



КЫРГЫЗ БАНКЫ

ANNUAL REPORT

2020



Bishkek-2021

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

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

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

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

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

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

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Dear Readers!

In 2020, the COVID-19 pandemic affected the economies of every country in the world. During the year, the activities of the National Bank of the Kyrgyz Republic were focused on supporting macroeconomic stability and maintaining the sustainability of the financial and payment systems in the country amid deep economic crisis, volatility of the world prices in the commodity and raw materials markets, and introduction of the restrictive measures in many countries to prevent the spread of the pandemic. The National Bank took prompt measures to mitigate the consequences of economic shocks by providing access to funds to maintain confidence in the financial system of the Kyrgyz Republic.

A surge in food prices in the global markets and supply chain disruptions have accelerated price increase in the region. The National Bank managed to keep the average inflation rate for 2020 within the range of 5-7 percent despite the impact of a number of shocks. Tactical measures of the monetary policy were taken with due regard to the need to ensure sufficient liquidity in the banking system, as well as to support lending to the economy.

In the reporting year, the key objective of the National Bank was to maintain the stability of the banking and financial systems in the country. Timely decisions were made to overcome the negative consequences of the COVID-19 pandemic, including those related to functioning of the banks amid imposed restrictive sanitary measures, easing the conditions for asset classification, suspension of certain prudential standards, revising the audit terms and publication of the financial statements. The requirements for issuing loans, monitoring thereof, and for opening accounts were simplified. The procedure for remote identification and verification of the individuals by the financial organizations without personal presence was determined.

Measures were taken to protect the rights of the financial services consumers. The National Bank paid special attention to considering the applications from the clients of the financial-credit organizations, whose number increased significantly. In order to support the borrowers during the crisis, the financial-credit organizations were prohibited to charge and collect commissions and other fees related to revision of the loan agreements terms, to impose and collect fines and penalties for improper performance by the borrowers of the obligations under the loan agreements and other measures. Thus, the banks revised the payments terms for individual loans and provided a grace period for payments for at least three months.

At the end of 2020, the key performance indicators of the financial-credit organizations demonstrated a sufficient margin of safety to contribute to maintaining the stability of the financial and banking system and to support the economy by uninterrupted issue of new loans.

Work was continued to ensure the safety and reliability of the payment systems by improving the legal framework, strengthening control over the smooth flow of payments amid restrictions imposed in the country due to the spread of COVID-19. Measures were taken to increase the population's access to payment services by increased coverage with the banking equipment and ability to make payments using innovative instruments.

A special regulatory regime, also known as the “regulatory sandbox” was created. It is a new instrument aimed at introducing innovative banking operations and technologies, promoting competition, and increasing the financial inclusion.

The annual report of the National Bank for 2020 was prepared in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” in compliance with the principles of openness, reliability and completeness of information and includes the financial statements confirmed by an independent international audit.

**Best regards,
Chairman**



T. Abdygulov

ECONOMIC SITUATION
IN THE KYRGYZ REPUBLIC
IN 2020



CHAPTER 1. ECONOMIC DEVELOPMENT OF THE KYRGYZ REPUBLIC IN 2020

In 2020, the economy of the Kyrgyz Republic suffered the influence of a significantly deteriorated external environment and the internal political challenges. The consequences of the COVID-19 pandemic and the political situation have negatively affected all sectors of the economy, except for agriculture. Restrictive measures and increased demand for food products have significantly accelerated the rates of price growth. Measures taken by the Government of the Kyrgyz Republic and by the National Bank of the Kyrgyz Republic to maintain economic stability contributed to continued stimulating monetary policy and support of the real sector of economy. The situation in the public finance sector has become much more complicated due to a decline in production output, broken supply chains and export-import operations. The Government of the Kyrgyz Republic took emergency measures to attract external assistance such as grants and loans to finance the increased budget deficit.

The current account was formed with surplus, mainly due to a decrease in import of goods and services, as well as a reduction in incomes payable to non-residents amid the COVID-19 pandemic and related restrictive measures. The positive current account balance was accompanied by net capital outflow on the capital and financial account. The overall balance of payments was negative. As of the end of 2020, gross international reserves were sufficient to cover 6.4 months of the future import of goods and services.

1.1. Real Sector of Economy¹

Industry

In 2020, the rates of economic growth demonstrated a significant decline under the influence of restrictive measures taken to prevent the spread of COVID-19 pandemic and unstable political situation in the country. According to the preliminary data of the National Statistical Committee of the Kyrgyz Republic (NSC KR), GDP at then-current prices decreased by 8.6 percent in real terms (in 2019, the growth was 4.6 percent) and amounted to KGS 598.3 billion.

Table 1.1.1.

Structure of the Gross Domestic Product

	2019			2020		
	Share, percent	Growth rate, percent	Contribution to growth, percentage points	Share, percent	Growth rate, percent	Contribution to growth, percentage points
GDP	100	4.6	4.6	100	-8.6	-8.6
Agriculture, forestry and fishery	11.7	2.5	0.3	13.5	1.1	0.1
Industry	19.0	6.6	1.2	21.2	-7.5	-1.4
<i>Mining</i>	1.9	22.2	0.2	1.6	-22.4	-0.4
<i>Manufacturing (processing)</i>	14.7	7.8	1.1	17.0	-7.2	-1.1
<i>Provision (supply) of electricity, gas, steam and conditioned air</i>	2.2	-3.7	-0.1	2.3	2.7	0.1
<i>Water supply, purification and treatment of waste and generation of secondary materials</i>	0.2	-3.8	0.0	0.2	-2.1	0.0
Construction	9.5	10.7	1.0	8.3	-15.9	-1.5
Services	46.5	3.2	1.5	46.2	-10.0	-4.7
<i>Wholesale and retail trade; repair of motor vehicles and motorcycles</i>	17.6	5.9	1.1	16.2	-15.7	-2.8
<i>Transportation and storage of goods</i>	4.0	4.2	0.2	3.0	-30.9	-1.2
<i>Information and communication</i>	2.7	-0.5	0.0	2.7	-3.9	-0.1
<i>Other</i>	22.3	1.2	0.3	24.4	-2.6	-0.6
Net (less subsidies) taxes on products	13.3	4.6	0.7	10.8	-8.6	-1.1

Source: NSC of KR

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

Excluding the enterprises involved in the Kumtor Gold Mine development, GDP reduction reached 9.0 percent (in 2019, the growth was 4.1 percent). The GDP deflator was positive at 5.8 percent against 3.9 percent in 2019. The reduction in GDP was due to negative contribution from all main sectors of economy, excluding agriculture.

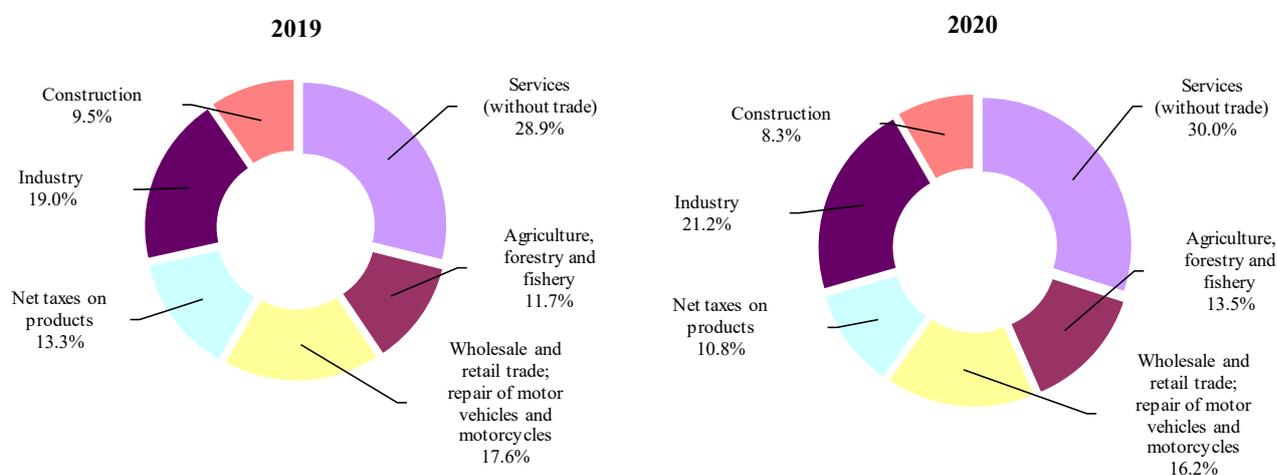
Following the results of 2020, the industrial sector showed decline by 7.5 percent against growth by 6.6 percent in 2019. Meanwhile, excluding the enterprises involved in the Kumtor Gold Mine development, the output of industrial sector decreased by 10.0 percent (in 2019, the growth was 3.9 percent). The contribution of industry to economic growth amounted to – 1.4 percentage points against positive contribution of 1.2 percent in 2019.

A decline in industrial production output was mainly caused by a decrease in production of petroleum products (by 59.3 percent), textile, clothes and footwear, leather and leather products (by 21.5 percent), wood and paper products, printing activities (by 13.2 percent).

In 2020, the share of industry in the GDP structure was 21.2 percent, having increased by 2.2 percentage points compared to the previous year.

Chart 1.1.1.

GDP Sector Composition by Types of Economic Activity



Following the results of 2020, the real production output in the agricultural sector grew by 1.1 percent, having decreased by 1.4 percent as compared to 2019. The contribution of agriculture to GDP growth was 0.1 percentage point. It was conditioned by increased production output in the livestock-breeding sector (by 2.0 percent).

In the reporting year, the share of agriculture in the GDP structure was 13.5 percent against 11.7 percent in 2019.

The services sector demonstrated decline by 10.0 percent (in 2019, the growth was 3.2 percent) due to a significant reduction in the volume of transport activities and cargo storage (by 30.9 percent) and in the turnover of wholesale and retail trade, cars and motorcycles maintenance (by 15.7 percent). At the same time, a decrease in the information and communications sector by 3.9 percent made a negative contribution to the decline in the services sector.

In the reporting year, the share of the services sector in the GDP structure was 46.2 percent, having decreased by 0.3 percentage points as compared to 2019.

The decrease in the turnover of the wholesale and retail trade, cars and motorcycles maintenance compared to the previous year was conditioned by the reduction in the volume of wholesale (by 18.4 percent) and retail (by 15.4 percent) trade. In 2020, the contribution of this sector to GDP growth was – 2.8 percentage points against an increase of 1.1 percentage points in 2019.

In 2020, the volume of output in the construction sector decreased by 15.9 percent (in 2019, growth in the construction sector was 10.7 percent), which was conditioned

Agriculture

Trade and services sector

Construction

by the reduction of capital investments. This sector contributed – 1.5 percentage points to GDP formation against 1.0 percentage point in 2019.

Investment

The volume of capital investments spent decreased by 24.7 percent (in 2019, the increase of the same indicator was 5.8 percent). In 2020, the volume of capital investments financed from the domestic sources decreased by 18.9 percent: the bank loans (by 2.2 times), the republican budget (by 1.8 times), the local budget (by 28.0 percent), the funds of the population (18.2 percent), as well as the enterprises and organizations (by 14.3 percent). Generally, the volume of investments financed from the foreign sources decreased by 38.8 percent: foreign grants and humanitarian aid (by 2.0 times), foreign direct investments (by 1.8 times), foreign loans (by 31.3 percent).

1.2. Public Finance Sector¹

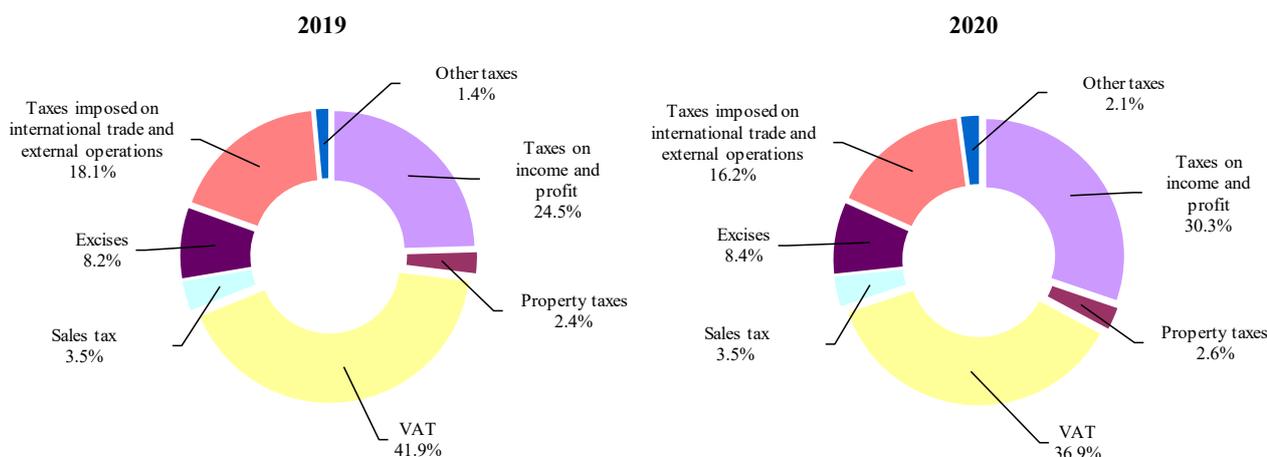
Fiscal policy

The state budget deficit and the public debt exceeded the levels observed in 2017-2019 due to decreased production output and subsequent reduction in incomes, as well as emergency measures taken to support economic activity. Following the preliminary results of 2020, the state budget deficit increased from 0.1 percent of GDP in 2019 up to 3.3 percent of GDP (KGS 19.7 billion). Social orientation of public expenditures was still observed in the fiscal policy. The primary budget deficit² was KGS 11.2 billion, or 1.9 percent of GDP.

The state budget revenues from operating activities decreased by 9.1 percent or KGS 15.2 billion as compared to 2019 and amounted to KGS 152.1 billion or 25.4 percent of GDP. Amid economic recession, tax revenues, comprising the main share (70.3 percent) in the revenue structure, amounted to KGS 106.9 billion, having decreased by 12.0 percent compared to the previous year. At the same time, according to the preliminary results of 2020, non-tax revenues increased by 3.1 percent and amounted to KGS 33.3 billion, while official transfers decreased by 11.7 percent and amounted to KGS 11.9 billion.

Under the Law of the Kyrgyz Republic “On Introduction of Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, 100.0 percent of the National Bank’s profits in the amount of KGS 2,565.3 million, received following the results of 2019, was transferred to the state budget of 2020.

Chart 1.2.1.
State Budget Tax Revenue Structure



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

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

The state budget expenditures for operating activities amounted to KGS 147.4 billion or 24.6 percent of GDP, having increased in annual terms by 8.3 percent or KGS 11.3 billion. In the structure of expenditures by functional classification, there is an increase in expenditures on the items “remuneration” (+17.5 percent), “interest payment” (+8.7 percent), “subsidies and social security benefits” (+3.8 percent) and “grants and contributions” (+11.9 percent), the other items show a decrease in expenditures.

The net outflow of budget funds for operations related to acquisition of non-financial assets amounted to KGS 24.4 billion, or 4.1 percent of GDP, having decreased by 22.7 percent or by KGS 7.2 billion as compared to 2019.

The public debt of the Kyrgyz Republic was formed and increased due to attracted external credit facilities, as well as due to internal borrowings. As of the end of the reporting year, the public debt amounted to KGS 407.1 billion or 68.04 percent of GDP against KGS 319.5 billion or 51.6 percent of GDP in 2019. The share of external debt remains significant in the structure of public debt – 85.6 percent, the share of internal debt was 14.4 percent. Public debt service expenditures amounted to KGS 30.7 billion or 5.1 percent of GDP, while interest payments amounted to KGS 8.5 billion or 1.4 percent of GDP.

In 2020, the Ministry of Finance of the Kyrgyz Republic issued the State Treasury Bills (ST-Bills) and the State Treasury Bonds (ST-Bonds) to finance the budget deficit and refinance public debt, as well as to develop the government securities market. The auctions on primary placement of ST-Bills and ST-Bonds were held by the National Bank, being the agent for their placement and settlement.

*ST-Bills and
ST-Bonds market*

In the reporting period, the ST-Bills market demonstrated low activity of its participants, due to reduced issue of these assets and a decline in demand. The volume of ST-Bills offered at the auctions decreased by 66.9 percent (down to KGS 2.3 billion) as compared to 2019, mainly due to decreased issue of 3- and 6-month ST-Bills. The overall demand for ST-Bills decreased by 69.0 percent, down to KGS 2.1 billion. According to the results of the auctions, as well as additional placements, the sales of ST-Bills decreased from KGS 5.4 billion in 2019 down to KGS 1.0 billion in 2020. The weighted average yield based on the results of the auctions was 5.9 percent (in 2019 – 5.1 percent). As of the end of 2020, the volume of ST-Bills in circulation decreased year-to-date by 80.2 percent and amounted to KGS 815.7 million due to a decrease in the sales of these securities and redemption of previously issued securities.

On the contrary, domestic borrowings increased due to the sales of ST-Bonds. This market demonstrated higher activity of the participants compared to the short-term market. In the reporting period, supply of ST-Bonds at the auctions increased by 36.5 percent (up to KGS 18.1 billion), mainly due to 7- and 10-year securities. The investors’ demand for ST-Bonds increased from KGS 12.8 billion in 2019 up to KGS 17.9 billion in 2020. 7-year ST-Bonds were in great demand; the share thereof in the overall demand for ST-Bonds was 40.6 percent. According to the results of the auctions, the total sales of ST-Bonds, taking into account additional placements, amounted to KGS 16.2 billion (in 2019 – KGS 11.5 billion). The total weighted average yield of ST-Bonds based on the results of the auctions held in the reporting period increased up to 11.0 percent from 10.3 percent in 2019.

At the end of the year, the volume of ST-Bonds¹ in circulation increased by 23.2 percent year-to-date and amounted to KGS 52.9 billion. In 2020, the auctions for placement of foreign-currency-denominated ST-Bonds were not held. Therefore, the volume of this asset in circulation has not changed year-to-date and amounted to USD 49.4 million.

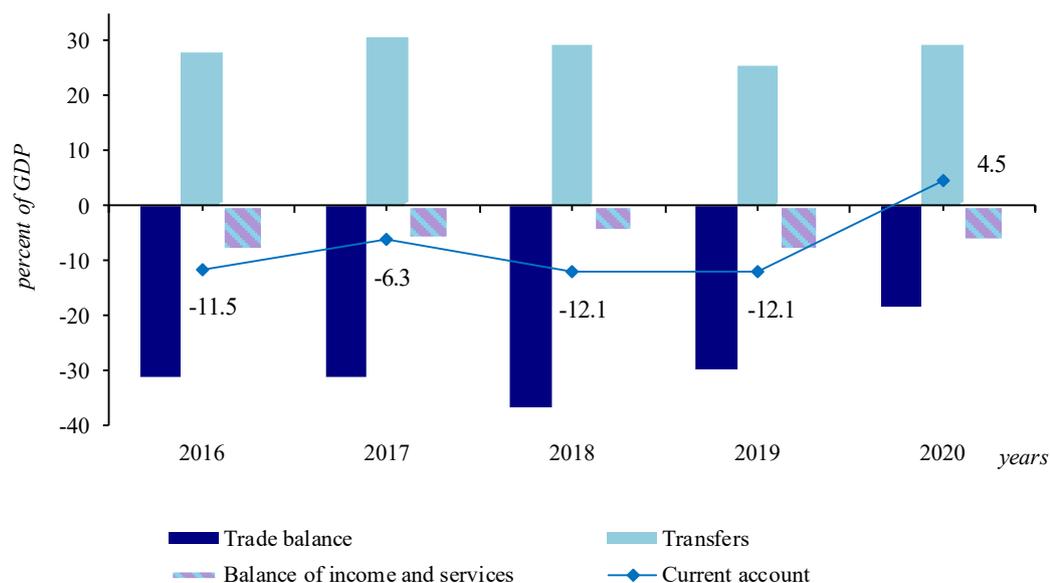
¹ Excluding foreign-currency-denominated ST-Bonds.

1.3. Balance of Payments of the Kyrgyz Republic

Under the influence of the global trends due to the spread of the COVID-19 pandemic, according to the preliminary data, in 2020, the current account surplus amounted to USD 349.2 million, or 4.5 percent of GDP (in 2019, the current account surplus was negative and amounted to 12.1 percent of GDP). Reduction of the trade deficit and a decrease in incomes payable to non-residents determined the dynamics of the indicator.

Chart 1.3.1.

Current Account



Foreign trade

The reporting year was characterized by an outstripping decline in import of goods as compared to export thereof. As a result, the trade deficit decreased by 46.2 percent as compared to 2019 (down to USD 1.4 billion).

In the reporting year, export of goods (in FOB prices) decreased by 1.6 percent and amounted to USD 2.0 billion¹. In the reporting period, the volume of gold export increased by 18.5 percent due to an increase in average contract prices of supplies. Export excluding gold decreased by 15.5 percent and amounted to USD 1.0 billion. There was a decrease in the supplies of clothes, scrap metal, vegetables, cotton, footwear, portland cement and a number of other goods. At the same time, an increase was observed in export of live animals, plastic products, cereal products and other categories of goods.

In the reporting year, export supplies to the EAEU countries decreased by 14.9 percent, mainly due to the reduction in the supply of clothes, footwear, cotton and fruits.

In 2020, import of goods (in FOB prices) amounted to USD 3.4 billion, having decreased by 26.7 percent. There was a decrease in the value of imported petroleum products by 24.2 percent due to lower average contract prices of supplies. At the same time, in the reporting year, there was a reduction in supplies of clothes, footwear, fabrics, electrical apparatus for line telephony, fruits, nuts and other goods. Along with that, there was growth in import of cars, iron and steel, medicaments, vegetables, flour and a number of other goods.

