.

### ***External Debt Status of NBFCOs***

As of December 31, 2024, the external debt of NBFCOs amounted to USD 106.0 million. Major part of the external debt of NBFCOs are loan provided by the foreign financial-credit organizations (51.3 percent of total external debt of NBFCOs), the rest (48.7 percent) are loans of the international financial institutions.

At the end of 2024, external debt of the largest NBFCOs decreased by 65.4 percent compared to 2023 and amounted to USD 100.8 million.

### 3.3. Stress Testing of NBFCOs Sector

#### Stress Testing of the NBFCOs Credit Risk

Stress testing was conducted to assess the effect of deterioration of the loan portfolio quality on the NBFCOs sector.

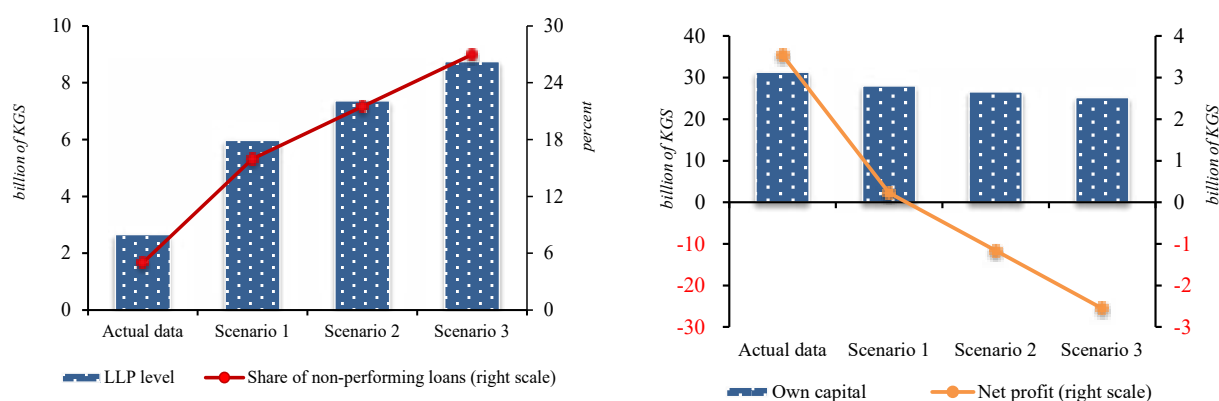
Three scenarios were considered when conducting stress testing:

- *scenario 1*: 50% of loans transition from one category to another;
- *scenario 2*: 75% of loans transition from one category to another;
- *scenario 3*: 100% of loans transition from one category to another.

The transition of loans from one category to another occurs uniformly by such categories as: “standard”, “under supervision”, “substandard”, “doubtful” and “losses”.

The level of loan loss provisions<sup>29</sup> in the loan portfolio of NBFCOs increased from 124.7 to 229.2 percent, depending on the scenario in conducting this stress testing (Chart 3.3.1).

**Chart 3.3.1. Results of Stress Testing of the Credit Risk as of December 31, 2024**



Source: NBKR.

It should be noted that deterioration in the loan portfolio entails a gradual decline in equity and net profit of NBFCOs. In case one of two scenarios implementation, the NBFCOs sector will experience losses in the amount of KGS 1,160.8 million and KGS 2,549.7 million, accordingly (Chart 3.3.1).

<sup>29</sup> MFOs create general and special loan loss provisions for relevant categories of classifications implementing the following allocations indicated in percentage from the amount of assets:

- Standard, in %	—	from 0 to 5
- Assets under supervision, in %	—	10
- Substandard, in %	—	25
- Doubtful, in %	—	50
- Losses, in %	—	100.