At the same time, in the reporting year, import supplies from the EAEU countries decreased by 11.7 percent, mainly due to a reduction in import of petroleum products and consumer goods.

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

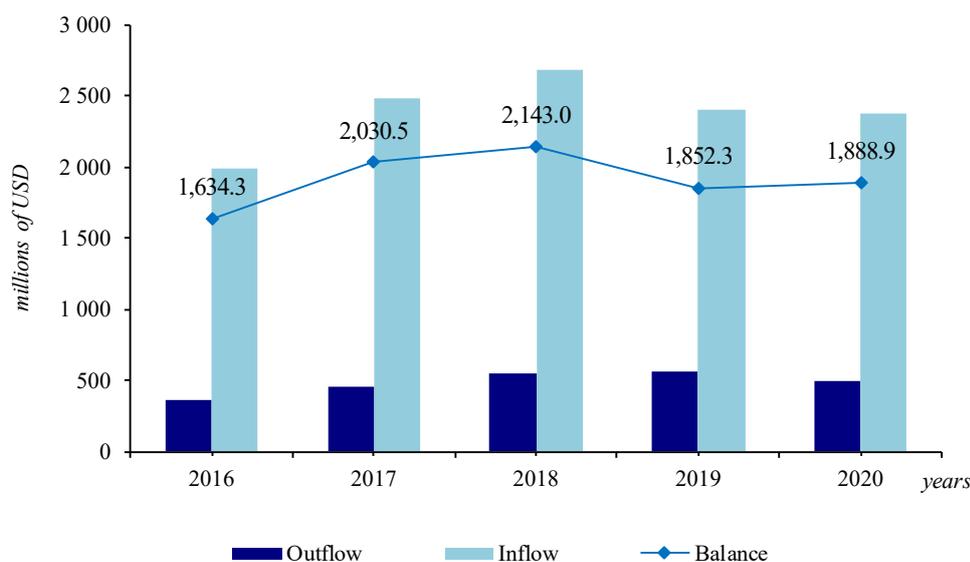
Following the preliminary results of 2020, there was a decrease in export of services by 60.9 percent and in import of services by 43.5 percent. As a result, the balance of services was negative and amounted to USD 154.3 million. This trend was primarily conditioned by a significant decrease in the volume of services related to the travels of the citizens from the foreign countries to the Kyrgyz Republic.

Net inflow of current transfers amounted to USD 2.2 billion, having decreased by 1.1 percent as compared to 2019. In the structure of current transfers, a significant volume of inflow was provided by remittances. Following the results of 2020, the net inflow of individuals' remittances through money transfer systems increased by 2.0 percent and amounted to USD 1.9 billion.

Remittances

Chart 1.3.2.

Remittances of Individuals through the Money Transfer Systems



Following the results of 2020, the negative balance of income decreased by 57.7 percent (down to USD 329.6 million). It was formed under the influence of decreasing direct investment income accrued to be paid to non-residents.

In the reporting year, the capital and financial account was negative in the amount of USD 268.5 million against a positive value in the amount of USD 554.2 million at the end of 2019. The items “direct investments” and “other investments” primarily influenced the financial account formation. Net outflow of direct foreign investment amounted to USD 511.6 million¹ mainly due to an increase in payments on the principal amount of loans received by direct investment enterprises from the foreign co-owners.

Capital account

The item “other investments” was formed positive in the amount of USD 148.6 million, having increased by 42.7 percent as compared to 2019. This trend was mainly conditioned by an increase in the liabilities of the Kyrgyz Republic’s residents.

Following the results of 2020, the balance of the item “errors and omissions” was formed negative in the amount of USD 203.4 million, which reflects statistical discrepancies related to the moment of transactions registry, incomplete coverage or using data from various sources.

The balance of payments was negative and amounted to USD 122.7 million (in 2019, the positive balance amounted to USD 46.7 million).

Overall balance

At the end of the reporting year, gross international reserves amounted to USD 2,808.1 million, which corresponded to 6.4 months of coverage of the future import of goods and services.

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

ACTIVITY
OF THE NATIONAL BANK
OF THE KYRGYZ REPUBLIC
IN 2020



CHAPTER 2. MONETARY POLICY

The COVID-19 pandemic and the restrictive measures introduced in most countries, as well as volatility of the world prices in the commodity and raw materials markets, have made adjustments to the monetary policy conducted by the National Bank in 2020.

In the reporting year, the National Bank conducted monetary policy to ensure price stability in the Kyrgyz Republic.

Monetary policy measures were focused on restricting inflationary processes in the country amid deterioration in the external and internal environment due to spread of the COVID-19 pandemic. At the beginning of 2020, the policy rate of the National Bank (key rate) was increased from 4.25 to 5.00 percent and was kept unchanged at this level until the end of the year.

Meanwhile, the monetary tools were used to stimulate economic activity. The National Bank conducted operations to provide the economy with funds through the commercial banks. At the same time, the macro-prudential policy measures were taken to mitigate the negative impact of the existing factors on the financial system.

The National Bank managed to keep inflation within the medium-term targets of 5-7 percent. In 2020, the average inflation was 6.3 percent, meanwhile during the year the annual inflation varied within the range from 3.2 to 9.7 percent.

During 2020, excess demand for foreign currency over its supply was observed in the domestic foreign exchange market. The National Bank, following a floating exchange rate regime, carried out foreign exchange interventions to prevent sharp exchange rate fluctuations.

The communication component of monetary policy has become especially relevant in 2020 in the context of the functioning of economic entities in a remote mode. Information transparency in the field of monetary policy was ensured to form adequate inflationary expectations and expectations regarding the National Bank's decisions among the public and economic entities.

International reserves were managed taking into account the priorities of liquidity and security. In 2020, the volume of international reserves of the Kyrgyz Republic increased up to USD 2,808.1 million.

2.1. Goal and Objectives of Monetary Policy

The National Bank's goal

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

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

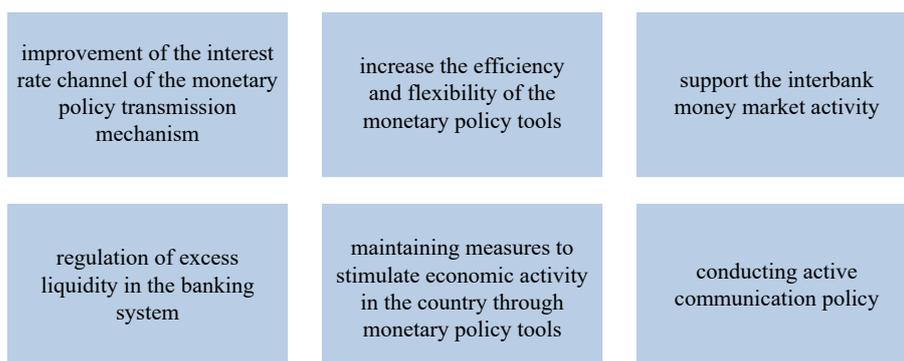
Monetary policy main objectives

In 2020, the main task of the National Bank in conducting monetary policy was, on the one hand, to restrain inflationary processes in the country, and, on the other hand, to ensure a balanced liquidity in the banking system to support lending to the economy.

As part of gradual transition to an inflation targeting regime in the medium term, in 2020 the National Bank's efforts were focused on enhancement the monetary policy transmission mechanism through improvement of the monetary policy tools' efficiency and flexibility and maintaining the activity in the interbank money market.

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

Monetary Policy Main Objectives in 2020



2.2. Monetary Policy Implementation

The implementation of monetary policy during 2020 was conducted taking into account current economic situation in the country and development trends of the external economic environment amid restrictive measures taken due to the spread of the COVID-19 pandemic globally.

Tactical decisions of the monetary policy were made during the year given the prospects for development of the money and foreign exchange markets in the country in the context of the continued growth of money supply in the public finance sector.

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

Interest rate policy

In February 2020, the policy rate of the National Bank was increased from 4.25 percent to 5.00 percent amid deterioration of the external and internal environment due to the COVID-19 pandemic to restrain inflationary processes in the country. Subsequently, the key rate was kept unchanged at 5.00 percent until the end of the year taking into account the inflation dynamics forecasts and due to the need to maintain measures to stimulate lending to the economy.

The rates of the interest rate corridor were adjusted to strengthen the work of the interest rate channel of the transmission mechanism of monetary policy: the rate on “overnight” deposits, being the lower limit, was increased from 2.00 to 2.75 percent, the rate on “overnight” credits, determining the upper limit, was kept unchanged at 5.75 percent.

The level of excess liquidity increased in the banking system. Excess reserves were accumulated in the commercial banks due to the inflow of funds from the public finance sector. Since March 2020, such sector demonstrated large volumes of inflows as part of measures taken to mitigate the negative consequences of the COVID-19 pandemic. The average daily volume of excess liquidity before the sterilization operations conducted by the National Bank amounted to KGS 16.3 billion, which is on average KGS 4.5 billion more than in 2019.

Liquidity regulation

The National Bank regulated the level of excess liquidity in the banking system through open market operations and placing the commercial banks’ available funds on “overnight” deposits at the National Bank to limit inflationary pressure. The average daily volume of excess liquidity withdrawn from the banking system amounted to KGS 16.1 billion (in 2019 – KGS 11.4 billion).

The notes of the National Bank remained the main instrument to withdraw excess liquidity. The notes of the National Bank comprised the main share in the structure

of sterilization operations. The share of the banks' available funds placed on "overnight" deposits at the National Bank decreased from 31.9 to 26.8 percent over the year.

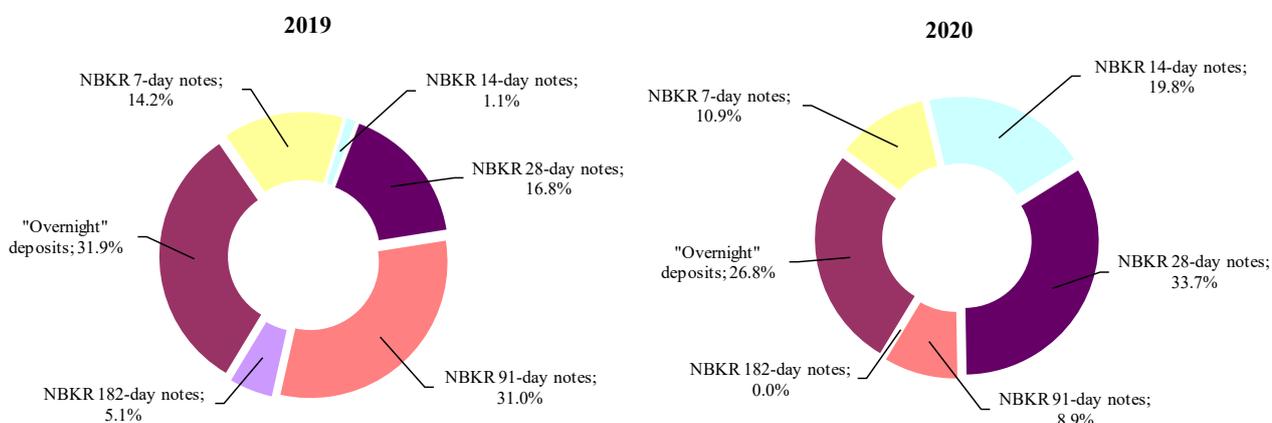
The volume of excess reserves withdrawal significantly increased due to placement of 14- and 28-day notes on the open market operations of the National Bank. However, there was a decrease in the share of 91-day notes. The average daily volume of notes in circulation increased from KGS 8.2 billion in 2019 up to KGS 12.9 billion in the reporting year.

The monetary policy decisions made in November 2020, providing for establishment of the maximum yield for the National Bank notes with a maturity of more than 28 days at the commercial banks' request, equal to the upper rate of the interest rate corridor of 5.75 percent (previously it was equal to the policy rate), contributed to further improvement of liquidity management efficiency in the banking system.

In the reporting year, the average daily volume of "overnight" deposits at the National Bank amounted to KGS 4.7 billion (in 2019 – KGS 3.9 billion).

Chart 2.2.1.

Structure of National Bank Sterilization Operations



Lending policy

The National Bank kept conducting operations to provide the economy with resources through the commercial banks by means of the stimulating monetary policy measures to support economic activity.

The National Bank held credit auctions to expand lending to the real sector of the economy. Within the framework of the credit auctions, KGS 35.0 billion were offered to the banking sector, meanwhile the actual volume of credit resources received by the commercial banks amounted to KGS 3.5 billion. The interest rate for the banks' final borrowers on these credit resources was limited to the level not exceeding 12-14 percent. At the same time, credits of the National Bank previously issued within the framework of credit auctions in the amount of approximately KGS 1.0 billion, due to be repaid in 2020, were prolonged.

Credits were provided to the commercial banks in the amount of KGS 400.2 million, within the framework of a temporary tool of the monetary policy to mitigate the negative impact of the COVID-19 pandemic on the economy.

In November 2020, a pilot project was launched to develop the government securities secondary market through conducting rediscount (outright) operations by the National Bank.

Communication policy

The communication policy of the National Bank has become one of the most important tools of the monetary policy under the conditions of introduced restrictive measures and shifting to remote working. Increased information transparency in the field of monetary policy was focused on creating among the public and economic entities

adequate inflationary expectations and expectations regarding the decisions of the National Bank in the field of monetary policy in the medium term.

In order to increase public understanding and credibility of the current policy strategic and target guidelines of monetary policy for the near future were published, press releases about the decisions on the policy rate were issued on a regular basis, and press conferences on monetary policy issues were held. The monetary policy reports were posted on the official website on a quarterly basis.

2.2.1. Open Market Operations

The National Bank notes were the main instrument used by the National Bank in the open market. Notes are discount securities of the National Bank with various maturities placed at the auctions to regulate liquidity in the banking system. In the reporting period, the market of the National Bank notes was represented by 7-, 14-, 28-, and 91-day notes.

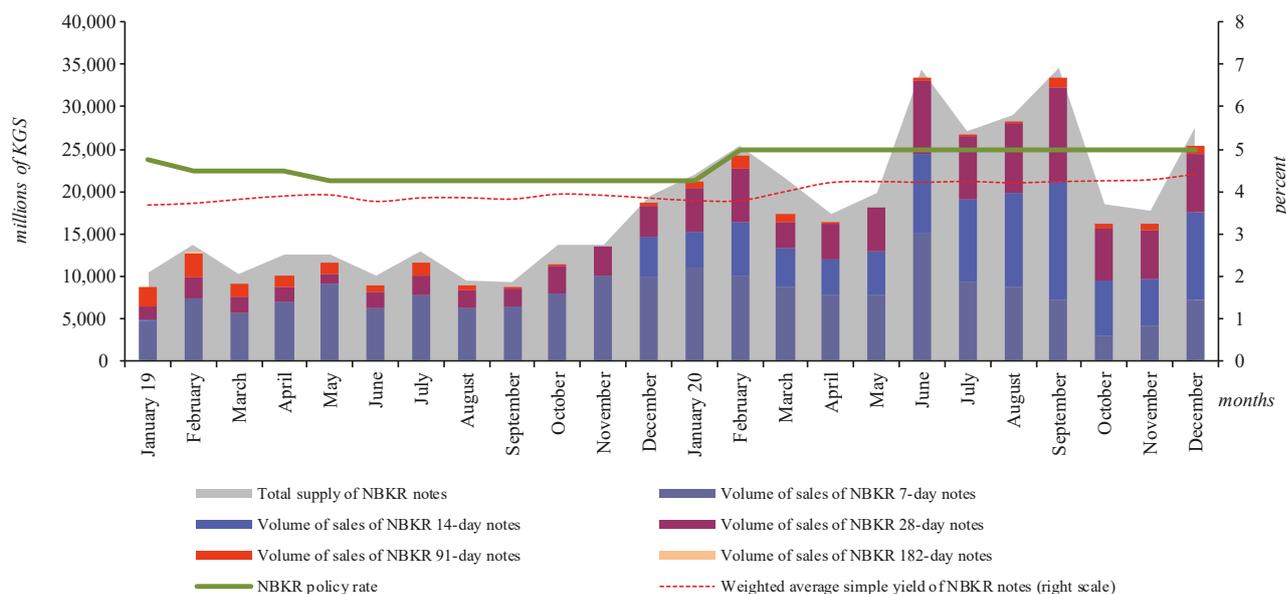
In 2020, the volume of notes supplied by the National Bank amounted to KGS 294.6 billion. At the same time, the volume of demand for notes amounted to KGS 307.2 billion, having increased by 2 times as compared to 2019. The total sales of notes increased by 107 percent as compared to 2019 and amounted to KGS 276.7 billion.

The largest volume of sales was accounted for the National Bank notes with a maturity of 7 days (36.1 percent) and 14 days (33.0 percent), sales of notes with a maturity of 28 days amounted to 28.3 percent, 91 days – 2.6 percent.

The National Bank notes

Chart 2.2.1.1.

Sales Volume of Notes of National Bank and Policy Rate Developments



During the reporting period, the weighted average yield of the National Bank notes was relatively stable, there were no significant fluctuations. The weighted average yield of notes increased by 0.3 percentage points as compared to 2019 and amounted to 4.1 percent.

At the end of 2020, the volume of the National Bank notes in circulation significantly increased year-to-date (KGS 8.1 billion) and amounted to KGS 13.0 billion. The commercial banks – 85.5 percent, institutional investors – 13.6 percent, resident legal entities and individuals – 0.9 percent were the main holders of notes at the end of the reporting period.

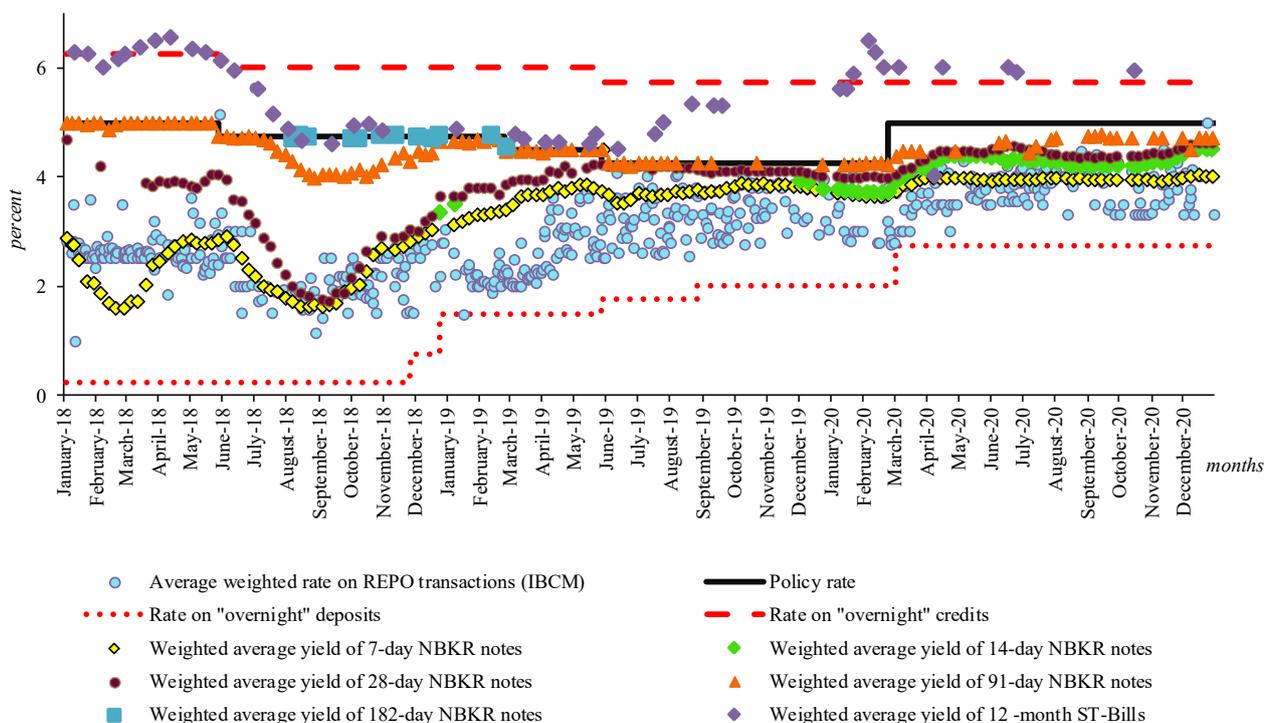
In 2020, the National Bank conducted operations on purchase of ST-Bonds with a maturity of over 6 years in the secondary market on outright terms without an obligation

to resell in order to provide the banking sector with additional liquidity in the national currency. The National Bank made five purchases of ST-Bonds (7- and 10-year). Based on the results of these purchases the total volume of these operations at their actual value amounted to KGS 2.9 billion.

2.2.2. Operations in the Interbank Money Market

The efforts of the National Bank to improve the efficiency of the monetary policy transmission mechanism conditioned a decrease in the short-term interest rates volatility in the money market and formation thereof near the key rate. During the year, the short-term money market rates, excluding the yields on 12-month ST-Bills, were within the interest rate corridor set by the National Bank, and had the same trend with the policy rate dynamics. At the same time, the short segment of the money market was characterized by the highest activity of its participants.

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



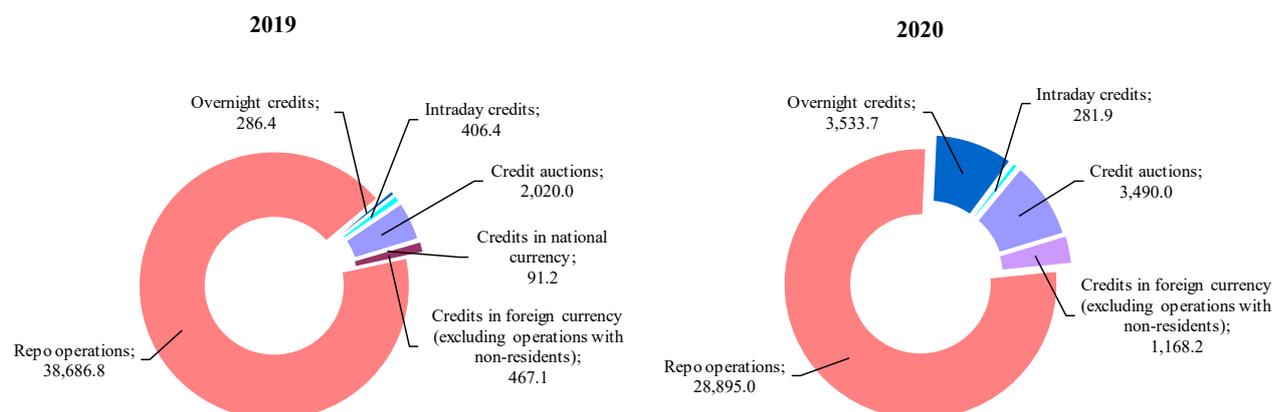
Interbank credit market

In 2020, the interbank credit market demonstrated decrease in the participants' activity. The volume of repo operations decreased by 25.3 percent compared to 2019, from KGS 38.7 down to KGS 28.9 billion.

The total volume of operations in the interbank credit market (including credits issued by the National Bank of the Kyrgyz Republic) decreased by 10.9 percent compared to 2019 and amounted to KGS 37.4 billion.

Chart 2.2.2.2.

Volume of Domestic Interbank Credit Market Transactions
(millions of KGS)



In 2020, the weighted average interest rate on repo operations increased by 0.8 percentage points, up to 3.8 percent. The interest rates on foreign currency credits stood at 2.5 percent, having decreased by 0.7 percentage points since 2019. However, operations in the national currency were not conducted.

The average maturity of repo operations increased from 5 to 7 days, the maturity of credits in foreign currency decreased from 13 to 2 days.

Table 2.2.2.1.

Weighted Average Interbank Market Interest Rates and the National Bank Rates (average value for the period)
(percent)

	2019	2020
Interbank market rates		
Rates of credits in national currency	2.3	-
Rates of credits in foreign currency	3.2	2.5
Rates of repo operations	3.0	3.8
National Bank operations rates		
"Overnight" credits rates	5.9	5.8
"Overnight" deposits rates	1.7	2.6
Credit auctions rates	4.4	4.9

The short-term segment of the government securities in the money market was less attractive for the market participants. The volume of ST-Bills supply and demand decreased by almost three times as compared to 2019. However, the auctions on placement of 12-month ST-Bills were generally held. The total weighted average yield of the ST-Bills increased as compared to 2019 and stood at 5.87 percent (in 2019 – 5.09 percent).

In the long-term segment of the financial market, the Ministry of Finance of the Kyrgyz Republic placed the ST-Bonds with a maturity from 2 to 10 years. The total weighted average yield of the ST-Bonds increased from 10.30 percent in 2019 up to 10.95 percent in 2020.

Government securities market

2.2.3. Operations on Banks Refinancing

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

The National Bank has the following types of refinancing instruments:

- the intraday credit provided in the national currency on the interest-free basis during the trading day on collateral to enhance efficiency of the payment system;
- the “overnight” credit provided in the national currency for one day on the repayment basis on collateral to maintain short-term liquidity of the banks;
- the 7-day credit provided in the national currency for seven days on the prepayment basis on collateral to maintain short-term liquidity;
- the credit auctions aimed at refinancing and maintaining liquidity held in the national currency to provide the commercial banks with credits in the national currency on the prepayment basis to maintain liquidity and lending to certain sectors of the economy and regions;
- the credits for liquidity support provided on the repayment basis on collateral to protect integrity of the banking system, maintaining the bank’s liquidity and protecting the interests of the depositors;
- the credits provided to the commercial banks to mitigate the negative impact of the COVID-19 pandemic;
- the credits provided on the repayment basis on collateral to the international organizations established by the Kyrgyz Republic jointly with other states within the EAEU;
- the credits of last resort provided in exceptional cases to the commercial banks experiencing serious financial problems;
- the credits provided to the Deposit Protection Agency of the Kyrgyz Republic to ensure the financial stability of the Deposit Protection System of the Kyrgyz Republic, protect the depositors’ interests, prevent the systemic risk and provide stability of the banking system.

In 2020, the volume of extended intraday credits decreased by 30.6 percent as compared to 2019 (KGS 406.4 million) and amounted to KGS 281.9 million. The volume of “overnight” credits provided in 2020 increased by 12.3 times as compared to 2019 (KGS 286.4 million) and amounted to KGS 3,533.7 million.

The National Bank provided funds in the amount of KGS 200.0 million (in 2019 – KGS 300.0 million) to the international organizations established by the Kyrgyz Republic jointly with other states within the EAEU to support lending to the economy.

In order to implement the objectives of the monetary policy credits were issued to the commercial banks in the amount of KGS 3,490.0 million within the framework of the credit auctions. Along with that, in the context of the COVID-19 pandemic, credits in the amount of approximately KGS 1 billion provided by the National Bank in 2018, due to be repaid in 2020, were prolonged for 2 years.

In 2020, a temporary regulation was adopted to mitigate the negative impacts of the COVID-19 pandemic. According to this regulation the commercial banks were provided with the credits in the amount of KGS 400.2 million.

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

Table 2.2.3.1.

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

	Q1	Q2	Q3	Q4	Total
Intraday credits*					
2019	-	179.1	227.3	-	406.4
2020	111.4	170.5	-	-	281.9
"Overnight" credits					
2019	-	286.4	-	-	286.4
2020	1,624.2	1,909.5	-	-	3,533.7
Credit auctions**					
2019	695.0	1,015.0	170.0	140.0	2,020.0
2020	285.0	2,405.0	800.0	-	3,490.0
Credits provided to mitigate the negative impact of the COVID-19 pandemic					
2019	-	-	-	-	-
2020	80.2	320.0	-	-	400.2
Credits to international organizations					
2019	-	200.0	-	100.0	300.0
2020	150.0	-	-	50.0	200.0

* Including intraday credits transferred to the category of the "overnight" credits

** Volume of credits actually provided during specified period

2.2.4. Domestic Foreign Exchange Market Operations

In 2020, the situation in the foreign exchange market was developing amid the COVID-19 pandemic and volatility in the global financial and commodity markets.

Participation of the National Bank in the foreign exchange auctions depended on the domestic foreign exchange market environment and was implemented amid current regime of the floating exchange rate.

In January-February 2020, the foreign exchange market environment remained relatively stable. In March, there was increased pressure on the exchange rate due to sharp decline in oil prices and depreciation of the national currencies of the Kyrgyz Republic's main trading partner countries. There was an excess of demand for foreign currency over supply thereof in the domestic foreign exchange market. In Q1 2020, the National Bank conducted operations on sale of foreign currency in the amount of USD 201.5 million, USD 6.5 million thereof was sold in cash, to smooth sharp fluctuations of the exchange rate.

In Q2, demand and supply in the foreign exchange market were balanced. Relatively stable situation in the foreign exchange market required minimum participation of the National Bank in the foreign exchange auctions. In Q2, the volume of foreign exchange interventions on sale of foreign currency amounted to USD 14.2 million.

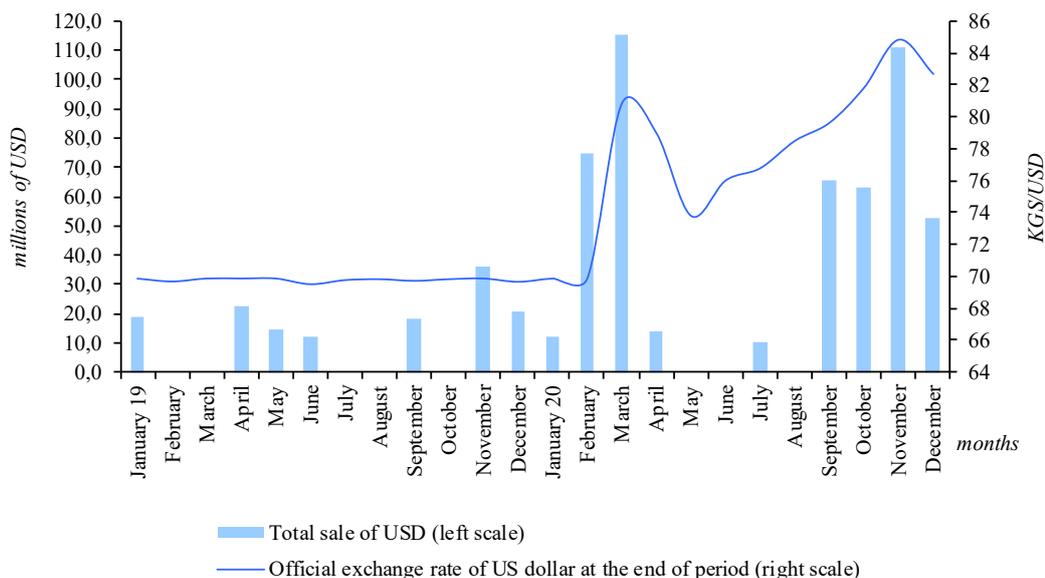
By the end of Q3 in September, there was an increase in pressure on the exchange rate from demand for foreign currency. Sharp fluctuations of the exchange rate were smoothed by the interventions of the National Bank. In Q3, the National Bank sold USD 75.8 million.

In Q4, the National Bank actively participated in the foreign exchange auctions to smooth sharp fluctuations of the exchange rate due to increased demand and insufficient supply in the foreign exchange market. Thus, in Q4, the volume of operations conducted by the National Bank on sale of foreign currency amounted to USD 227.0 million, USD 46.1 million thereof was sold in cash.

Foreign exchange interventions

Chart 2.2.4.1.

Foreign Exchange Operations of the National Bank in 2020



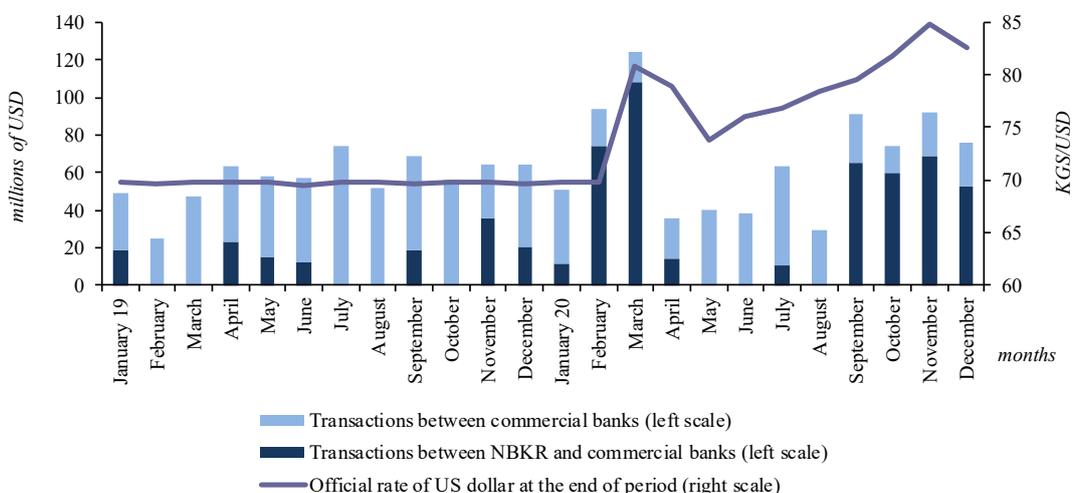
In 2020, totally, the National Bank sold USD 518.5 million, USD 52.6 million thereof was sold in cash, to smooth sharp fluctuations of the exchange rate. The National Bank did not conduct operations on purchase of foreign currency during the reporting period and in the previous year.

The official US dollar-Kyrgyz som exchange rate increased by 18.9 percent, from KGS 69.5117 up to KGS 82.6498 per USD due to volatility in the world financial markets during the reporting year.

The volume of operations on purchase/sale of foreign currency¹ in the interbank foreign exchange market, taking into account operations of the exchange offices, reduced by 14.5 percent, down to KGS 1,001.2 billion due to a decrease in business activity in the world and in the country in the reporting period. There was a decrease in the volume of operations for all types of currencies.

Chart 2.2.4.2.

Exchange Rate Movement and Volume of Interbank Foreign Exchange Auction Operations



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

In 2020, the total volume of swap-operations conducted by the commercial banks in the domestic market and with non-resident banks increased by 2.1 times as compared to 2019¹ and amounted to USD 1.3 billion. The National Bank did not conduct swap-operations in the reporting period.

Swap-operations

Following the results of the year, the weighted average selling rate of Russian rubles in the exchange offices decreased by 0.2 percent as compared to the end of 2019 and amounted to KGS 1.1145 per Russian ruble. The weighted average selling rates of euro, Kazakh tenge and US dollar in the exchange offices on the contrary increased by 30.9 percent (up to KGS 101.7252 per euro), by 8.3 (up to KGS 0.1980 per Kazakh tenge) and by 19.7 percent (up to KGS 83.1762 US dollar), respectively.

Exchange rate movement at exchange offices

2.2.5. Reserve Requirements

Reserve requirements (RR) being among the instruments of monetary regulation and, along with other instruments, are used to achieve target inflation rates. RR is the amount of money that the commercial banks and microfinance companies attracting deposits are obliged to maintain for a certain period of time (28 days), according to the requirements established by the National Bank. The Board of the National Bank determines the ratio of the required reserves and the procedure for their fulfillment depending on the monetary policy conditions.

RR standards

In 2020, the requirements for the daily minimum level of RR for the banks were softened as part of the stabilization measures taken by the National Bank to mitigate the negative impacts of the COVID-19 pandemic on the banking and financial systems, as well as to provide the commercial banks with more flexibility in liquidity management to expand lending. The requirement for the commercial banks to comply with the minimum threshold amount of money on the correspondent account with the National Bank to comply with the RR on a daily basis was reduced from 80.0 to 70.0 percent of the amount of the bank's required reserves defined for the appropriate period.

The reserve requirements standards for the liabilities included in the calculation base were not changed during the year. The ratio of reserve requirements for the liabilities in foreign currency was not changed and remained at 14.0 percent due to the need to maintain measures on economy de-dollarization. The ratio of reserve requirements was kept unchanged at 4.0 percent for the liabilities in the national currency and for the liabilities in five currencies (the currencies of the EAEU member-states and Chinese yuan). The ratio of reserve requirements was kept unchanged at zero level for the banks' liabilities on depersonalized metal accounts of the clients.

In 2020, the National Bank did not apply sanctions to the commercial banks for non-compliance with the RR standards.

2.3. Management of International Reserves

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

The Board and the Investment Committee of the National Bank made decisions for defining the bank's investment strategy, the portfolio structure of international reserves, the ratio of risk and the return on investment instruments, as well as for choosing the bank's counterparties. In 2020, the Investment Committee held 18 meetings on international reserves management. Criteria, requirements and restrictions were set for counterparties,

¹ The data of the periodic regulatory reports (PRBR) of the commercial banks were used taking into account adjustments made by the banks for 2019.

Volume of international reserves

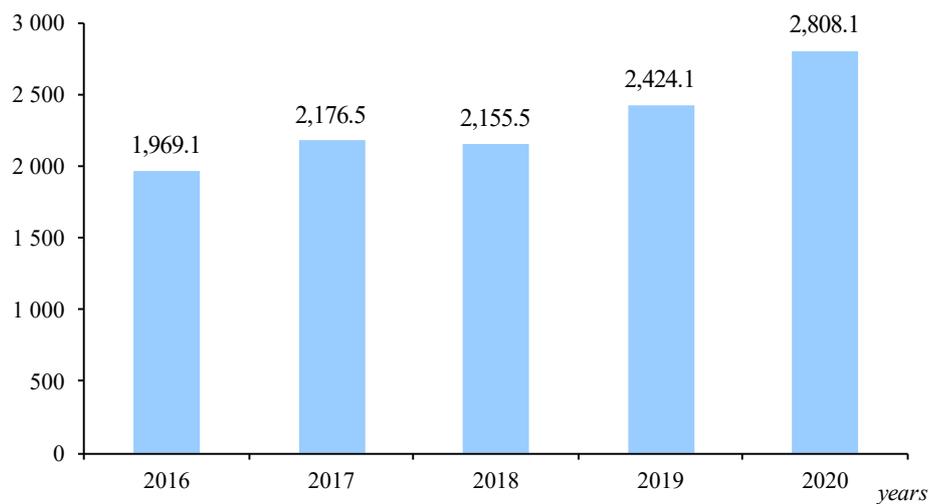
types of instruments, the size and maturity of investment to minimize the risks emerging during international reserves management.

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

At the end of 2020, gross international reserves amounted to USD 2,808.1 million, having increased by USD 384.0 million or 15.8 percent over the year. The international reserves of the National Bank comprise the assets in gold, SDR and the foreign currency portfolio.

Chart 2.3.1.

Dynamics of Gross International Reserves
(millions of USD)



The payments on the external liabilities of the Kyrgyz Republic; the changes in the exchange rates of currencies which are part of international reserves; the changes in the prices for precious metals; income from management of international reserves; the operations on purchase of gold in the domestic market; foreign exchange operations of the National Bank carried out in the domestic market of the country; and receipt of foreign currency in favor of the Government of the Kyrgyz Republic influenced the volume of gross international reserves during 2020.

Table 2.3.1.

Structure of International Reserves (end-of-period)
(percent)

	2019	2020
Currency portfolio	65.0	59.3
Gold	28.9	36.2
Special Drawing Rights	6.1	4.5
Total	100.0	100.0

In 2020, the international reserves currency portfolio consisted of the following currencies: Australian dollars, British pounds sterling, US dollars, Euros, Canadian dollars, Chinese yuans, Norwegian kroner, Russian rubles, Singapore dollars, Swiss francs, South Korean won, Japanese yen, as well as other currencies to service the operations conducted by the Government of the Kyrgyz Republic.

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

Structure of international reserves

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

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

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

Working portfolio placement

Investment portfolio management

2.4. Monetary Policy Results

In 2020, the monetary policy measures taken by the National Bank ensured keeping the average inflation within the medium-term monetary policy targets of 5-7 percent.

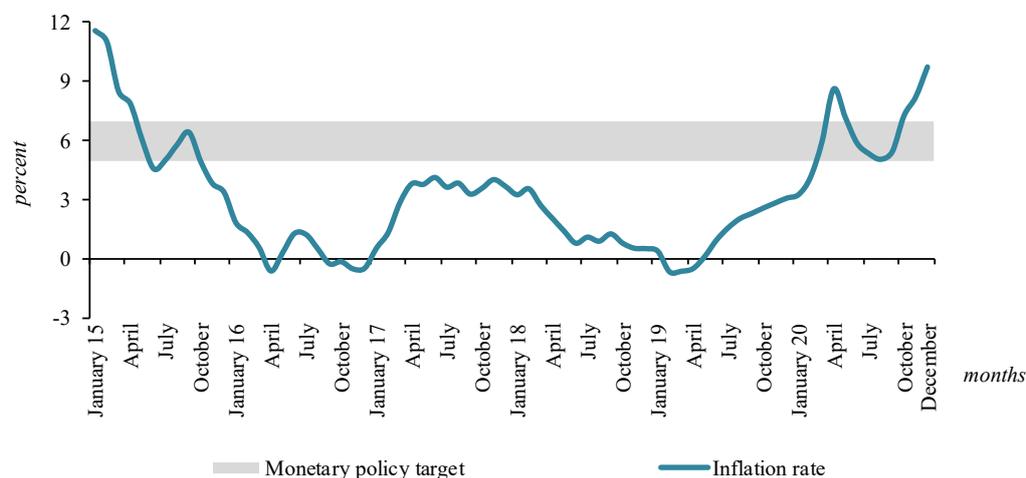
Inflation

During the reporting period, various shocks influenced the consumer price dynamics; also, there was an increase in pressure on inflation from non-monetary factors. The reporting year demonstrated sharp acceleration in the rates of food inflation in Q2 and Q4 2020.

According to the National Statistical Committee, the average annual increase in prices amounted to 6.3 percent, not exceeding the medium-term target set by the National Bank. In December 2020, consumer price level increased by 9.7 percent compared to December of the previous year.

Chart 2.4.1.

Annual Inflation Growth Rates in the Kyrgyz Republic



In the first half of 2020, the main factor behind the growth of inflation was the rush demand for food products due to restrictive measures taken in certain parts of the country, which led to an acceleration in the growth of prices for essential commodities. In October-December 2020, acceleration of the food inflation rate was the most significant, mainly due to rise in prices for meat products, growth of import prices for sunflower oil and sugar, as well as seasonal increase in prices for fruits and vegetables. Prices for food products

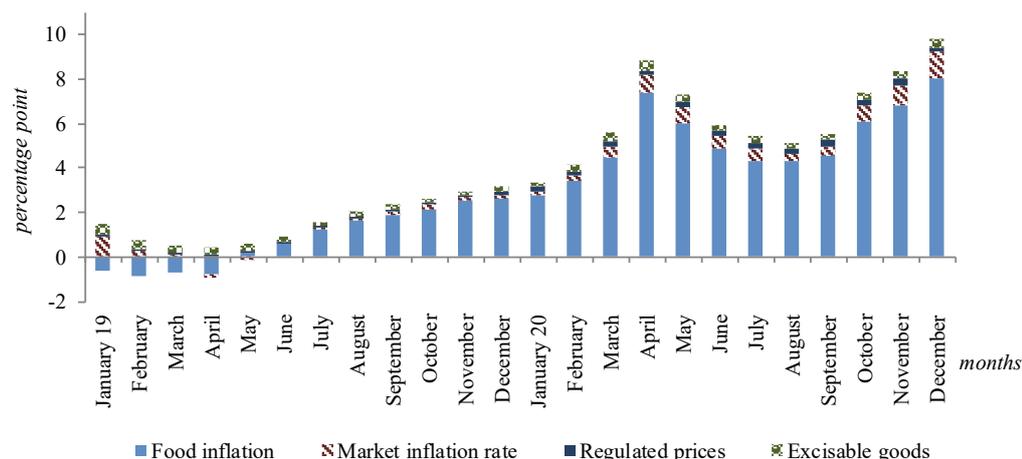
increased by 17.6 percent (December 2020 to December 2019). In the food group, prices increased for all products, reflecting the global trend in the food market.