**Table 3.3.1. Results of Stress Testing of the Credit Risk**  
*percent*

	Share of non-performing loans in the loan portfolio of NBFCOs
Scenario 1: transition of 50% of loans from one category to another	16.0
Scenario 2: transition of 75% of loans from one category to another	21.5
Scenario 3: transition of 100% of loans from one category to another	27.0

*Source: NBKR*

Implementation of the first scenario may result in an increase in the share of non-performing loans in the loan portfolio of NBFCOs by 11.0 percentage points, to the level of 16.0 percent. In case of the second scenario, non-performing loans may increase by 16.5 percentage points, to the level of 21.5 percent, and in the implementation of the third scenario – by 22.0 percentage points and may reach the level of 27.0 percent.

## IV. PAYMENT SYSTEMS

*During the reporting period, the level of risks in the systemically important payment systems was within the accessible limits and was conditioned by the risk management mechanisms provided for by the legislation of the Kyrgyz Republic and the rules of payment systems, in particular, by the current high level of liquidity. Generally, the retail payment systems functioned stable in the Kyrgyz Republic despite geopolitical situation worldwide and strengthening of sanctions control by the USA, EU and Great Britain.*

Effective and uninterrupted payment system is one of the main factors, which determine stability of the financial sector in the country.

As of January 1, 2025, the payment system of the Kyrgyz Republic included the following components:

1) Large Value Payment System of the National Bank – Real Time Gross Settlement (RTGS);

2) Systems of Retail Payments – the System of Batch Clearing of Small Retail and Regular Payments (SBC), Systems of Payment Cards Settlement, Money Transfer Systems, E-money Payment Systems, systems to accept payments in favor of third parties;

3) Payment Messages Receiving and Processing Infrastructure (SWIFT Service Bureau, interbank communication network, payment systems' operators and payment organizations).

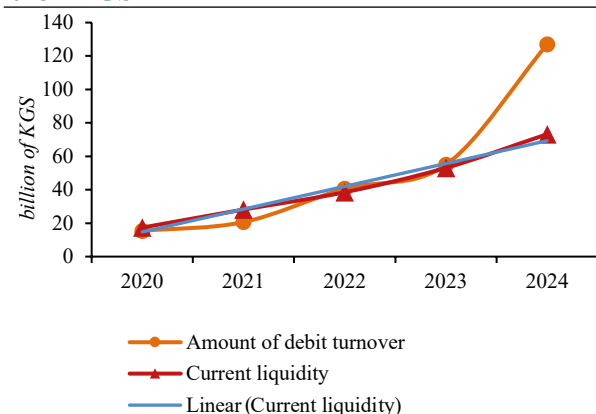
At the end of 2024, the following systems were recognized according to the criteria for the payment systems significance:

1) systemically important payment systems – the RTGS and SBC systems;

2) national payment systems – RTGS, SBC and Elcard systems.

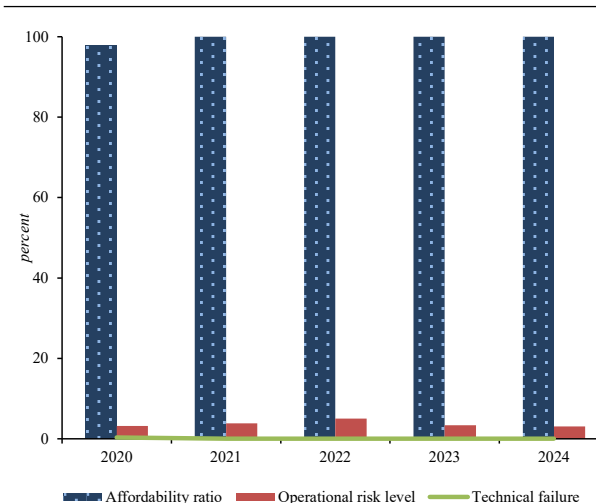
These systems are key participants of the payment system of the Kyrgyz Republic. Failures in operation of the systemically important payment systems may result in systemic risks for the payment and banking systems of the country, and therefore they are subject to increased requirements.