The main groups of non-food products demonstrated low growth rates, as in the previous years. The rate of non-food inflation was 2.4 percent at the end of the year (December 2020 to December 2019). There was a moderate increase in prices for paid services, due to rise in prices for the group of services “transport”. In the reporting period, prices for alcoholic beverages and tobacco products increased by 6.7 percent due to planned growth in excise rates for tobacco products in early 2020.

In 2020, market inflation rate¹ remained moderate and stood at 3.4 percent.

Chart 2.4.2.

Contribution to CPI Growth



Money market

The money market rates in the national currency had the same direction with the key rate dynamics and demonstrated gradual upward trend, wherein they were within the rates set by the National Bank for “overnight” deposits and credits.

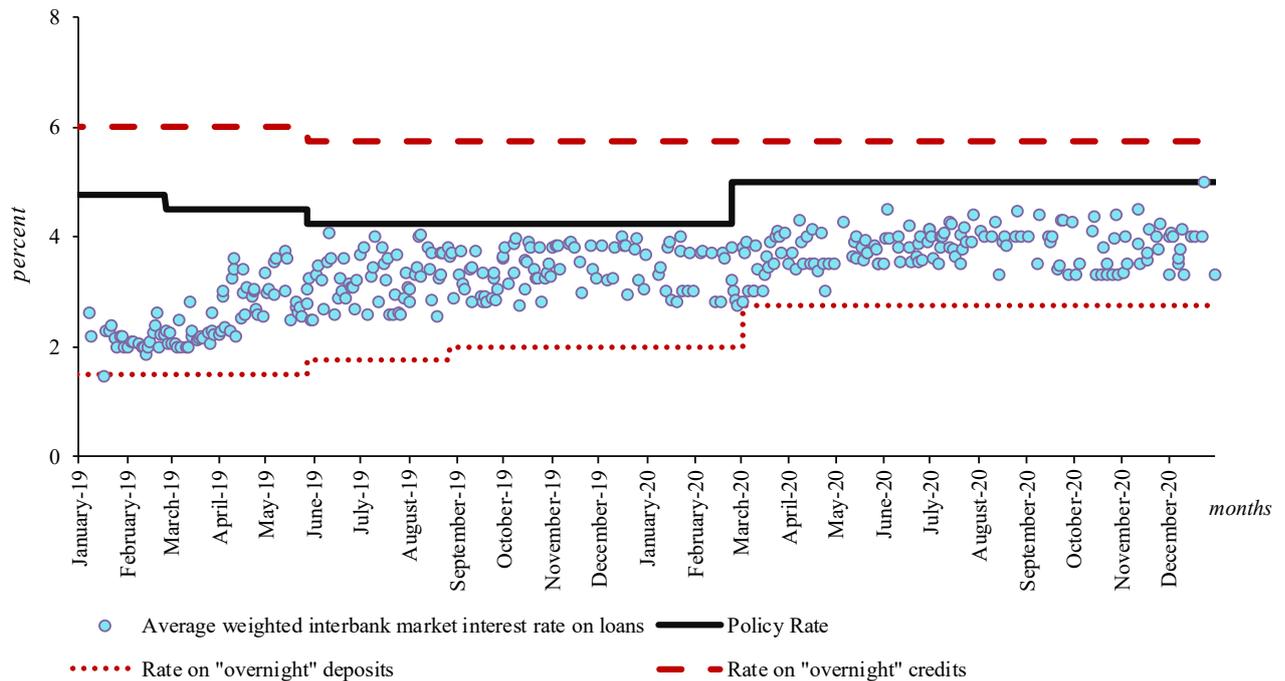
In 2020, in order to strengthen the work of the interest rate channel of the monetary policy transmission mechanism, the lower rate of the interest rate corridor was adjusted: the rate on “overnight” deposits was increased from 2.00 percent to 2.75 percent. The upper rate of the interest rate corridor – the rate on “overnight” credits – was kept unchanged at 5.75 percent during the reporting year.

As a result, there was a reduction in the gap between the short-term money market rates in the national currency and the policy rate of the National Bank.

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

Chart 2.4.3.

Dynamics of Rates in the Interbank Credit Market



In 2020, the monetary base grew by 24.8 percent or KGS 29.3 billion and amounted to KGS 147.3 billion at the end of the year due to increased money supply from the public finance sector. The operations of the Government of the Kyrgyz Republic contributed to the monetary base growth by KGS 39.6 billion. At the same time, the operations of the National Bank contributed to the monetary base reduction by KGS 10.4 billion.

Monetary base

In 2020, monetary aggregates demonstrated high growth rates. At the end of the year, M2X monetary aggregate (broad money supply, including deposits in foreign currency) increased by 23.9 percent, up to KGS 285.2 billion. The increase in this indicator was due to the expansion of money outside banks (monetary aggregate M0) by 29.3 percent, the volume thereof at the end of the reporting year amounted to KGS 124.2 billion, and the increase of the deposits by 20.0 percent. Broad money supply in the national currency (monetary aggregate M2) increased by 20.5 percent, up to KGS 219.1 billion.

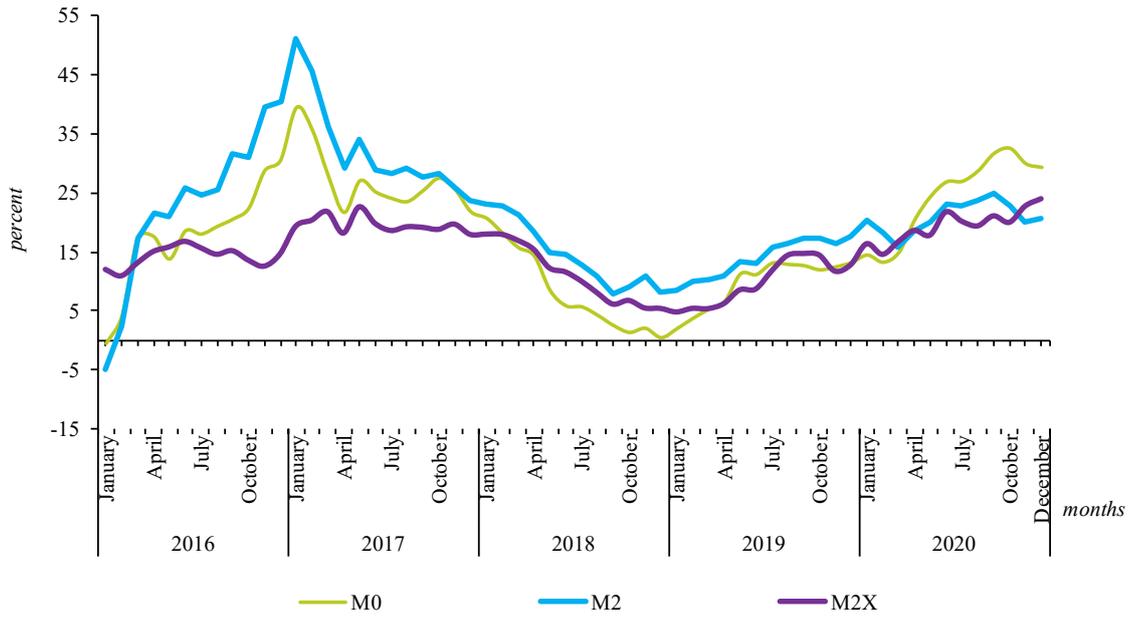
Monetary aggregates

The monetization factor of the economy, reflecting the financial resource capacity in the economy, continued its upward trend. In 2020, this indicator increased by 10.5 percentage points as compared to 2019 and stood at 47.7 percent.

Monetization factor

Chart 2.4.4.

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



CONTENT

CHAPTER 3. DEVELOPMENT AND REGULATION OF FINANCIAL-CREDIT ORGANIZATIONS

In 2020, the main performance indicators of the financial-credit organizations demonstrated a sufficient financial safety margin amid the external and internal consequences of the COVID-19 pandemic. In the reporting year, the National Bank made decisions focused on mitigating the negative consequences during the spread of the COVID-19 pandemic to maintain financial stability and ensure the stability of the financial-credit sector.

The banking sector demonstrates a high capital adequacy level, which indicates that there is potential to further improve the level of financial intermediation, the efficiency of functioning and to ensure the stability of the banking sector in the future.

An increase in the volume of deposits, together with the government programs focused on supporting and resuming the activities of small and medium enterprises amid restrictive measures introduced in 2020 contributed to an increase in the volume of lending in the financial-credit organizations. In 2020, the total deposit base of the commercial banks increased by 19.9 percent and amounted to KGS 180.9 billion, deposits of the individuals and legal entities increased by 15.4 and 28.4 percent, respectively. In 2020, the aggregate credit portfolio of the banks increased by 11.0 percent and amounted to KGS 162.6 billion. The ratio of non-performing loans to the credit portfolio, characterizing the quality of loans, stood at 10.5 percent. The overall level of financial intermediation increased by 8.7 percentage points as compared to 2019 (at the end of 2019 – 44.5 percent) and amounted to 53.1 percent, the level of commercial banks' financial intermediation was 48.4 percent (at the end of 2019 – 40.2 percent).

At the end of the year, the total NBFCOs assets increased by KGS 2.0 billion or 7.8 percent and amounted to KGS 28.4 billion. The assets in foreign currency increased by KGS 1.5 billion or 5.1 percent of total assets.

The NBFOs credit portfolio increased by KGS 1.0 billion or 4.7 percent as compared to 2019 and amounted to KGS 23.1 billion. The ratio of non-performing loans to the credit portfolio, which characterizes the quality of loans, stood at 6.6 percent. At the end of the year, attracted deposits increased by KGS 0.6 billion or by more than 2.5 times and amounted to KGS 1.0 billion.

In the reporting year, measures were taken to promote sustainable development and enhance the role of the banking and non-banking sectors in the economy of the Kyrgyz Republic. The National Bank was focused on maintaining stability in the banking and financial systems of the country and expanding the availability of banking, payment and microfinance services. Work was conducted with a significantly increased number of applications related to protection of the financial services consumers' rights in the context of restrictions imposed due to the spread of the COVID-19 pandemic.

In 2020, work was continued to improve the tools and mechanisms for conducting risk-oriented supervision, including early risks management in the financial-credit organizations.

3.1. Development and Regulation of the Commercial Banks Operation

3.1.1. Overview of the Banking System Development¹

In 2020, the main indicators of the banking system continued to grow: assets, credit portfolio, deposits, and capital. Reduced interest rates on loans, together with other factors, increased the availability of borrowed funds for the individuals and

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

organizations. It conditioned increase in the volume of financing by the banks. There was an increase in the volume of deposits that indicated enhancement of public confidence in the banks. In the reporting period, an increase in the size of banks' capital contributed to strengthening of the banking system reliability and stability.

23 commercial banks operated in the country as of the end of 2020. The number of commercial banks decreased by one bank as compared to 2019 due to merger of one commercial bank with another one. Among the operating commercial banks, 16 banks had foreign capital. The share of foreign capital decreased by 1.9 percentage points as compared to 2019 and constituted 30.0 percent of the total authorized capital of the banking system.

Banking system assets

In the reporting period, the total assets of the banking system increased by 16.2 percent and amounted to KGS 289.3 billion by the end of the year. The main share of banks' assets to comprise primarily loans decreased by 2.6 percentage points as compared to 2019 and amounted to 56.2 percent.

Table 3.1.1.1.

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

Asset category	2019		2020	
	billions of KGS	Share, percent	billions of KGS	Share, percent
Loans and financial lease to clients	146.4	58.8	162.6	56.2
Correspondent accounts and deposits with other banks	25.3	10.2	39.8	13.8
Securities portfolio	23.1	9.3	21.9	7.6
Cash	18.1	7.3	24.2	8.4
Correspondent account with the NBKR	13.0	5.2	14.2	4.9
Fixed assets	14.2	5.7	15.6	5.4
Loans to financial and credit organizations	1.9	0.7	2.1	0.7
Securities purchased under repurchase (REPO) agreement	0.5	0.2	0.3	0.1
Investments and financial participation	0.4	0.2	0.5	0.2
Special LLP*	-10.9	-4.4	-15.6	-5.4
Other assets	17.0	6.8	23.7	8.2
Total	249.0	100.0	289.3	100.0

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

In the reporting period, the volume of immediately available funds placed by the commercial banks in cash, short-term assets and on the correspondent accounts with the National Bank increased by 38.7 percent and amounted to KGS 78.2 billion, or 27.0 percent of the total assets at the end of 2020.

Credit portfolio

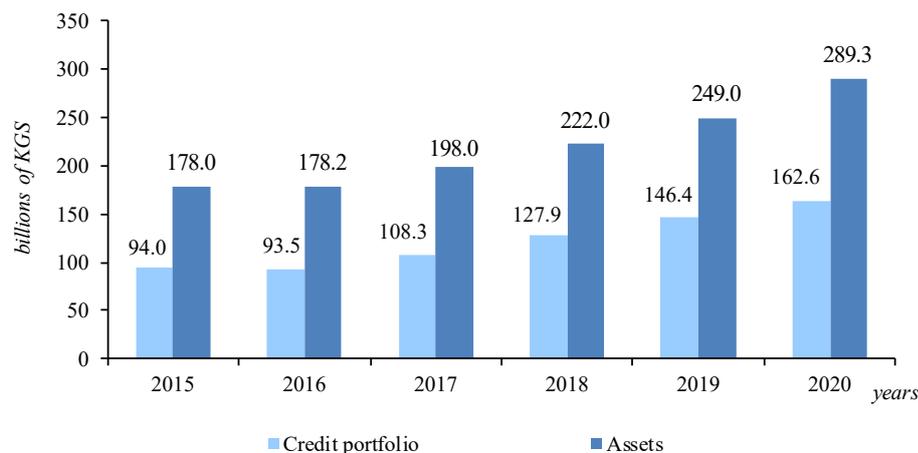
The aggregate credit portfolio of the banks¹ increased by 11.0 percent and amounted to KGS 162.6 billion. The credit portfolio increased due to the growth of lending in the national currency by 14.8 percent, up to KGS 109.1 billion, and in foreign currency by 4.0 percent, up to KGS 53.5 billion.

By the end of the reporting year, the total volume of short-term loans slightly decreased by 0.03 percent, and the volume of loans with a maturity of more than one year increased by 12.1 percent resulting in an increase of the credit portfolio duration from 32.1 to 32.9 months. The number of borrowers decreased by 8.5 percent and amounted to 422.6 thousand individuals and legal entities.

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

Chart 3.1.1.1.

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

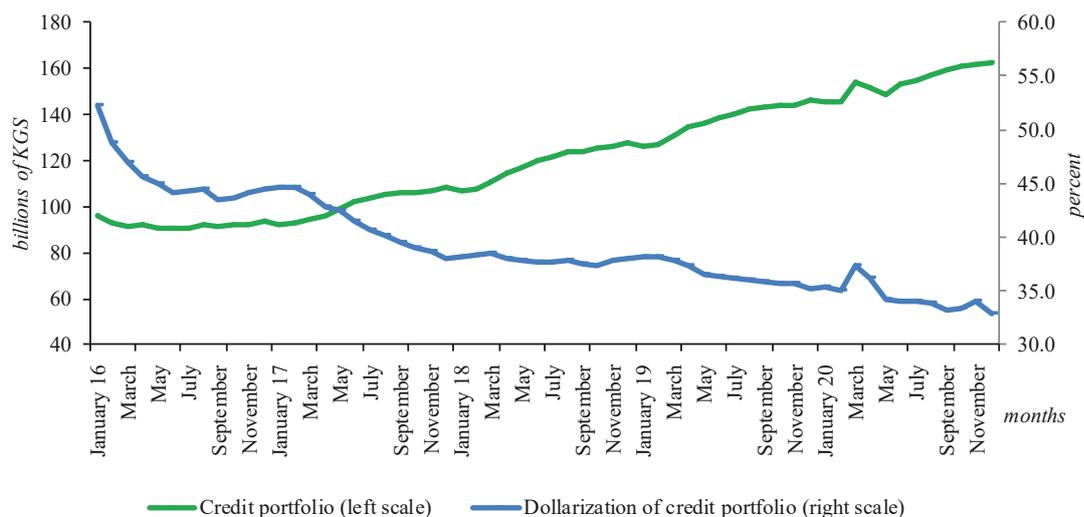


The level of dollarization in the banking sector continued falling and at the end of 2020, decreased by 2.2 percentage points as compared to 2019, down to 32.9 percent.

Credit portfolio dollarization

Chart 3.1.1.2.

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

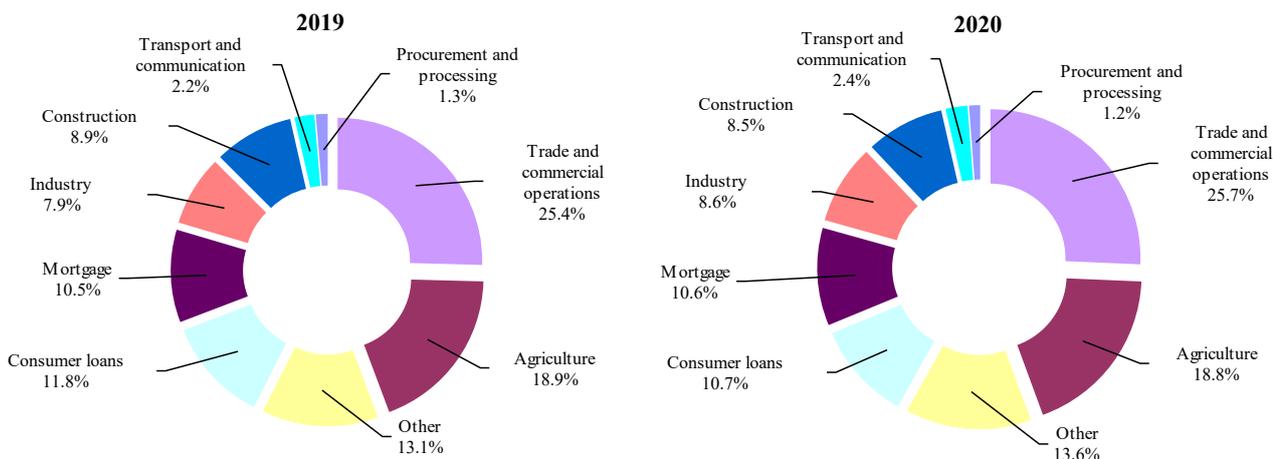


The volume of lending to the main sectors of economy continued increasing. The loans were mainly extended in such sectors as: trade and commercial operations (+KGS 4.5 billion), agriculture (+KGS 2.8 billion), construction and mortgage (+KGS 2.7 billion), industry (+KGS 2.4 billion).

Sectoral structure of the credit portfolio

Chart 3.1.1.3.

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

*Regional structure of credit portfolio*

The volume of credit portfolio increased in all regions of the Kyrgyz Republic. In Bishkek, the credit portfolio increased by KGS 11.1 billion, in Osh city and Osh oblast – by KGSS 1.3 billion, in Jalal-Abad oblast – by KGS 1.2 billion, in Chui oblast – by KGS 1.0 billion, in Naryn oblast – KGS 0.5 billion, in Talas oblast – by KGS 0.5 billion, in Issyk-Kul oblast – by KGS 0.4 billion, in Batken oblast – by KGS 0.1 billion.

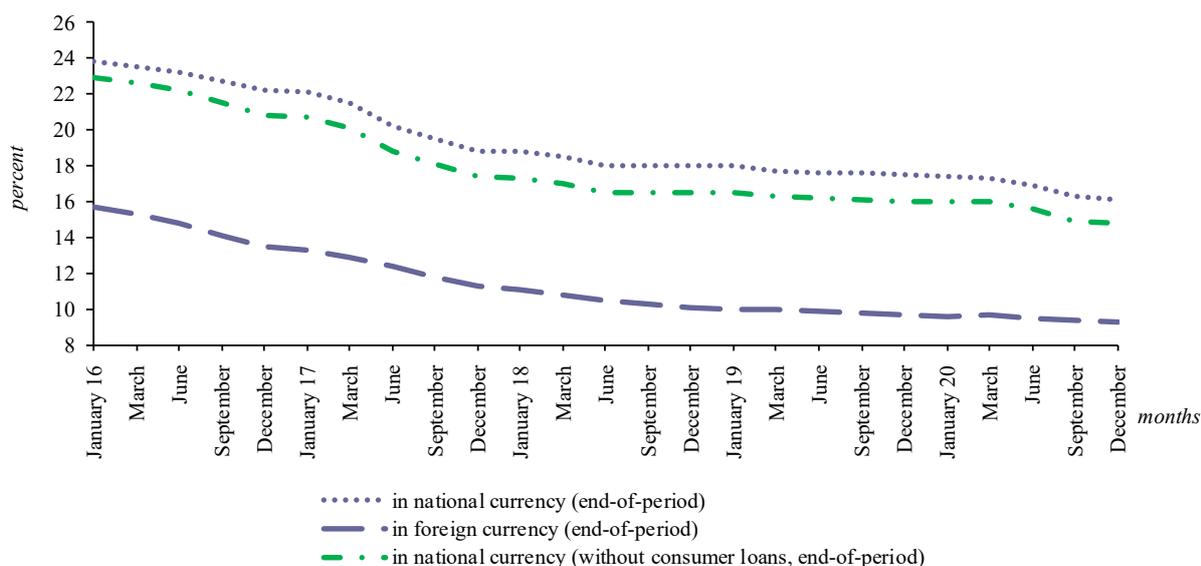
Table 3.1.1.2.

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

	2019		2020	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Bishkek city	79,978.5	54.9	91,116.8	56.3
Osh city and Osh oblast	18,114.3	12.4	19,373.9	12.0
Jalal-Abad oblast	12,761.6	8.8	13,995.7	8.6
Chui oblast	10,868.4	7.5	11,895.1	7.3
Issyk-Kul oblast	7,970.7	5.5	8,352.1	5.2
Naryn oblast	6,134.3	4.2	6,662.4	4.1
Batken oblast	4,960.2	3.4	5,106.1	3.2
Talas oblast	4,838.4	3.3	5,343.9	3.3
Total	145,626.3	100.0	161,846.1	100.0

*The credit portfolio is given including accrued discount

At the end of the reporting year, the weighted average interest rates on the credit portfolio of the commercial banks decreased and amounted to 16.1 percent in the national currency (-1.4 percentage points), and those in foreign currency – 9.3 percent (-0.4 percentage points). The weighted average interest rate on the credit portfolio (excluding consumer loans) in the national currency also decreased and amounted to 14.8 percent (-1.2 percentage points) by the end of the year.

Chart 3.1.1.4.**Weighted Average Interest Rates of Credit Portfolio of Banks**

The total volume of new loans issued by the commercial banks decreased by 10.6 percent as compared to 2019 and amounted to KGS 116.3 billion. It was due to a decrease by 0.5 percent in the volume of loans issued in the national currency, down to KGS 93.1 billion. At the same time, in the reporting period, the volume of loans in foreign currency decreased by 36.6 percent as compared to the previous year, down to KGS 23.2 billion.

Newly issued loans

The weighted average interest rates on newly issued loans demonstrated decline during the year. The average interest rate in the national currency decreased by 1.8 percentage points and was 17.1 percent. This indicator in foreign currency decreased by 0.8 percentage points and amounted to 8.2 percent.

The volume of “performing” assets was 90.2 percent of the total assets or KGS 237.2 billion, meanwhile the share of “non-performing” assets amounted to 9.8 percent or KGS 25.9 billion. The share of “non-performing” loans in the credit portfolio increased by 2.5 percentage points as compared to 2019 and amounted to 10.5 percent or KGS 17.0 billion.

Performing assets and LLP

In the reporting period, the amount of allocations to LLP amounted to 2.1 percent of the credit portfolio (in 2019 – 1.2 percent) amid growth in the volume of the credit portfolio.

Table 3.1.1.3.

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

Category	Assets and off-balance liabilities		Loans	
	2019	2020	2019	2020
Total performing	91.8	90.2	92.0	89.5
<i>including:</i>				
Standard	63.8	60.9	51.2	45.8
Satisfactory	13.0	8.4	17.5	10.7
Under supervision	15.0	20.8	23.3	33.0
Total non-performing	8.2	9.8	8.0	10.5
<i>including:</i>				
Substandard	3.9	4.5	3.3	4.5
Doubtful	1.5	1.6	2.0	1.8
Losses	2.8	3.7	2.7	4.1
Total	100.0	100.0	100.0	100.0

Banking system liabilities

At the end of 2020, the total volume of liabilities of the commercial banks increased by 17.7 percent, up to KGS 243.5 billion. The share of liabilities in foreign currency increased by 2.9 percentage points compared to 2019 and amounted to 42.0 percent of total liabilities at the end of 2020.

Table 3.1.1.4.

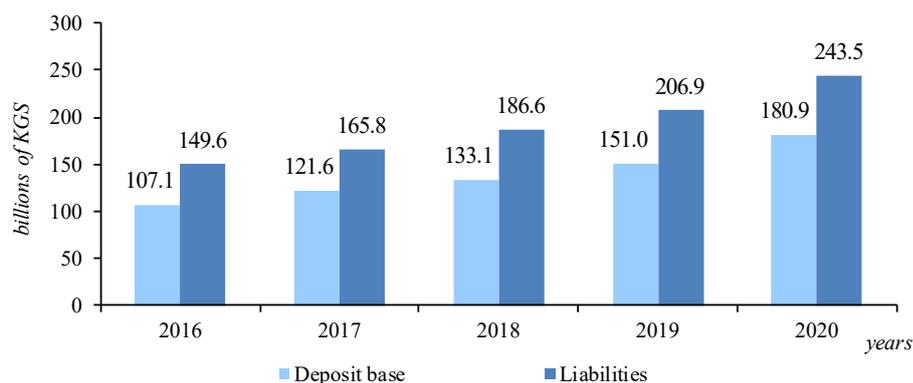
Structure of Liabilities of Commercial Banks (end-of-period)

Liability category	2019		2020	
	<i>billions of KGS</i>	<i>Share, percent</i>	<i>billions of KGS</i>	<i>Share, percent</i>
Term deposits	56.4	27.3	61.2	25.2
Settlement accounts	39.3	19.0	52.0	21.3
Demand deposits	37.7	18.2	46.9	19.3
Loans received	25.5	12.3	23.7	9.7
Government deposits	6.9	3.4	9.2	3.8
Deposits of non-residents	10.6	5.1	11.6	4.8
Liabilities to the NBKR	5.0	2.4	6.5	2.7
Government loans	4.7	2.3	7.6	3.1
Settlement accounts and deposits of banks	3.4	1.6	4.1	1.7
Securities sold under repurchase (repo) agreements	0.5	0.2	0.3	0.1
Other liabilities	16.9	8.2	20.4	8.4
Total	206.9	100.0	243.5	100.0

The share of the deposit base in the gross volume of liabilities increased by 1.4 percentage points compared to 2019 and amounted to 74.3 percent.

Chart 3.1.1.5.

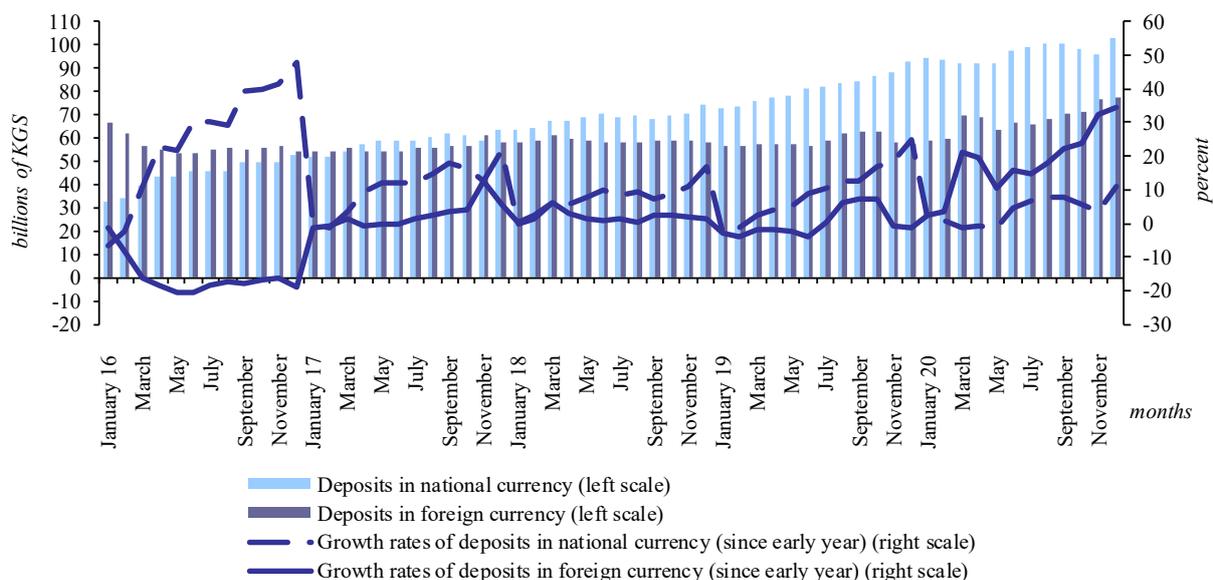
Dynamics of Liabilities and Deposit Base



At the end of 2020, the total volume of the deposit base of the commercial banks' clients increased by 19.9 percent year-to-date and amounted to KGS 180.9 billion. The volume of deposits in the national currency increased by 10.8 percent, up to KGS 103.4 billion, those in foreign currency increased by 34.5 percent, up to KGS 77.6 billion. The number of depositors increased by 3.1 percent compared to 2019 and amounted to 3.0 million individuals and legal entities by the end of the year.

*Deposit base***Chart 3.1.1.6.**

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

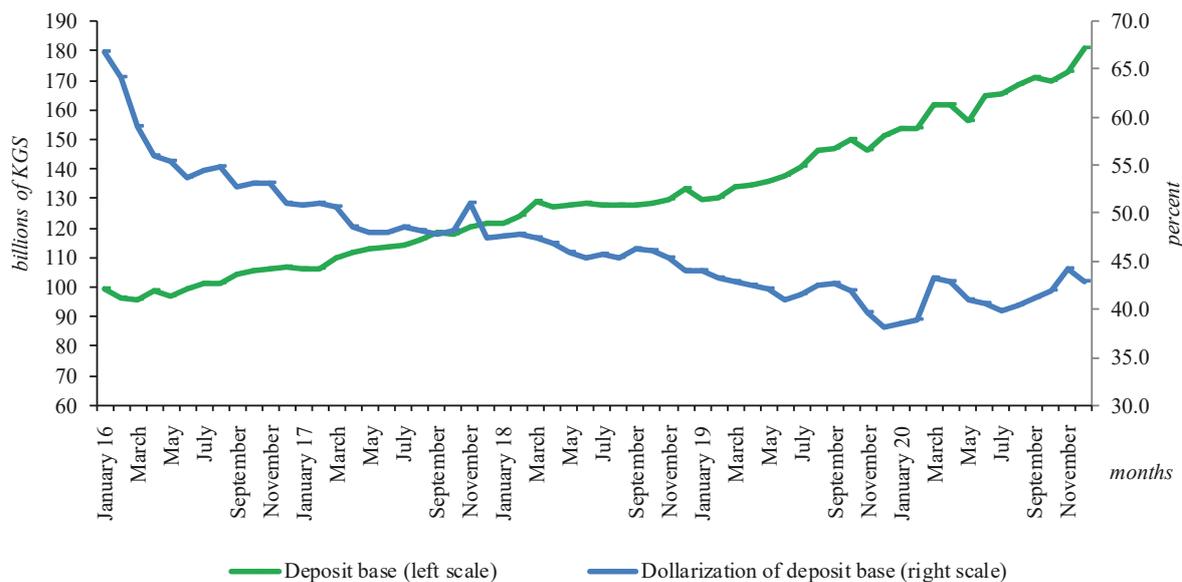


The level of dollarization of the deposit base increased by 4.7 percentage points compared to 2019 and amounted to 42.9 percent.

Dollarization of the deposit base

Chart 3.1.1.7.

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



General structure of the deposit base

The structure of deposits demonstrated increase in long-term deposits (over a year), the share thereof amounted to 11.7 percent, and in short-term deposits (26.4 percent) in the total volume of deposits. As a result, the duration of the deposit base changed slightly: from 5.5 in 2019 to 5.1 months in 2020, meanwhile the same indicator for term deposits increased by 0.4 percentage points, up to 13.5 months.

Deposit interest rates

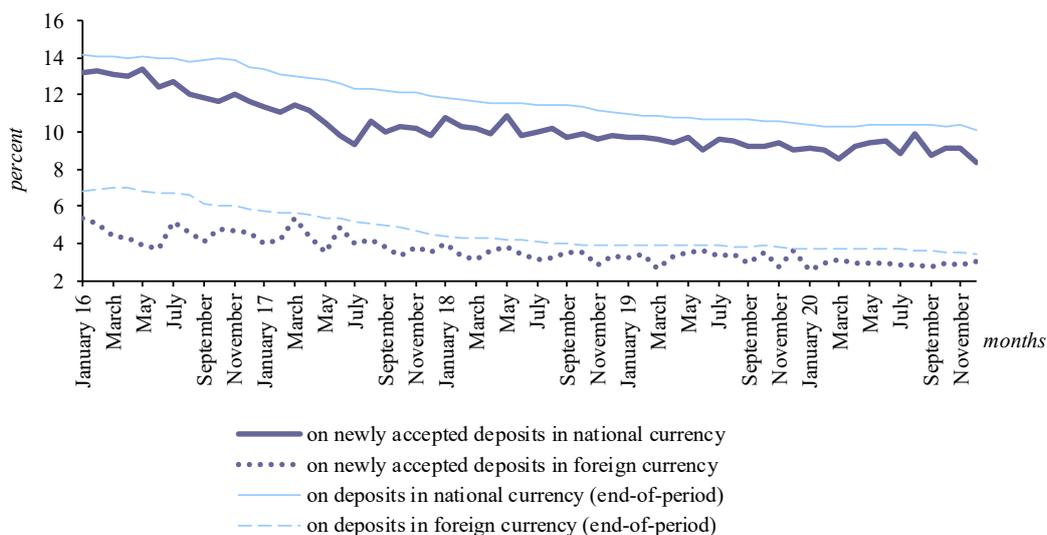
At the end of 2020, the weighted average interest rate on deposits in the national currency was 5.7 percent, having decreased by 0.3 percentage points over the year. The same indicator on deposits in foreign currency decreased down to 1.2 percent (-0.2 percentage points).

New deposits

In 2020, the volume of deposits¹ newly accepted by the banks amounted to KGS 646.1 billion, having decreased by 3.0 percent compared to 2019. Deposits in the national currency increased by 16.2 percent, up to KGS 450.4 billion, those in foreign currency decreased by 29.7 percent, down to KGS 195.7 billion. The main inflow of deposits was provided by the receipt of funds on the accounts of term deposits.

During the year, the average interest rate on newly accepted deposits in the national currency decreased by 0.2 percentage points compared to 2019, down to 1.4 percent, and those in foreign currency remained at 0.3 percent. At the same time, the average interest rate on newly accepted term deposits in the national currency decreased by 0.3 percentage points compared to 2019, down to 9.1 percent, and those in foreign currency decreased by 0.4 percentage points, down to 2.9 percent.

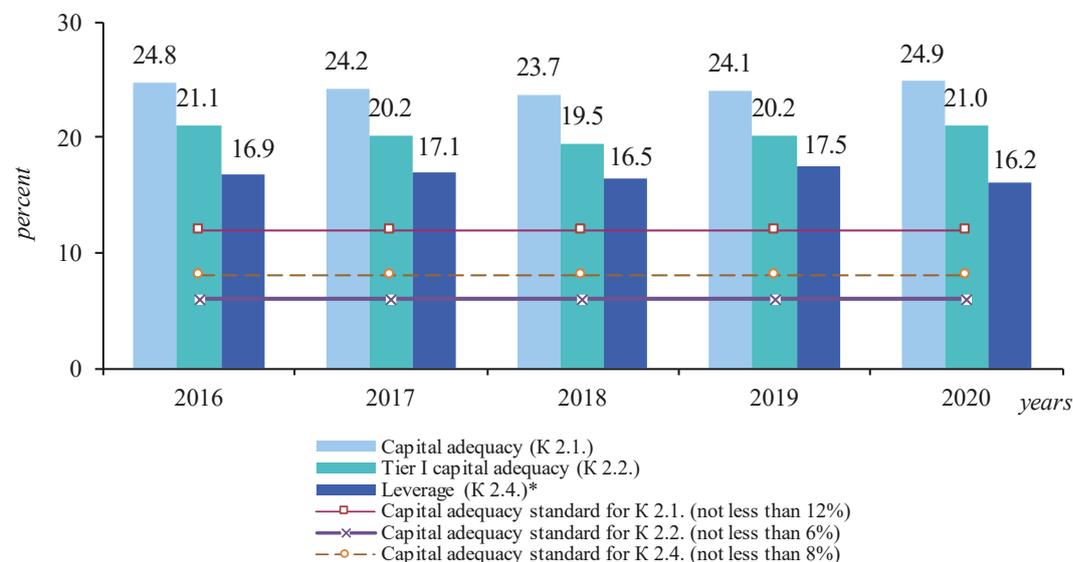
¹ The receipt of funds on the settlement accounts was not considered in the volume of newly attracted deposits.

Chart 3.1.1.8.**Weighted Average Interest Rates on Term Deposits of Banks**

In 2020, the net total capital¹ of the commercial banks increased by 7.7 percent and amounted to KGS 47.0 billion. The value of paid-in authorized capital² increased by 9.0 percent, up to KGS 31.2 billion.

Capital of commercial banks

Capital adequacy indicators of the banking sector reflect its stability. At the same time, the actual level of capital adequacy in the banking sector (K 2.1.), formed at the end of 2020, exceeded the established standard (at least 12 percent) by two times indicating that there is potential to further increase the level of financial intermediation.

Chart 3.1.1.9.**Dynamics of Capital-Based Indicators of Banks**

* until January 1, 2020, this indicator was called "Leverage (K 2.3.)"

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

² Ordinary and preference shares are included into this category.

At the end of 2020, net profit of the banking system decreased by 20.4 percent compared to 2019 and totaled KGS 2.3 billion.

Table 3.1.1.5.

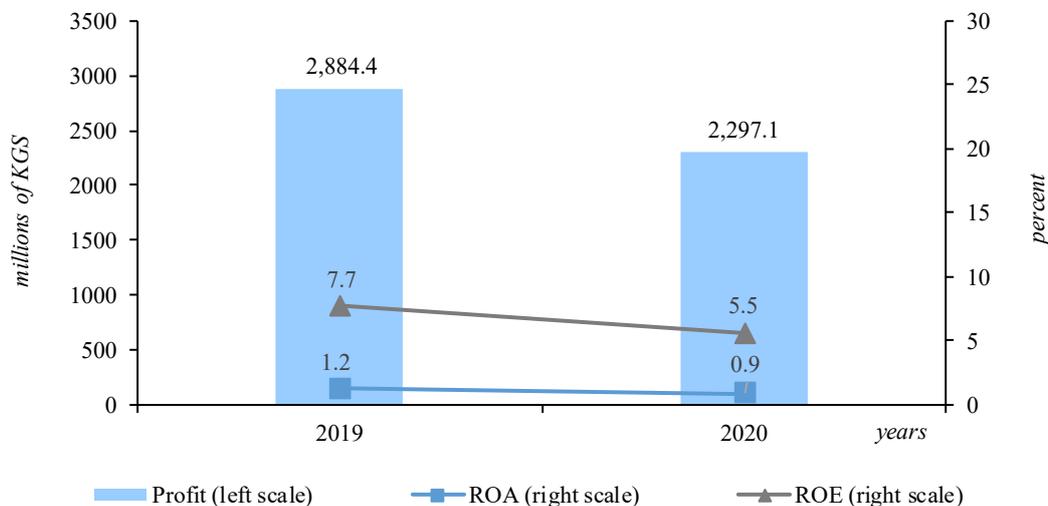
Volume of Income and Expenses of Banks
(billions of KGS)

Category	2019	2020
Total interest income	23.6	24.7
Total interest expenses	8.1	9.1
Net interest income	15.5	15.6
Allocations to LLP (loans)	1.8	3.4
Net interest income after allocations to LLP	13.7	12.2
Total non-interest income	10.5	17.4
Total non-interest expenses	5.5	11.1
Total other operating and administrative expenses	14.8	14.9
Net operating income (loss)	3.9	3.6
Allocations to LLP (on other assets)	0.5	0.8
Net income (loss) before tax	3.4	2.8
Profit tax	0.5	0.4
Net income (loss)	2.9	2.3

In 2020, return on assets (ROA) decreased from 1.2 percent to 0.9 percent, return on equity (ROE) decreased from 7.7 to 5.5 percent.

Chart 3.1.1.10.

Indicators of Banks' Profitability



3.1.2. Licensing of the Commercial Bank

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

Issue of license

During 2020, two commercial banks were granted permits to conduct operations with precious metals in the form of refined gold standard and measuring bullions of other issuers.

Due to reorganization by merging one bank to another one, the affiliated bank was issued a license to conduct banking operations in the national and/or foreign currency and an additional license to conduct banking operations in accordance with the principles of Islamic banking and finance through the “Islamic window” in the national and/or foreign currency.

In addition, a restriction to conduct operations with derivative financial instruments (derivatives) was lifted for one bank in the license to conduct banking operations in the national and/or foreign currency.

Table 3.1.2.1.

Number of Branches, Savings Offices and Field Cash Offices

*Branches, Savings
Offices and Field
Cash Offices*

	Number of Branches		Number of Savings Offices		Number of Field Cash Offices	
	2019	2020	2019	2020	2019	2020
Bishkek city	72	74	269	243	39	41
Batken oblast	24	23	69	62	9	8
Jalal-Abad oblast	47	46	159	147	38	37
Issyk-Kul oblast	41	39	54	53	15	18
Naryn oblast	19	18	25	24	4	6
Osh oblast	62	58	181	171	40	45
Talas oblast	17	18	23	25	7	7
Chui oblast	41	36	70	65	33	37
Total	323	312	850	790	185	199

3.1.3. Supervision of the Commercial Banks

In 2020, taking into account the epidemiological situation in the country due to the COVID-19 pandemic, the National Bank supervised the banks mainly through remote analysis in compliance with the principles of risk-oriented supervision. Particular attention was paid to credit risk assessment due to the situation and circumstances associated with the COVID-19 pandemic.

The National Bank regularly monitored and took measures to mitigate the consequences of the COVID-19 pandemic negative impact on the business entities and the population. The decision of the National Bank dated March 18, 2020 to recommend the financial-credit organizations to provide the borrowers with a loan repayment deferral for a period of at least three months, both for the principal amount of the loan and for accrued interest separately or together, was among the support measures taken to achieve this purpose.

In addition, work was carried out with the commercial banks on the need to carefully consider each request of the borrowers to extend the repayment periods, taking into account the assessment of their financial capabilities and, if necessary, to grant longer grace period.