**Chart 4.1. Dynamics of Changes of Daily Average Indicator of Payment Volumes and Liquidity in the RTGS**



Source: NBKR.

**Chart 4.2. Ratio of Affordability and Operational Risk in the RTGS**



	2020	2021	2022	2023	2024
Technical failure, %	0.3	0.0	0.0	0.0	0.0
Affordability ratio, %	97.7	100.0	100.0	100.0	100.0
Operational risk level, %	3.2	3.9	5.1	3.3	3.1

Source: NBKR.

The RTGS functioned normally during 2024.

The level of financial risks in the RTGS remained low due to high level of liquid funds on the participants' accounts: average daily volume of participants' liquid assets showed an increase by 37.9 percent (compared to 2023) and amounted to KGS 73.2 billion.

During 2024, the RTGS availability ratio remained high and constituted 100.0 percent. Meanwhile, the level of operational risk, taking into account prolongation of the transaction day, was 3.1 percent.

In functioning of the SBC the level of financial risks in the reporting period was also low. Reserves exhibited by the participants to cover a debit net position were 4 times higher than the required level.

According to the results of the SBC operation monitoring, the system affordability ratio remained rather high and amounted to 99.9 percent during the reporting period. The level of operational risk in the system was 4.7 percent taking into account incidents that did not affect the system affordability and extending upon request of separate participants.

**Systems of Bank Payment Cards Settlements.** As of January 1, 2025, five international systems and 1 national payment card settlement system (hereinafter – the “Elcard” system) operated in the Kyrgyz Republic.

In the reporting period, 21 commercial banks worked with the national system “Elcard”.

In 2024, the results of operation monitoring and analysis indicated that the system affordability ratio was 99.81 percent, and the level of operational risks in the system taking into account technical failures was 0.2 percent.

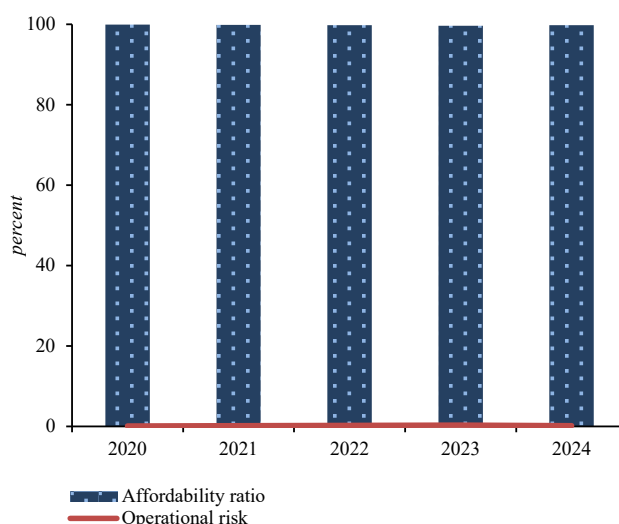
**Money transfer systems.** During 2024, receipt and transfer of international remittances without opening an account in the commercial banks were carried out by means of 11 international money transfer systems. As of January 1, 2025, 13 local money transfer systems functioned with the operators being the banks of the Kyrgyz Republic.

**E-money payment systems.** 11 commercial banks had a license to issue e-money, 6 commercial banks were the issuers of e-money, and 9 local e-money settlement systems operated as of the end of 2024.

As of January 1, 2025, the number of e-wallets increased by 17.8 percent compared to the same period of 2024 and amounted to more than 7.6 million wallets.

**Financial messaging channels.** The banking and payment systems of the Kyrgyz Republic use the

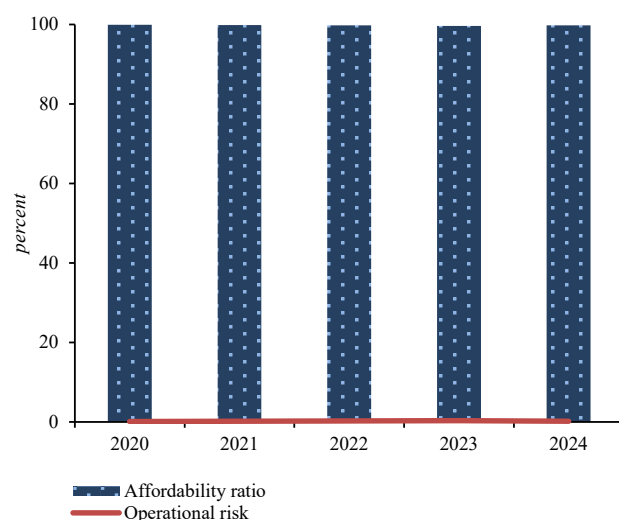
**Chart 4.3. Ratio of Affordability Index and Operational Risk in the SBC**



	2020	2021	2022	2023	2024
Technical failure, %	0.1	0.3	0.1	0.2	0.1
Affordability ratio, %	98.0	99.7	99.9	99.8	99.9
Operational risk level, %	3.1	6.4	5.1	3.4	4.7

Source: NBKR.

**Chart 4.4. Ratio of Affordability Index and Operational Risk in the SIPC**



	2020	2021	2022	2023	2024
Affordability ratio, %	99.9	99.8	99.8	99.7	99.8
Operational risk, %	0.1	0.2	0.2	0.3	0.2

Source: NBKR.

following channels to exchange financial messages:

- interbank communication network;
- financial message transmission channels (SWIFT, etc.);
- Bank-Bank / Bank-Client systems.

SWIFT is the main channel for the banking system to exchange safely cross-border financial messages with its correspondent banks.

As of January 1, 2025, 49 organizations holding payment system operator's and payment organization's licenses **accepted payments in favor of third parties**. Given that there are a lot of players in the market, competition in this segment is developed and concentration risks are minimized.

*Note: the above information was prepared on the basis of reports submitted by the supervised entities and is subject to change due to adjustments on their part.*

## V. IMPROVEMENT OF THE FINANCIAL SECTOR REGULATION

*In the reporting period, development of the regulatory legal framework governing the activities of financial-credit organizations was focused on improving the principles of Islamic finance, developing the conditions for providing banking services, developing the lending system, and protecting the consumers' rights.*

1. The Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On approval of the Regulation “On the requirements to form, publish and submit the financial statements to the National Bank of the Kyrgyz Republic by the non-banking financial-credit organizations conducting transactions in accordance with the principles of Islamic banking and finance” No.2024-P-12/5-4-(NPA) on February 14, 2024 in order to create equal legal environment for the traditional non-banking financial-credit organizations and non-banking financial-credit organizations conducting transactions according to the principles of Islamic finance.

2. New edition of the “Rules to regulate the guarantee funds’ activities” was approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2024-P-12/8-3-(NPA) dated February 28, 2024 in order to approve the forms and format for submitting the regulatory reporting by the guarantee funds to the National Bank.

3. The Resolution of the Board of the National Bank of the Kyrgyz Republic “On introduction of amendments into the Resolution of the Board of the National Bank of the Kyrgyz Republic “On clients remote identification and verification” No. 2024-P-12/8-4-(NPA) was adopted on February 28, 2024 in order to expand the possibilities of remote identification and verification of the bank clients – citizens of the Kyrgyz Republic engaged in entrepreneurial activities as individual entrepreneurs.

4. The Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic” No. 2024-P-12/10-3-(BS) on March 13, 2024 in order to bring the regulatory legal acts of the National Bank in compliance with the Law of the Kyrgyz Republic “On Introduction of Amendments into the Law of the Kyrgyz Republic “On Protection of Bank Deposits” No. 207 dated December 14, 2023.

5. New edition of the “Rules to regulate the activity of Financial Company of Credit Unions OJSC” was approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2024-P-12/12-2-(NFKU) dated March 20, 2024 in order to revise the forms and format for submitting the regulatory reporting by Financial Company of Credit Unions OJSC to the National Bank, as well as to improve the standards for regulation of its activities.