As of the end of 2020, the amount of loans with revised repayment terms due to the COVID-19 pandemic totaled KGS 71,441.8 million, which comprises 43.77 percent of the entire credit portfolio in the banking system or 101,143 loans¹.

At the end of the year, the indicator of the total capital adequacy stood at 24.9 percent with the established standard of “not less than 12 percent” to reflect a stable functioning of the banking sector, as well as availability of the potential to expand the range of financial services provided by the banking system.

*Capital
indicators*

¹ According to the data provided by the commercial banks.

Table 3.1.3.1.

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

	2019	2020
Net total capital, <i>billions of KGS</i>	43.6	47.0
Net risk assets, <i>billions of KGS</i>	181.1	188.6
Total capital adequacy ratio, <i>percent</i>	24.1	24.9
Total capital adequacy ratio standards (not less), <i>percent</i>	12.0	12.0
Number of banks with capital adequacy ratio more than 30 percent, <i>units</i>	7	10
Number of banks with capital adequacy ratio from 20 to 30 percent, <i>units</i>	12	8
Number of banks with capital adequacy ratio under 20 percent, <i>units</i>	5	5

Credit risk

Credit risk is among the main risks accompanying banking activities and is assessed based on the classification of assets and off-balance sheet liabilities¹. The ratio of special reserves for non-performing loans bearing the risk of defaulting to the credit portfolio made up 6.2 percent, having increased by 1.7 percentage points year-to-date.

Currency risk

Currency risk is assessed as the ratio of assets and liabilities in foreign currency, as well as their share in the total assets or liabilities of the commercial banks. At the end of 2020, the foreign exchange assets of the banking system amounted to KGS 109.8 billion, or 37.8 percent of total assets. The liabilities of the commercial banks in foreign currency amounted to KGS 99.6 billion, or 41.6 percent of total liabilities.

Table 3.1.3.2.

Assets and Liabilities of Commercial Banks in Foreign Currency (end-of-period)

	2019	2020
Assets in foreign currency, <i>billions of KGS</i>	88.2	109.8
Share of foreign currency assets in total assets structure, <i>percent</i>	35.4	37.8
Liabilities in foreign currency, <i>billions of KGS</i>	78.5	99.6
Share of foreign currency liabilities in total liabilities structure, <i>percent</i>	38.7	41.6

Liquidity risk

Liquidity risk is considered in terms of liabilities coverage by the assets in each maturity to provide the possibility to assess the need for funds according to the existing gap by maturities and liabilities. In 2020, the negative gap by maturities of assets and liabilities remained unchanged, and the risk of liabilities prevailing over assets in the aforementioned maturities can be compensated by positive gaps in long-term maturities.

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

Table 3.1.3.3.¹

Assets and Liabilities by Maturity (end-of-period)
billions of KGS)

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

* data as of December 31, 2019, inclusive

2020**	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	113.4	12.2	14.0	26.1	139.5	305.3
Liabilities	131.9	11.6	21.4	32.1	42.4	239.4
Amount of excess assets over liabilities	-18.5	0.7	-7.4	-6.0	97.1	65.9
in percent of the total volume of assets	16.3	5.4	53.0	22.9	69.6	21.6

** data as of December 31, 2020, inclusive

At the end of 2020, the value of the liquidity ratio in the banking system increased from 64.0 (at the end of 2019) to 64.9 percent with the standard established for the commercial banks not less than 45.0 percent. Additional “quick” liquidity ratio (K3.3) for certain banks is valid in order to prevent the risks.

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

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

In June, the decision was made to suspend inspections temporarily in the commercial banks, non-banking financial-credit organizations and other supervised organizations, including at the request of third parties, due to the COVID-19 pandemic. The inspections were resumed in September 2020. The inspections of the commercial banks were conducted using risk-oriented supervision approaches and included assessment of the risk management system, corporate governance and internal control in the bank, taking into account capital adequacy, the quality of assets and contingent liabilities, liquidity, profitability, the bank’s exposure to operational and market risks and, the banks’ compliance with established requirements of the legislation of the Kyrgyz Republic, including CTF/AML.

3.1.4. Enforcement Measures

In 2020, the enforcement measures within the framework of external supervision were applied to form adequate LLP on loans, strengthen the banks’ internal control systems for compliance with the prudential ratios, cash discipline, technical strength and arrangement of video surveillance. Such measures were also applied for publishing incorrect information in mass media. The enforcement measures in the form of prescriptive orders were mainly applied to reduce credit, operational and market risks, to eliminate the

¹ Data are given based on Section 12 PRBR.

identified deficiencies and violations in the processes of managing the abovementioned risks and the FT/AML risk.

In addition, the National Bank demanded penalties from individual banks due to shortcomings in the internal control system and violations of the banking legislation of the Kyrgyz Republic, including CTF/AML.

In 2020, the Supervision Committee of the National Bank held 45 meetings and discussed 91 issues on the activities of the commercial banks. The Supervision Committee took supervisory response measures and measures to limit the activities of specific commercial banks and to implement fit and proper testing of the commercial banks' officials.

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

3.1.5. Supervision and Regulation Methodology of the Commercial Banks Activity

During the year, improvement of the regulatory legal framework governing the banks' activities, including those operating in accordance with the principles of Islamic banking and finance, was mainly focused on maintaining stability in the banking and financial systems of the Kyrgyz Republic and protecting the rights of the financial service consumers due to the COVID-19 pandemic.

The National Bank took measures to bring the regulatory legal acts in line with the legislation of the republic and the international standards, to increase availability of the financial services for the population.

The banks and non-banking financial-credit organizations were prohibited to charge and collect commissions, penalties and other payments under the loan agreements to protect the rights of the banking service consumers, as well as to mitigate the negative impact of the COVID-19 pandemic on the economy of the Kyrgyz Republic. At the same time, the National Bank recommended to provide a loan payment deferral for at least three months and, when the financial-credit organizations transfer information about the borrowers to the credit bureaus, they should indicate the reason for delay in loan payments as the result of the COVID-19 pandemic.

The Temporary Rules for assets classification and corresponding allocations for loan loss provision were adopted due to the need to provide flexible conditions for operation of the banking system and mobilization of the banks' resources. These rules are focused on relaxing the conditions for classification of assets with quality deteriorated by the restrictions introduced due to the spread of COVID-19 pandemic.

At the end of the first quarter, upon introduction of an emergency situation and a state of emergency, the procedure for operation and regulation of the activities conducted by the banks, non-banking financial-credit organizations and other legal entities supervised by the National Bank was approved to minimize risks in their activities.

Mitigating measures were taken for monitoring the borrowers' loans, granting loans, opening accounts for the customers, the audit terms, approval, publishing the financial statements and providing the periodic regulatory reports to maintain stability in the banking and financial systems.

Certain temporary decisions of the National Bank also concerned suspended compliance with the prudential ratios for capital and liquidity, including requirements for information disclosure by the banks and movable property monitoring.

The temporary regulatory norms and rules will be valid until the relevant decision of the National Bank is made.

Measures to restrict the impact of the COVID-19 pandemic on the banking system

Amendments were adopted in the regulatory legal acts on licensing the activities of banks and guarantee funds to resolve the issues related to reorganization of the banks and fit and proper testing of the officials, including the subsidiary commercial banks and guarantee funds. Requirements for technical strengthening of the banks' mobile offices were approved as part of measures taken to develop the regions and digitalize the country in order to provide availability of the banking services for the residents in the remote regions.

Licensing of banks activities

Additional requirements for classification of the restructured loans, off-balance sheet liabilities and bank assets were revised and established to reduce credit risks in the banks' activities. Amendments to the regulatory legal acts on banking supervision and regulation were adopted. These amendments are focused on increasing the availability of financial services for the population, improving the methods of risk-oriented supervision of the banks' activities, bringing the regulatory legal acts of the National Bank in line with the international financial reporting standards.

Risk management

The National Bank has expanded the types of collateral to receive loans by establishing requirements for crediting secured by the storage certificates.

Amendments were introduced in the regulatory legal acts as part of improvement procedure to assess collateralized property by the commercial banks, enhance the quality of internal control over working with other property and strengthen the requirements for classification of the non-residential property accepted by the bank as loans repayment.

A ban was introduced on charging the commissions and other payments by the commercial banks for encashment on mortgage loans, as well as on loans under the government and social programs focused on economic development to ensure a fair approach when setting commissions and other payments by the banks within the framework of issuing loans. In addition, the banks are prohibited to charge interest and commission for the same operation.

The procedure to calculate liquidity ratios has been changed and the norms to notify the commercial banks by the National Bank of their systemic significance on the basis of quantitative indicators have been introduced.

Amendments were introduced into the Regulation on the periodic regulatory banking report to determine the extent of exposure of the banking portfolio economic value to the interest rate risk.

The Procedure to identify and verify the clients in the remote mode was approved, according to which the banks in their activities can implement identification and verification of the clients remotely, as part of the the banking system digitalization, as well as transfer of the services provided to the population by the banks to the remote service channels. The Regulation "On special regulatory regime" was adopted, which will contribute to testing innovative technologies in conducting banking operations and providing new banking products in order to create conditions for introduction and development of the innovative services in the banking and payment sectors, as well as to increase the availability of financial services for the population. The legal entities (regardless of whether they have a license to conduct banking operations or not) registered in the territory of the Kyrgyz Republic being not in the process of liquidation or bankruptcy may be the participants in a special regulatory regime ("regulatory sandbox").

Banking services digitalization

In order to further promote the principles of Islamic finance, amendments were approved in some regulatory legal acts of the National Bank, which establish the requirements for disclosure of the information about the Shariah Council in the banks conducting operations in accordance with the principles of Islamic finance, and for drawing up the financial statements by the banks that have an "Islamic window" in compliance with the international financial reporting standards. Amendments were adopted in some regulatory legal acts of the National Bank concerning the operations conducted by the financial-credit organizations according to the principles of Islamic

Principles of Islamic finance

finance with the securities and credit risk management in order to develop the Islamic securities market and create equal conditions for market participants.

Amendments were introduced into the regulatory legal acts to determine the procedure for calculating an open position in precious metals and managing currency risks for the banks, which conduct the operations according to the principles of Islamic finance, as well as for expanding the possibilities of concluding transactions/agreements according to the principle of Islamic finance.

The Instruction on distribution of profit/loss on the bank accounts, bank deposit accounts according to the principles of Islamic banking and finance was adopted. This Instruction was focused on standardized distribution of profit/loss received upon placement of the customers' funds, as well as upon establishing the requirements for financing and deposit portfolio management.

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

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

In 2020, the sector of non-banking financial-credit organizations (hereinafter – NBFCOs) demonstrated stable development and growth under the conditions of the COVID-19 pandemic and introduction of the restrictive measures.

Assets of NBFCOs

At the end of the year, the total NBFCOs¹ assets increased by KGS 2.0 billion or 7.8 percent and amounted to KGS 28.4 billion, including those in foreign currency increased by KGS 1.5 billion or 5.1 percent of total assets (KGS 1.3 billion or 5.0 percent at the end of 2019). In the context of the NBFCOs, the share of microfinance organizations (hereinafter – MFOs) is 95.3 percent, credit unions (hereinafter – CUs) – 4.4 percent and a specialized financial-credit organization (SFCO) – 0.3 percent.

Table 3.2.1.1.

Structure of NBFCOs Assets (end-of-period)

Asset category	2019		2020	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans and financial lease to clients	21,205.3	80.3	22,367.5	78.6
Correspondent accounts and deposits in other banks	2,138.8	8.1	2,553.0	9.0
Other assets	1,260.6	4.8	1,925.1	6.8
Loans to financial and credit organizations	896.3	3.4	777.7	2.7
Investments and financial participation	463.0	1.8	492.8	1.7
Fixed assets	745.3	2.8	742.2	2.6
Cash	210.5	0.8	382.5	1.3
Securities portfolio	50.0	0.2	89.3	0.3
Special LLP*	-568.8	-2.2	-882.2	-3.1
Total	26,400.8	100.0	28,448.0	100.0

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

At the end of 2020, the volume of liquid assets represented by cash, correspondent accounts and deposits in the banks amounted to KGS 2.9 billion or 10.3 percent of total assets (8.9 percent at the end of 2019).

¹ According to periodic regulatory reporting (PRR) without considering the credit portfolio of the SFCO and the assets of the credit bureau, guarantee fund, as well as the exchange bureaus.

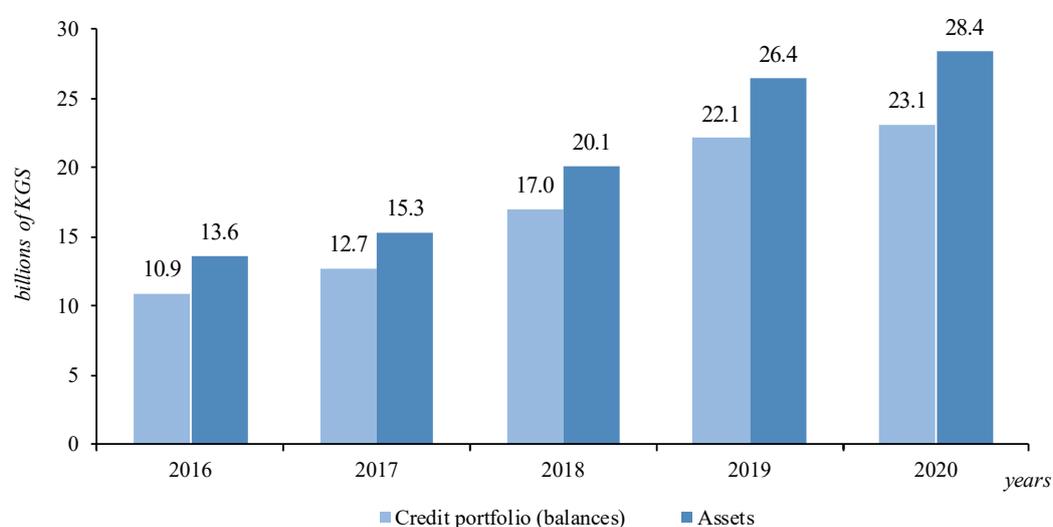
The NBFCOs¹ credit portfolio increased by KGS 1.0 billion or 4.7 percent as compared to 2019 and amounted to KGS 23.1 billion. The portfolio issued under the principles of Islamic finance (PIF) amounted to KGS 1.0 billion or 4.5 percent of the NBFCOs credit portfolio (KGS 1.1 billion or 4.8 percent at the end of 2019). At the end of 2020, the NBFCOs credit portfolio in foreign currency amounted to KGS 409.7 million or 1.8 percent (KGS 425.4 billion or 1.9 percent at the end of 2019).

At the end of the reporting year, the number of borrowers decreased by 11,197 persons or 2.6 percent and amounted to 427,640 persons (101 thereof are legal entities). The share of women in the total number of borrowers is 55.6 percent, men – 44.4 percent.

The share of the credit portfolio decreased by 2.4 percentage points as compared to 2019 and amounted to 81.4 percent of total assets.

Chart 3.2.1.1.

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



There was an increase in the volume of the credit portfolio in almost all regions of the Kyrgyz Republic. In general, the credit portfolio in Chui oblast increased by KGS 346.2 million, Jalal-Abad oblast – by KGS 264.5 million, Batken oblast – by KGS 221.3 million, Naryn oblast – by KGS 100.1 million and Osh oblast – by KGS 94.9 million.

¹ Without considering the credit portfolio of the SFCO.

Table 3.2.1.2.

Structure of NBFCOs Credit Portfolio by Regions (end-of-period)

	2019		2020	
	<i>millions of KGS</i>	<i>Share, percent</i>	<i>millions of KGS</i>	<i>Share, percent</i>
Bishkek city	5,666.0	25.6	5,604.0	24.2
Osh oblast	5,022.8	22.7	5,117.7	22.1
Chui oblast	3,103.2	14.0	3,449.4	14.9
Jalal-Abad oblast	2,693.8	12.2	2,958.3	12.8
Issyk-Kul oblast	2,403.8	10.9	2,420.4	10.5
Naryn oblast	1,409.9	6.4	1,510.0	6.5
Batken oblast	1,218.1	5.5	1,439.4	6.2
Talas oblast	582.1	2.6	644.2	2.8
Outside Kyrgyzstan	1.8	0.0	1.8	0.0
Total	22,101.6	100.0	23,145.3	100.0

In the reporting period, there was growth of lending to the main sectors of economy. The sectors such as consumer loans (KGS 744.2 million) and agriculture (KGS 440.6 million) demonstrated the largest increase in the volume of loans.

Table 3.2.1.3.

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

Branch category	2019		2020	
	<i>millions of KGS</i>	<i>Share, percent</i>	<i>millions of KGS</i>	<i>Share, percent</i>
Agriculture	6,131.7	27.7	6,572.3	28.4
Consumer loans	5,590.5	25.3	6,334.6	27.4
Services	3,477.6	15.7	3,239.1	14.0
Trade and commercial operations	2,885.8	13.1	2,857.5	12.3
Construction and mortgage	2,336.4	10.6	2,327.0	10.1
FCO loans	808.2	3.7	777.7	3.4
Other loans	329.3	1.5	453.2	2.0
Transport	330.0	1.5	354.6	1.5
Industry	196.0	0.9	210.7	0.9
Procurement and processing	13.7	0.1	18.2	0.1
Communication	2.4	0.0	0.2	0.0
Total loans	22,101.6	100.0	23,145.3	100.0

At the end of 2020, the weighted average interest rates on the credit portfolio of the MFOs decreased by 0.2 percentage points and amounted to 29.8 percent, those of the CUs decreased by 0.2 percentage points, down to 26.4 percent.

At the end of the year, the NBFCOs credit portfolio demonstrated a stable and acceptable level of quality. In the reporting year, there was an increase in the share of “non-performing” loans from 3.9 to 6.6 percent and a decrease in the share of “performing” loans from 96.1 percent to 93.4 percent.

Table 3.2.1.4.

NBFCOs Credit Portfolio Quality (end-of-period)

Category	2019		2020	
	millions of KGS	percent	millions of KGS	percent
Total performing	21,242.5	96.1	21,617.8	93.4
Total non-performing	859.0	3.9	1,527.4	6.6
<i>including:</i>				
<i>Substandard</i>	<i>315.0</i>	<i>1.4</i>	<i>695.5</i>	<i>3.0</i>
<i>Doubtful</i>	<i>142.5</i>	<i>0.6</i>	<i>279.3</i>	<i>1.2</i>
<i>Losses</i>	<i>401.6</i>	<i>1.8</i>	<i>552.7</i>	<i>2.4</i>
Total credit portfolio	22,101.6	100.0	23,145.3	100.0

During the year, the National Bank took measures to inform the NBFCOs about the need to provide support to the borrowers affected by the COVID-19 pandemic. For these purposes, the NBFCOs revised the loan payments maturities and provided grace periods for at least three months when the borrowers applied. At the end of 2020, the actual number of restructured (deferred) loans totaled 74,359 in the amount of KGS 6.6 billion¹.

The activity of the SFCOs is focused on extending loans to support the financing system in the rural area within the framework of CUs lending. As of the end of 2020, the credit portfolio of SFCOs decreased by KGS 43.5 million or 11.4 percent and amounted to KGS 338.3 million. The share of “non-performing” loans amounted to 8.7 percent of the SFCOs credit portfolio (6.5 percent at the end of 2019).

At the end of the year, the NBFCOs² liabilities increased by KGS 0.2 billion or 1.9 percent and amounted to KGS 12.5 billion; among them, the volume of funds attracted under the PIF amounted to KGS 166.9 million or 1.3 percent of the NBFCOs liabilities (KGS 786.3 million or 6.4 percent at the end of 2019), liabilities in foreign currency amounted to KGS 3.1 billion or 24.9 percent of the NBFCOs liabilities (KGS 3.3 billion or 27.3 percent at the end of 2019). In the context of NBFCOs, the share of MFOs liabilities is 95.7 percent, CUs – 3.0 percent and SFCOs – 1.3 percent.

Table 3.2.1.5.

Structure of NBFCOs Liabilities (end-of-period)

Liability category	2019		2020	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans received, including:	9,345.5	76.3	8,880.9	71.2
<i>from international financial and credit organizations</i>	<i>6,140.0</i>	<i>50.2</i>	<i>5,367.3</i>	<i>43.0</i>
<i>from banks of Kyrgyzstan</i>	<i>1,510.6</i>	<i>12.3</i>	<i>1,342.2</i>	<i>10.8</i>
<i>from other financial and credit organizations of Kyrgyzstan</i>	<i>1,147.6</i>	<i>9.4</i>	<i>1,086.0</i>	<i>8.7</i>
<i>from international financial organizations and donors</i>	<i>169.3</i>	<i>1.4</i>	<i>783.6</i>	<i>6.3</i>
<i>from the Government of Kyrgyzstan</i>	<i>377.9</i>	<i>3.1</i>	<i>301.9</i>	<i>2.4</i>
Other liabilities	1,714.6	14.0	2,449.1	19.6
Term deposits	391.8	3.2	1,036.6	8.3
Subordinated debts	788.2	6.4	101.6	0.8
Demand deposits	1.5	0.0	0.0	0.0
Total	12,241.6	100.0	12,468.2	100.0

¹ Based on the data provided by the NBFCOs.

² Excluding the liabilities of credit bureaus, guarantee fund and exchange bureaus.

NBFCOs capital

At the end of the year, attracted deposits increased by KGS 0.6 billion or more than 2.5 times and amounted to KGS 1.0 billion. In the context of the NBFCOs, the share of MFOs deposits is 97.9 percent and CUs – 2.1 percent.

Two MFOs and seven CUs were entitled to attract deposits from the public (for MFOs) and participants (for CUs).

The NBFCOs aggregate capital increased from KGS 14.6 up to KGS 16.3 billion as compared to the results of the previous year. In the context of NBFCOs¹, the share of MFOs capital is 93.0 percent, CUs – 5.4 percent and SFCOs – 1.6 percent.