6. On April 3, 2024, the Board of the National Bank of the Kyrgyz Republic approved the Resolution No. 2024-P-12/15-1 “On introduction of amendment into the Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of the Regulation “On prudential regulations and requirements mandatory for the commercial banks of the Kyrgyz Republic” No. 2022-P-12/78-7-(NPA) dated December 14, 2022”.

The Resolution is focused on changing the terms of compliance by the systemically important commercial banks with the value of the total capital adequacy ratio (K2.1).

7. The Resolution of the Board of the National Bank of the Kyrgyz Republic “On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic on information security audit” No. 2024-P-12/17-2-(NPA) was adopted on April 12, 2024 in order to reduce the operational risk related to the information systems and information security of the bank.

8. On April 12, 2024, the Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic on recognition of rating agencies” No. 2024-P-12/17-3-(NPA).

The Resolution provides for changes in using the ratings of the rating agencies, transactions with affiliated and bank related parties.

9. The Board of the National Bank of the Kyrgyz Republic approved the Resolution “On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic” No. 2024-P-12/22-1-(NPA) on May 15, 2024 in order to improve the requirements of the regulatory legal acts of the National Bank on impact measures taking into account the supervisory practice.

10. Amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic on the issues of LTV ratio, the amount of penalties (forfeit) and capital adequacy of the banks were adopted by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2024-P-12/28-2-(NPA) dated July 5, 2024 in order to protect the rights of the financial services consumers, as well as to assist in ensuring the national and food security of the country.

The Resolution introduced new requirements for the financial-credit organizations to set the LTV ratio for real estate (i.e. the ratio of decrease in the market value of the collateral accepted to secure a loan) in the amount not exceeding 50 percent of the collateral value.

Thus, the financial-credit organizations, when establishing the LTV ratio for real estate, are entitled to decrease the LTV ratio, but not more than by 50 percent of the collateral value at the time of loan issue.

The Resolution also provides for the issues on:

- 1) reducing the amount of accrued forfeit (penalties, fines) on the borrower's overdue loan debt;
- 2) support to finance the priority projects contributing to the national economy;
- 3) reduction of the interest rates on new loans of the commercial banks, as well as on consumer, trade and commercial loans.

11. The Resolution of the Board of the National Bank of the Kyrgyz Republic "On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic" No. 2024-P-12/28-3-(NPA) was adopted on July 5, 2024, in terms of asset classification and credit risk management according to the principles of Islamic finance.

12. The Resolution of the Board of the National Bank of the Kyrgyz Republic "On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic" in part of submitting information on legal entity tax registration No. 2024-P-12/36-1-(NPA) was adopted on August 14, 2024 in order to bring it in line with the tax legislation of the Kyrgyz Republic.

13. The Board of the National Bank of the Kyrgyz Republic adopted the Resolution "On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic" No. 2024-P-12/37-1-(NPA) on August 21, 2024 in order to update the forms of regulatory reporting of the non-banking financial-credit organizations that conduct transactions according to the principles of Islamic finance.

14. Amendments were introduced into some regulatory legal acts on loans issue within the framework of the state programs implementation by the Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2024-P-12/46-3-(NPA) on September 25, 2024 in order to bring these acts in line with the Law of the Kyrgyz Republic "On Introduction of Amendments into the Law of the Kyrgyz Republic "On Banks and Banking Activity".

15. The Resolution of the Board of the National Bank of the Kyrgyz Republic "On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic" No. 2024-P-12/53-2-(NFKU) dated October 16, 2024 was adopted in order to expand access to microcredits, optimize the process of their issuance and reduce operating costs of non-banking financial-credit organizations. In particular, according to the resolution, the threshold of the amount of loans issued without consent of the client's spouse was increased, the opportunity was provided for the non-banking financial-credit organisations not to make reports under certain conditions on verification of the loans targeted use.

In addition, the microfinance organisations were given the right to independently determine the methodology for analysing and assessing the solvency of the borrower and the guarantor depending on the size and type of the loan, the client's activity and income. Requirements were also established to protect the pledgers' rights and norms were adopted to reduce the debt burden of the borrowers in terms of accrued penalties (fines, forfeits).

In addition, amendments were envisaged aimed at establishing a standard for the microfinance companies on capital investments, as well as tightening the requirements of the regulatory legal acts in terms of exchange operations, and strengthening the responsibility of the supervised persons/entities for violation of the legislation of the Kyrgyz Republic.

16. The Board of the National Bank of the Kyrgyz Republic adopted the Resolution No. 2024-P-12/58-2-(NPA) on October 31 in order to implement certain norms of tax legislation taking into account the peculiarities of tax registration of the individuals conducting business on the basis of tax on activities

implemented in the trade zones with special regime.

17. On October 31, the Board of the National Bank of the Kyrgyz Republic adopted the Resolution No. 2024-P-12/58-1-(NPA) in order to provide the banks with the possibility of extended choice of the audit companies.

18. On November 27, 2024, the Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On introduction of amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic” No. 2024-P-12/63-1-(NPA). The Resolution was adopted in order to reduce the exposure of the financial-credit organizations’ clients to fraudulent actions when applying for loans remotely. Taking into account the nature of fraudulent actions, the regulatory legal acts of the National Bank were supplemented with the term “cooling period” and the minimum cooling period was established for loans issued remotely.

19. On December 4, 2024, the Board of the National Bank adopted the Resolution “On introduction of amendments into the Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of the Regulation “On classification of assets and appropriate allocations to the loan loss provisions” No. 18/3 dated July 21, 2004” No. 2024-P-12/64-3-(NPA) in order to stimulate financing of strategic directions in the economy, to create regulatory conditions for target and project financing in the economic sectors of the country.

20. On December 11, 2024, the Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On introduction of amendments into the Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of “Rules for regulation of the microfinance organizations operating according to the principles of Islamic banking and finance” No. 2024-P-12/66-1-(NPA)” in order to create uniform legal environment for the conventional and Islamic financial-credit organizations.

21. On December 27, 2024, the Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On introduction of amendments into the Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of the Regulation “On special regulatory regime” No. 2020-P-12/45-3-(NPA) dated August 12, 2020” No. 2024-P-12/71-2-(NPA) in order to improve the conditions for establishment and implementation of the special regulatory regime.

22. The Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of the Regulation “On internal procedures for assessment of commercial banks’ capital adequacy in the Kyrgyz Republic” No. 2024-P-12/71-3-(BS) was adopted on December 27, 2024 in order to increase the resilience of the banks to external and internal shocks, strengthen the capital base, as well as to improve the internal control and risk management system of the banks.

23. The Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of the Regulation “On minimum requirements for the Code of corporate governance of the commercial banks of the Kyrgyz Republic” No. 2024-P-12/71-4-(NPA) was adopted on December 27, 2024 in order to improve the requirements for corporate governance in the commercial banks and increase transparency in the corporate governance system of the banks.



## GLOSSARY

*A bank deposit* is the amount of money, accepted by a financial-credit organization under contract from another person on the terms of repayment, payment and maturity. Deposits can be time and demand. Demand deposits are made without specifying the shelf life, and time deposits are made for a certain period.

*A bank loan* is money provided by a bank for a fixed period under the terms of re-payment and payment of loan interest.

*A foreign exchange market* is a market in which the purchase/sale of foreign currencies is made. By the economic content, it is a sector of the money market, where supply and demand for a specific product such as currency are balanced. According to its purpose and form of organization, it is a set of specific institutions and mechanisms that in concert provide an opportunity to freely sell and/or buy domestic and foreign currency on the basis of supply and demand.