Table 3.2.1.6.

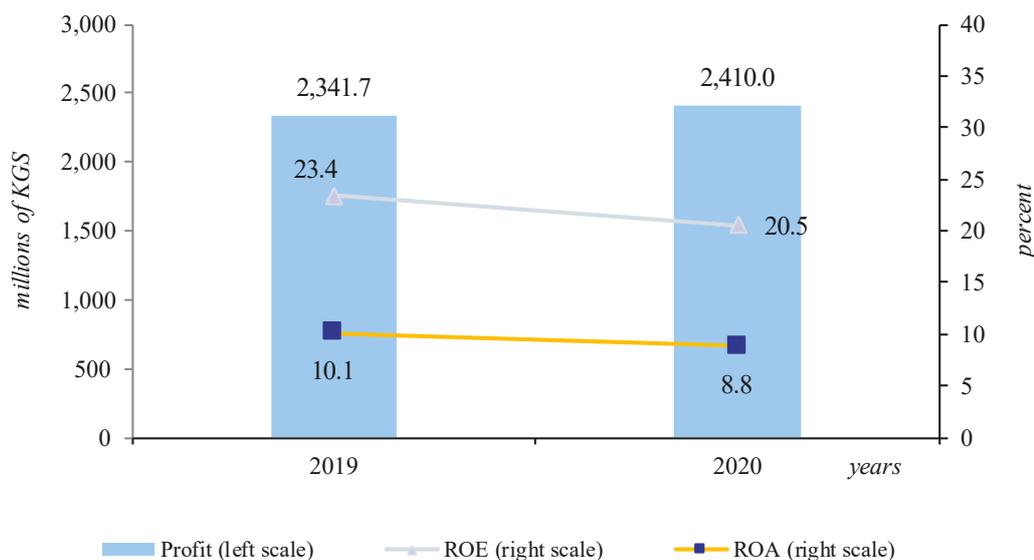
Structure of Incomes and Expenses
(millions of KGS)

Category	2019	2020
Total interest income	6,100.6	6,658.9
Total interest expenses	1,221.5	1,481.2
Net interest income	4,879.1	5,177.7
Allocations to LLP (loans)	409.0	338.9
Net interest income after allocations to LLP	4,470.1	4,838.8
Total non-interest income	884.1	769.9
Total non-interest expenses	2,006.3	1,993.8
Total other operating and administrative expenses	744.9	923.6
Net operating income (loss)	2,603.0	2,691.3
Allocations to LLP (on other assets)	6.7	10.6
Net income (loss) before tax	2,596.3	2,680.7
Profit tax	254.6	270.8
Net profit (loss)	2,341.7	2,410.0

Despite the situation due to the COVID-19 pandemic, at the end of the year, the net profit of NBFCOs² increased by KGS 68.3 million or 2.9 percent compared to 2019 and amounted to KGS 2.4 billion. In the context of the NBFCOs, the share of MFOs profit is 96.2 percent, CUs – 2.8 percent and SFCOs – 1.0 percent.

Chart 3.2.1.2.

Dynamics of Net Profit and Profitability Indicators



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

² Excluding net profit of credit bureaus, guarantee fund and exchange bureaus.

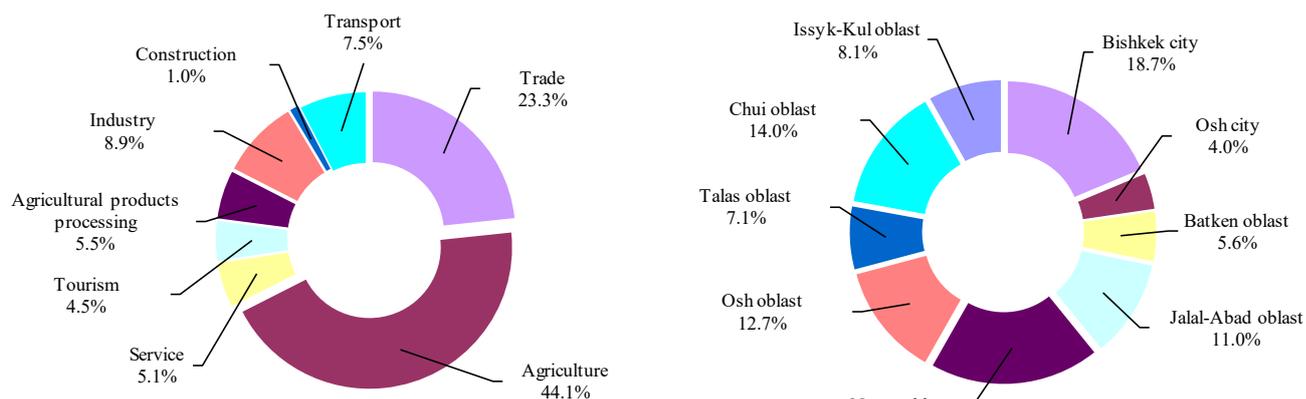
In 2020, return on assets (ROA) decreased from 10.1 to 8.8 percent, and return on equity (ROE) decreased from 23.4 to 20.5 percent due to the growth of assets and capital.

The assets of the guarantee fund amounted to KGS 4.6 billion being mainly represented by the banks' deposits. The number of approved guarantees totaled 1,769 in the amount of KGS 2.6 billion. In the reporting period, the guarantees were primarily issued for agriculture and trade in Bishkek and Osh cities, Chui, Naryn and Osh oblasts.

Guarantee fund

Chart 3.2.1.3.

Structure of Approved Guarantees by Sectors and Regions (as of the end of 2020)



The guarantee fund liabilities increased by KGS 89.9 million or 26.8 percent as compared to 2019 and amounted to KGS 424.8 million.

At the end of 2020, the guarantee fund capital increased from KGS 1.2 to 4.2 billion and was represented by the fully paid-up authorized capital. Net profit increased by KGS 9.1 million or 22.4 percent compared to the results of 2019 and amounted to KGS 49.5 million.

3.2.2. Licensing of Non-Banking Financial-Credit Organizations

The activities of the SFCOs, microfinance companies (MFCs), CUs, exchange bureaus and credit bureaus are conducted on the basis of the license issued by the National Bank. The microcredit companies (MCC), microcredit agencies (MCA) and guarantee funds operate on the basis of a certificate of registration. MCC and MCA, if necessary, are entitled to obtain a license to conduct certain operations.

At the end of 2020, the system of NBFCOs and other legal entities subject to licensing and regulation by the National Bank comprised one SFCO, 92 CUs, 134 MFOs (including 9 MFCs, 87 MCCs and 38 MCAs), 387 exchange bureaus, two credit bureaus and one guarantee fund.

In the reporting year, the National Bank issued one license to MFC (due to re-registration of one MCC as a MFC), two certificates of registration to MCCs, one certificate of registration to MCA, 82 licenses to the exchange bureaus. 12 additional exchange bureaus were registered (including the exchange bureaus with expired previous license).

Four certificates of the MCCs registration, two certificates of the MCAs registration, three licenses of the CUs and 96 licenses of the exchange bureaus were canceled due to termination of their activities. 69 licenses were cancelled due to expiration of the validity thereof.

Table 3.2.2.1.

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

Title	2016	2017	2018	2019	2020
SFCO	1	1	1	1	1
Microfinance organizations	162	150	142	137	134
Credit unions	116	110	106	95	92
Exchange bureaus	394	396	413	401	387
Credit bureaus	0	1	2	2	2
Guarantee fund	0	0	0	1	1
Total NBFCO	673	658	664	637	617

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

3.2.3. Supervision over Non-Banking Financial-Credit Organizations

Due to the COVID-19 pandemic, in the reporting year, the National Bank took measures to ensure uninterrupted supervision and regulation of the NBFCOs activities and other legal entities licensed and regulated by the National Bank, as well as to protect the rights of the financial services consumers.

During validity of the resolution approved by the National Bank Board on suspension of the inspections, the NBFCOs activities were regulated using external supervision tools. The inspections were resumed upon cancellation of the aforementioned resolution.

In the reporting year, the following inspections were conducted using a risk-oriented approach:

- seven targeted inspections of the MFOs' activities on credit risk management, protection of the financial services consumers' rights, sufficient level of information security, as well as compliance of the supervised entity's activities with the established requirements to receive a deposit license;
- 11 inspections of the CUs (10 targeted and one comprehensive inspection);
- one targeted inspection of the guarantee fund's activities;
- 35 inspections of the exchange bureaus' activities for compliance with the requirements of the legislation of the Kyrgyz Republic, including the issues on CTF/AML, as well as to identify unlicensed activities.

3.2.4. Enforcement Measures

During 2020, enforcement measures were applied to the NBFCOs with the focus on reducing the risks, increasing the level of transparency and bringing the sector's activities in line with the legislation of the Kyrgyz Republic.

50 instructions were sent to the MFOs, 102 instructions – to the CUs, 237 instructions – to the exchange bureaus due to revealed violations of the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank.

In the reporting year, the licenses of exchange offices were temporarily suspended 21 times, fines were imposed on two exchange offices according to the Code of the Kyrgyz Republic on violations, and the license of one CU was suspended.

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

The activities of the National Bank to improve the regulatory legal framework governing the activities of the NBFCOs were focused on developing the regulatory legal acts to support the microfinance sector and its clients, to expand the NBFCOs access to funding sources, to increase the range of services provided by the NBFCOs, to improve the risk-oriented supervision, to protect the rights of the financial services consumers, and to take measures stipulated in the Main Directions of Microfinance Sector Development for 2018-2021.

The procedure for remote identification and verification of the MFOs clients was developed and approved to expand the NBFCOs capabilities in providing banking services. New methods of identification and verification of the MFOs clients during remote servicing enabled to increase the level of accessibility of the banking and microfinance services, creating conditions for safe use thereof.

Amendments were introduced to certain regulatory legal acts on credit risk management, containing the use of electronic signatures, remote lending, formation of a credit rating, and storage of a credit dossier in soft copies.

The list of operations according to the principles of Islamic finance for the MFOs and CUs has been expanded to finance clients engaged in the agricultural sector – Mugarasa, Muzaraa and Musakat. This document was developed within the framework of the Main Directions of Microfinance Sector Development in the Kyrgyz Republic for 2018-2021 to promote improvement in the quantity and quality of the financial products offered to the MFOs and CUs that conduct operations in accordance with the principles of Islamic banking and finance. The procedure to submit the reports on foreign exchange position for the MFCs, which are currently provided only in software copies, has been simplified.

The Rules to regulate the activities of the guarantee funds were amended to highlight the data on guarantees issued to the business entities, with the women or women registered as individual entrepreneurs as founders/participants, in the reports submitted by the guarantee funds. Adopted amendments are in line with the Program to Promote Economic Diversification, which supports the efforts of the Government of the Kyrgyz Republic to diversify the economy through the reforms focused on improving the trade and investment competitiveness in the country, developing the small and medium enterprises (SMEs), promoting the public-private partnership and developing the skills related to the sectors' needs.

Within the framework of the COVID-19 pandemic response measures and protection of the rights of the banking and microfinance services consumers:

- a ban was imposed on the banks and NBFCOs to charge and collect commissions, penalties and other payments under the loan agreements. At the same time, the National Bank recommended to provide a loan payment deferral for at least three months. Moreover, the reason for delay in loan payments due to the COVID-19 pandemic should be indicated when the financial-credit organizations transfer information about the borrowers to the credit bureaus;
- the requirements for classification of the NBFCOs assets were softened;
- a temporary procedure for operation and regulation of the activities conducted by the banks, NBFCOs and other legal entities supervised by the National Bank was approved to minimize the risks in the activities thereof;
- inspections of the activities conducted by the commercial banks, NBFCOs, a guarantee fund, a SFCO, exchange and credit bureaus was temporarily suspended. The aforementioned inspections were resumed with improvement of the epidemiological situation.

Digitalization of microfinance services

Principles of Islamic finance

Improvement of the NBFCOs periodic regulatory reporting

COVID-19 pandemic response measures

Licensing

The National Bank amended the regulatory legal acts in terms of compliance with the prudential ratios and termination of certain banking operations to clarify the issues of re-registration of a commercial bank into a MFC. The requirements of the regulatory legal acts for the MFOs that do not attract deposits and the CUs have been revised in terms of ensuring a fair approach when setting commissions and other payments in the course of granting loans.

RLA optimization

The Regulations “On enforcement measures applied to the non-banking financial-credit organizations and other legal entities supervised by the National Bank of the Kyrgyz Republic” and “On classification of the assets and formation of the loan loss provisions by the non-banking financial-credit organizations” were approved. The regulatory legal acts were adopted as part of the NBFCOs regulatory framework improvement, taking into account the peculiarities of the activities conducted by each individual NBFCO and the principles of risk-oriented supervision.

3.3. Protection of Consumers’ Rights

*Measures to
enhance consumers’
rights protection*

Protection of the financial services consumers’ rights is among the important components of the National Bank’s activity to ensure the stability of the financial system.

During 2020, the National Bank took a number of measures on protection of the financial services consumers’ rights to mitigate the negative economic consequences of the COVID-19 pandemic. Revising the loan maturities, granting the payments deferrals for at least three months, charging or collecting no commissions and other payments related to revision of the loan agreement terms, imposing or charging no penalty for non-fulfillment/improper fulfillment by the borrowers of the obligations under the loan agreements were among measures recommended to the financial-credit organizations.

The management of the National Bank, in the course of the meetings with the FCO representatives, drew attention to the need for early identification of the problems and development of measures for restructuring the debt of each borrower who applied on an individual basis, and strengthening explanatory work with the clients to reduce social tension among the borrowers.

*Consideration of
applications of the
financial services
consumers*

The National Bank places a high priority on reception of the citizens and consideration of their applications. During the reporting period, work was conducted with a significantly increased number of applications related to protection of the financial services consumers’ rights in the context of restrictions imposed due to the COVID-19 pandemic.

In 2020, the National Bank considered 2,630 consumer applications, including 1,196 applications received from the public organizations (in 2019 – 557). 1,490 applications were reviewed on the activities of the commercial banks (in 2019 – 389), 1,080 applications – on the activities of the NBFCOs (in 2019 – 101) and 60 applications – on other issues (in 2019 – 67).

Consulting and legal assistance was provided to more than 1,400 citizens-the consumers of financial services. The focus was placed on provision of the legal advice through remote channels due to imposed restrictive measures.

The applications concerned the issues of assistance rendering in obtaining preferences for loans, clarifying the conditions for loans restructuring, observing the borrowers’ rights to early loan repayment, verification of calculating the size of the monthly loan payment, servicing bank accounts, deposits, money transfer services, checking the terms of the agreement for compliance with the legal requirements and other issues.

CHAPTER 4. PAYMENT SYSTEM

In 2020, the National Bank continued working to ensure the security and reliability of the payment systems operation by improving the regulatory legal framework, strengthening uninterrupted payments monitoring, and developing new digital payment and financial technologies. The National Bank interacted with the commercial banks, payment system operators and payment organizations under the conditions of the restrictions for the public access to payments and settlements imposed due to the spread of the COVID-19 pandemic.

Projects on advancement of digital payment technologies in the regions were implemented as part of measures to develop the regions and digitalize the country.

Coordination and control was conducted over implementation of the State Program on Increasing the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2018-2022 (hereinafter referred to as the State Program on Increasing Non-Cash Payments), as well as measures focused on increasing the public access to payment services in the regions, through increasing coverage with banking equipment, providing opportunities for making payments with innovative tools.

In the reporting year, the commercial banks imported 74 ATMs, 1,374 POS-terminals and 191 payment terminals into the country, meanwhile at the end of 2020 the total number of bank equipment amounted to 1,856 ATMs, 12,067 POS-terminals and 1,984 payment terminals. 389 POS-terminals were installed in the branches of the State Enterprise “Kyrgyz Pochtasy” to provide the population of 1,114 villages with the possibility to withdraw money from a bank payment card.

Cash is still the main instrument for retail payments amid increase in the share of non-cash payments and development of the national payment system.

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

4.1. Payment System Development

4.1.1. Non-cash Payments

In the Kyrgyz Republic, non-cash payment were made via the Real Time Gross Settlement System (RTGS), the Bulk Clearing System (BCS), the system of payments with the use of bank payment cards, e-money payment system, the remittance system, and the system of non-bank payment systems operators. The National Bank, the commercial banks, the Interstate Bank, the Eurasian Development Bank, the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, the Deposit Protection Agency, the Social Fund, the State Accumulative Pension Fund, CJSC “Central Depository” and CJSC “Interbank Processing Center” were the participants in the interbank payment systems (RTGS, BCS).

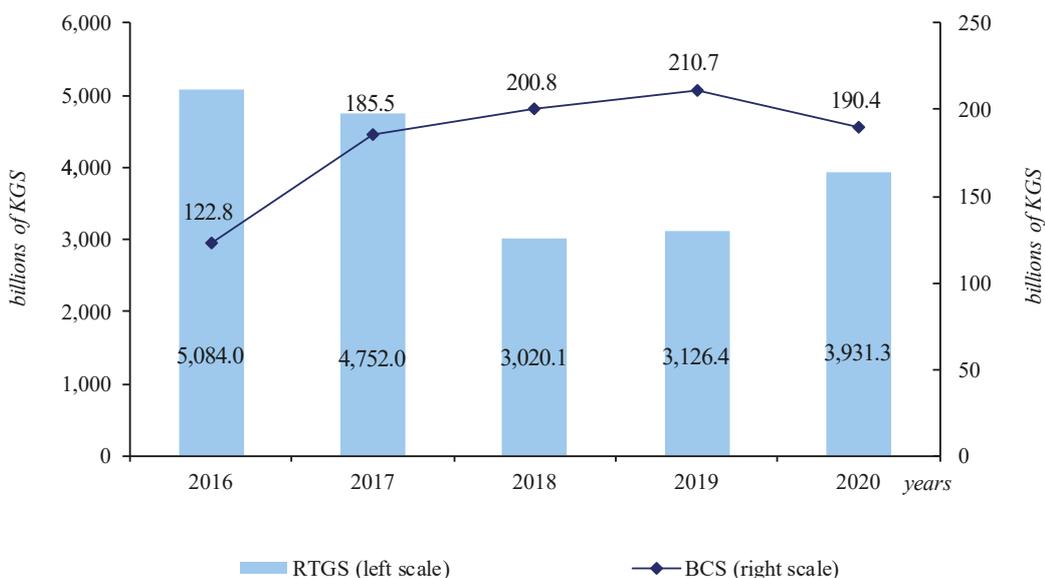
In the reporting period, 8.2 million payments were made via the interbank payment systems in the amount of KGS 4.1 trillion, in terms of quantity, payments decreased by 22.6 percent, meanwhile in terms of volume, they increased by 23.5 percent compared to 2019 due to decreased economic activity of business entities during the emergency situation and the state of emergency introduced amid the spread of the COVID-19 pandemic.

In the reporting period, the volume of payments via the RTGS increased by 25.7 percent, however, the payments made via the BCS decreased by 9.6 percent.

Payment system

Chart 4.1.1.1.

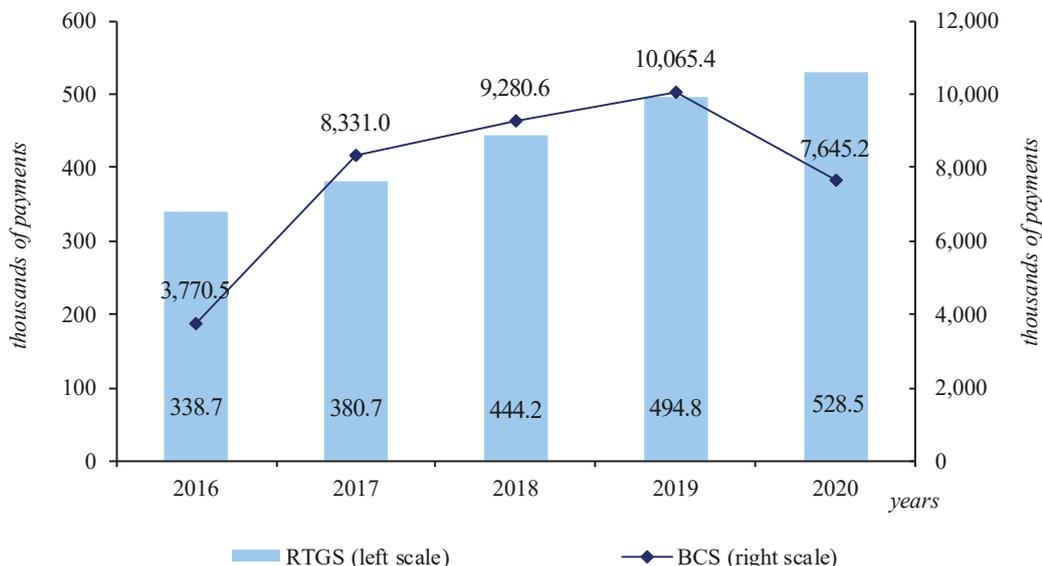
Volume of Payments via Interbank Payment Systems (RTGS and BCS)



The number of payments via the RTGS increased by 6.8 percent, and the number of payments via the BCS decreased by 24.0 percent compared to 2019.

Chart 4.1.1.2.