*A money market* is a market in which there is the giving and receiving of funds in the form of loans and securities for a short term within the range of participants.

*Return on securities* is the ratio of the annual return on the security to its market price; the rate of return received by the owner of the security.

*The housing affordability index* is an indicator of the state of the housing market in terms of the possibility of acquiring apartments by the people. Calculated as the ratio of the average market value of a standard apartment (total area of 54 sq. m.) to the average annual income of a family of three (two adults and a child).

*The payment system affordability index* is a measure of the availability of the system as access to services and information for users of the system on their demand. Downtime of the system due to technical failures, power outages, late opening or early closing of the trading day of the system reduce the time to access the system.

*The liquidity ratio of payment systems* characterizes sufficiency of liquid funds in the accounts of the participants of the system for the payments and settlements.

*Macroprudential analysis* is an assessment and monitoring of strong sides and vulnerable spots of the financial system taken as a whole.

*Minimum consumer budget* is the cost of a set of minimum benefits and services to the subsistence minimum.

*A securities market* is organized exchanges and structures (securities depository companies, accounting and clearing houses), as well as other companies that provide services related to the activities of the exchange. This category includes depositories and electronic clearing systems, the activity of which is ensured by financial corporations and national self-regulatory organizations of oversight over the activities of stock exchanges and related institutional units or their regulation.

*Stress tests* are methods used for assessment of portfolios vulnerability with respect to significant changes in the macroeconomic situation or exceptional but possible events.

*An unemployment rate* is the percentage of the actual number of unemployed to the total economically active population.

*Financial assets* include equity instruments and units/shares of investment funds, debt instruments, derivatives, stock options for employees and monetary gold.

*VaR (value at risk)* is maximum possible losses in monetary terms over a certain period of time.



## LIST OF ABBREVIATIONS

CAR	– Capital Adequacy Ratio
CB	– Commercial Bank
CJSC	– Closed Joint-Stock Company
CPI	– Consumer Price Index
DTI (debt-to-income)	is the ratio of the amount of the borrowers' payments on loans (including the amount of principal and interest payments for the reporting period) to the main annual income of the borrower declared at the time of issuing a loan
FAO	– Food Agriculture Organization of the United Nations
FCCU	– Financial Company of Credit Unions
FCO	– Financial-Credit Organization
GDP	– Gross Domestic Product
K3.1.	– Economic Liquidity Ratio
KR	– Kyrgyz Republic
LLP	– Loan Loss Provisions
LTV (loan-to-value ratio)	is the ratio of issued loans to the value of collateral
MFO	– Microfinance Organization
M2	– Money Supply
NBFCOs	– Non-banking Financial-Credit Organizations
NBKR	– National Bank of the Kyrgyz Republic
NSC KR	– National Statistical Committee of the Kyrgyz Republic
NTC	– Net Total Capital
OCP	– Open Currency Position
OECD	– Organization for Economic Cooperation and Development
OJSC	– Open Joint-Stock Company
p.p.	– percentage point
PRBR	– Periodic Regulatory Bank Reporting
RLA	– Regulatory and legal acts
ROA	– Return on Assets
ROE	– Return on Equity
RTGS	– Real Time Gross Settlement System
SALRCGC under the CM KR	– State Agency for Land Resources, Cadastre, Geodesy and Cartography under the Cabinet of Ministers of the Kyrgyz Republic
SBC	– System of Batch Clearing
SFCO	– Specialized Financial-Credit Organization
SFSS (State Financial Supervision Service)	– State Service for Regulation and Supervision of Financial Markets at the Ministry of Economy and Commerce of the Kyrgyz Republic
SIPC	– Single Inter-bank Processing Center
ST-Bills	– State Treasury Bills
ST-Bonds	– State Treasury Bonds
SWIFT (Society for Worldwide Interbank Financial Telecommunications)	– International Interbank System to Transfer Information and Make Payments
USA	– United States of America