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

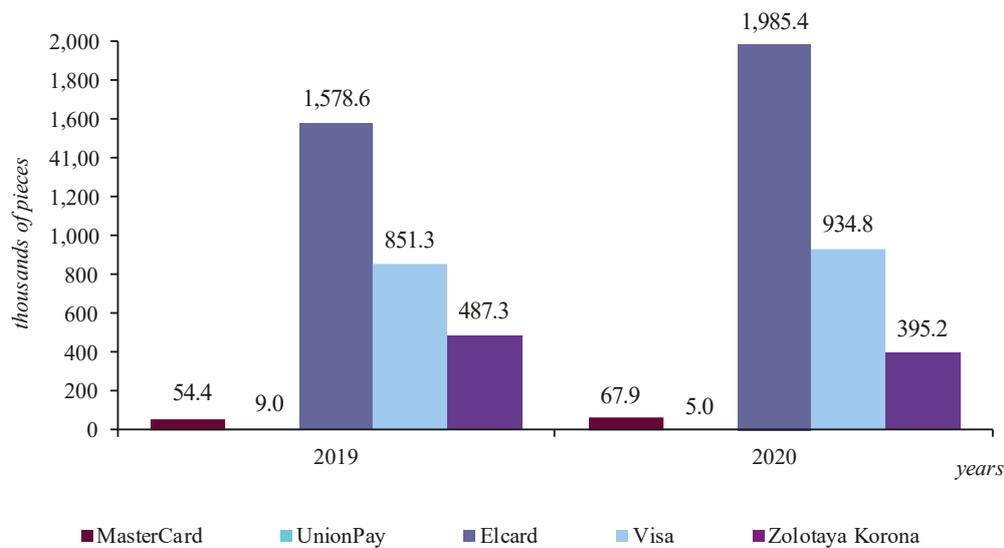


National payment system "Elcard"

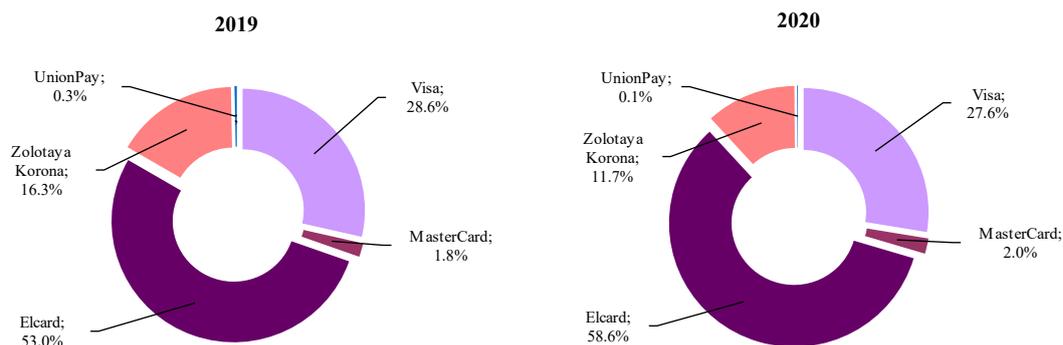
The total number of issued bank payment cards amounted to approximately 3.4 million, having increased by 13.7 percent over the year, among them the number of cards of the national payment system "Elcard" amounted to approximately 2.0 million. The growth of issued bank payment cards "Elcard" by 25.8 percent compared to 2019 was mainly due to measures implemented within the framework of the State Program on Increasing the Share of Non-cash Payments and Settlements.

Chart 4.1.1.3.

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

**Chart 4.1.1.4.**

Ratio of Number of Bank Payment Cards



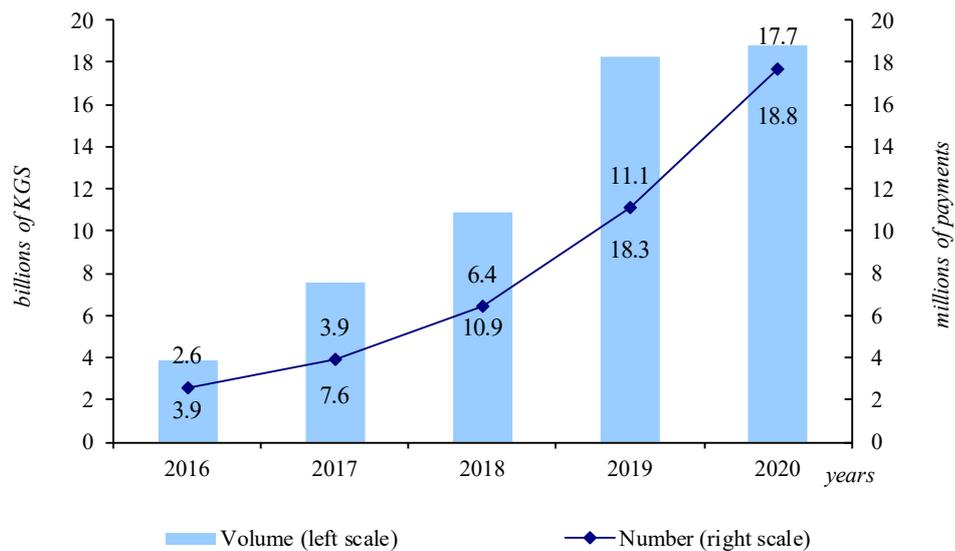
In the reporting year, more than 58.5 million operations to the amount KGS 269.8 billion were conducted with the use of bank payment cards, the number of operations increased by 22.7 percent and the volume of operations increased by 13.4 percent compared to 2019.

Operations with the use of bank payment cards

In 2020, the number of the merchants' operations with the use of the bank payment cards increased by 59.7 percent compared to 2019, meanwhile the volume of operations increased by 2.5 percent.

Chart 4.1.1.5.

Dynamics of Growth in the Volume of Transactions of Merchants



Card acceptance and servicing infrastructure

- As of the end of 2020, the bank payment cards were accepted for servicing by 1,856 ATMs and 12,067 POS-terminal¹ (among them 9,945 POS-terminals were installed at merchants and 2,122 POS-terminals were installed in the branches and savings offices of the commercial banks) throughout the territory of the Kyrgyz Republic.

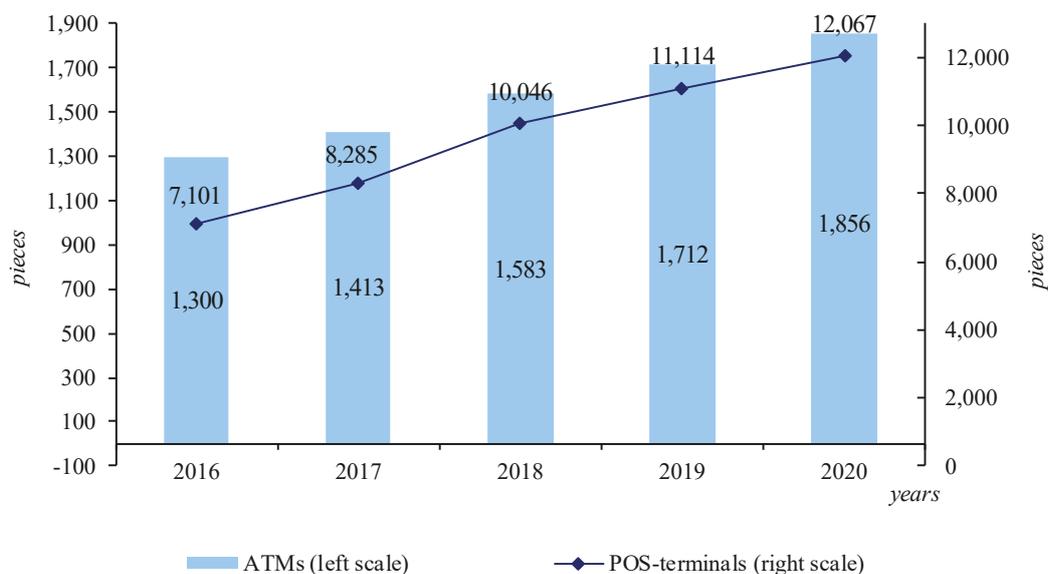
A breakdown by systems shows that:

- the cards of the national payment system “Elcard” were accepted for servicing by all 1,856 ATMs and 12,067 POS-terminals;
- the cards of the international system “Zolotaya Korona” were accepted in 223 ATMS and 1,097 POS-terminals;
- the cards of the international systems “Visa” and “MasterCard” were accepted in 779 ATMs and 6,110 POS-terminals;
- the cards of the international systems “UnionPay” were accepted in 378 ATMs and 1,415 POS-terminals.

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

Chart 4.1.1.6.

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



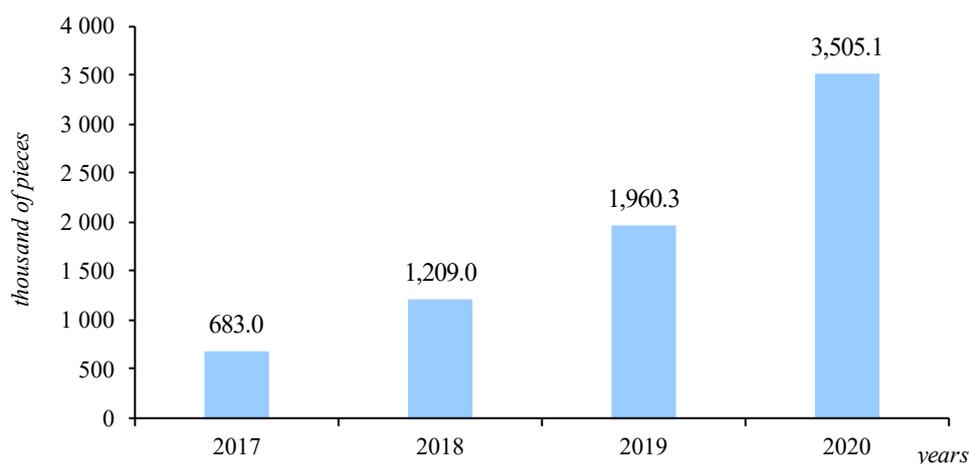
E-money remains among the most affordable and popular payment methods in the Kyrgyz Republic. Seven commercial banks were the issuers of e-money and nine commercial banks had a license to issue e-money. There were 12 operating local e-money settlement systems with two systems among them to implement only redemption (cash out) of e-money.

E-money

The number of e-money holders and their activity in the digital environment is still growing. As of the end of 2020, the number of e-wallets increased by 78.8 percent compared to 2019 and amounted to 3.5 million wallets.

Chart 4.1.1.7.

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



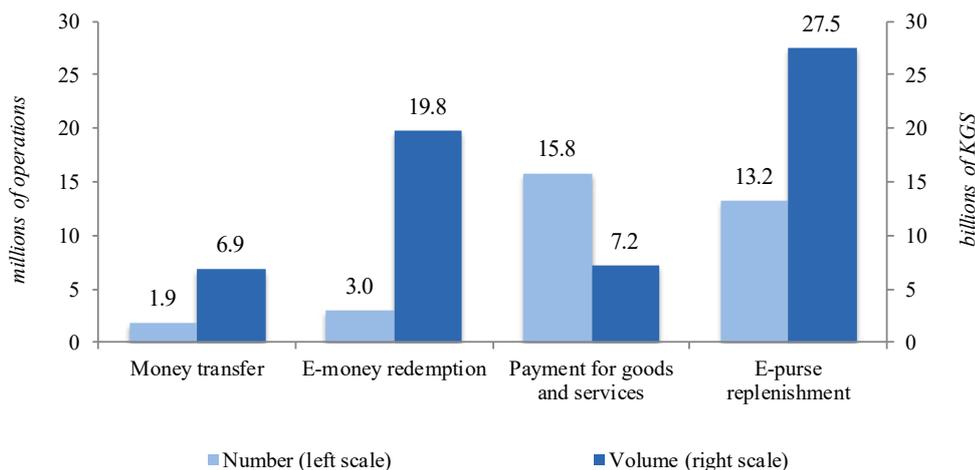
The volume of money transfer operations between e-wallets increased by 49.8 percent compared to 2019 and amounted to KGS 6.9 billion. The number of money transfers increased by 2.8 times and totaled 1.9 million operations. The volume of operations for goods and services payment with e-money increased by 20.8 percent compared

to 2019 and amounted to KGS 7.2 billion, meanwhile the number of operations decreased by 3.9 percent and totaled 15.8 million operations.

In the reporting year, the number and volume of e-wallets replenishment increased by 21.8 and 36.1 percent, respectively as compared to the previous year and amounted to 13.2 million operations in the amount of KGS 27.5 billion. The number and volume of e-money redemption operations increased by 42.6 and 40.0 percent, respectively, and amounted to 3.0 million operations in the amount of KGS 19.8 billion.

Chart 4.1.1.8.

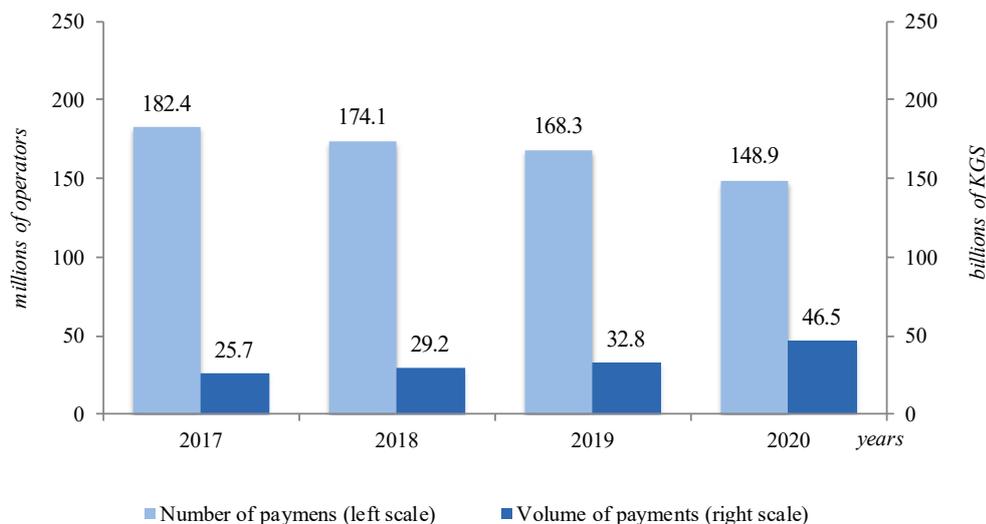
Number and Volume of Transactions via E-wallets



148.9 million payments in the amount of KGS 46.5 billion were made via the payment organizations, meanwhile the volume of payments increased by 41.8 percent compared to 2019.

Chart 4.1.1.9.

Number and Volume of Payments Made by the Payment Organizations



Payment organizations accepted payments in favor of the third parties using payment terminals, agent network and e-money. At the end of the reporting year, the number of payment terminals and their agents was 8,541, the number of web-kassa and their agents – 74,074.

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

In 2020, the National Bank continued to coordinate and monitor implementation of the Action Plan within the framework of the State Program on Increasing the Share of Non-cash Payments in the emergency situation and the state of emergency.

The main efforts of the banking and payment systems were focused on providing remote services to the population using available online services. Existing payment infrastructure in the country, including various instruments of non-cash and remote payment (bank payment cards, e-wallets, the Elcard Mobile application, QR code-based payments and transfers, mobile banking, Internet banking) enabled the business entities and population to make payments and settlements remotely during the period of self-isolation. At the same time, the National Bank, together with the commercial banks, payment organizations/ payment system operators, took measures to ensure uninterrupted and safe payments and settlements, including provision of online services, operation of the ATMs, POS-terminals, payment terminals, and arrangement of field cash offices of the commercial banks in the quarantine zones.

At the end of the reporting year, as part of implementation of the Action Plan within the framework of the State Program on Increasing the Share of Non-cash Payments, the following results have been achieved:

- pensions were paid to 425.0 thousand people through the accounts in the commercial banks (61.8 percent of the total number of pensioners), meanwhile, in 2019, 371.0 thousand people received pensions through the accounts in the commercial banks (55.1 percent of the total number of pensioners);
- social benefits were paid to 420.1 thousand people through the bank payment cards (88.4 percent of the total number of recipients), meanwhile in 2019, the social benefits were paid to 175.9 thousand people (55.6 percent of the total number of recipients);
- according to the applications submitted by the medical facilities, POS-terminals were installed in 248 out of 364 healthcare organizations to pay for medical services, which totaled 68.1 percent;
- the commercial banks imported 74 ATMs, 1,374 POS-terminals and 191 payment terminals into the country;
- more than half of the country's settlements, including remote ones, are covered by the project on payment of pensions, social benefits and wages to the cardholders using POS-terminals, and making payments for utilities, taxes and other payments through 389 post offices of the State Enterprise “Kyrgyz pochty”.

Amendments were introduced into the Resolution of the Board of the National Bank “On temporary rules to regulate the activities of the financial-credit organizations due to the COVID-19 pandemic” to support the vulnerable social groups. Such amendments establish the requirements for the commercial banks to exempt the cardholders, such as the pensioners and the state benefits recipients, from paying fees in case of cash withdrawal from the bank payment cards “Elcard” in the national payment. Also, the Resolution establishes a temporary ban on commissions charging by CJSC “Interbank Processing Center” from the commercial banks for payments processing on the national cards “Elcard” owned by the pensioners and the state benefits recipients.

The activities of 14 field cash offices of the commercial banks were organized in the residential areas and new housing settlements located near the city of Bishkek during the state of emergency. At the same time, these offices operated with the assistance of CJSC “Kyrgyz Encashment” in the remote hard-to-reach areas to meet the needs of the population in banking services, including cash withdrawal operations from the bank payment cards, money transfers.

Amendments were introduced into the Resolution of the Government of the Kyrgyz Republic “On protection of the consumers' rights” at the National Bank's suggestion.

Measures to prevent the COVID-19 pandemic

These amendments concern establishment of the requirement for the merchants to use barcodes (QR codes) in case of non-cash payments for goods and services to ensure a wider coverage of non-cash payments and users' convenience.

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

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

Licensing

In 2020, the National Bank issued two licenses to carry out activities of a payment system operator¹ and three licenses to carry out activities of a payment organization².

Two licenses of payment organizations and one license of a payment system operator were revoked within the framework of implemented supervision. The validity of two licenses of the payment system operators was canceled due to the voluntary activities termination.

At the end of the reporting period, 23 legal entities had the licenses of the National Bank: 23 licenses to carry out activities of a payment organization and 21 licenses to carry out activities of a payment system operator. Among them, 16 payment system operators/payment organizations are located in Bishkek, two – in Chui oblast, three – in Osh oblast, one – in Jalal-Abad oblast, and one – in Batken oblast.

Registration

In the reporting year, the National Bank registered one operator of the international remittance system, three operators/issuers of the e-money international systems, and one interaction operator³.

Registration of one organization as an operator of e-money international systems was canceled by the National Bank on the basis of an application thereof. Registration of eight organizations as the operators of the international remittance systems in the territory of the Kyrgyz Republic was canceled due to revocation/cancellation of these organizations permits in the country of origin.

Thus, 31 operators of the remittance systems (12 international and 19 local (interbranch)), nine operators/issuers of the e-money international systems, six international settlement systems using bank payment cards and one interaction operator were registered at the end of 2020.

4.1.3.2. Supervision over Payment Systems Operators and Payment Organizations

In the reporting year, the National Bank continued to conduct supervision over the activities of the payment system operators and the payment organizations to maintain the stability, efficiency, safety and reliability of the payment systems, ensure protection of the payment services users' rights, as well as provide counter-terrorism financing and anti-money laundering (CTF/AML). Supervision was primarily focused on mitigating the risks in provision of certain financial instruments.

The National Bank decided to suspend inspections of the activities of the payment system operators and the payment organizations temporarily as part of the restrictive measures imposed during the COVID-19 pandemic.

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

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

³ A payment system operator that provides technical interaction with the participants of the payment systems and formation of the clearing files for final settlements on payments using two-dimensional barcode symbols and payment links (QR code).

In total, one comprehensive, two unscheduled targeted inspections and one pre-licensing inspection were conducted in 2020.

4.1.3.3. Enforcement Measures

Based on the results of external supervision and inspections, appropriate enforcement measures were taken against the payment system operators and the payment organizations: restrictions were introduced on payments acceptance and certain types of payments/operations conducted under the licenses of one payment system operator/payment organization. One license of a payment system operator and two licenses of payment organizations were revoked, as well as nine instructions were sent to eliminate violations.

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

Taking into account the current situation due to the COVID-19 pandemic, in 2020, the National Bank continued to implement measures to enhance the abilities of the payment sector participants in provision of the remote payment services. In particular, the regulatory legal acts that determine the possibility and procedure for remote identifying and verifying the payment services clients were adopted to ensure compliance with the laws in the field of CTF/AML. These payment services include services for making payments and payment operations through e-wallets and mobile applications of the payment organizations agents. Thus, amendments were approved in the Regulation “On e-money in the Kyrgyz Republic” to expand the capabilities of the banks and their agents in providing remote services and to ensure uninterrupted functioning of the payment systems operators.

The Regulation “On minimum requirements for arrangement of internal control in the payment organizations and for the payment system operators to provide counter-terrorism financing and anti-money laundering” was approved.

Amendments were adopted in the current regulatory legal acts that determine the procedure for registration and cancellation of registration in the National Bank for the international payment systems operators on settlements with bank cards, money transfers, and international e-money.

The requirements were established to the payment systems operators and payment organizations upon introduction of special regimes (temporary administration and direct banking supervision).

4.1.4. Payment System Supervision

The payment systems which are of high importance and priority for the country’s financial system are determined on a semi-annual basis in accordance with the importance criteria established in the Policy on the payment system supervision in the Kyrgyz Republic. Thus, in 2020, the RTGS and BCS were recognized as systemically important payment systems, and the RTGS, BCS and the system of settlements with bank payment cards “Elcard” were recognized as the national payment systems.

According to the monitoring results, systemically important payment systems operated under normal conditions (the system accessibility ratio wa's 97.9 percent). The restrictions introduced in October 2020 due to the social and political situation in the country contributed to decrease in the accessibility indicator of the systemically important payment systems. The level of financial risks in the national payment systems was minimal due to the mechanisms for liquidity management and sufficient liquid funds on the participants’ correspondent accounts in the National Bank in relation to the turnover in the system. The accessibility ratio for the “Elcard” national system was 99.9 percent,

¹ Accessibility ratio is an ability of the system users to have access to the services and information. System downtime, due to technical failures, preventive maintenance, reduces system accessibility.

Payment systems importance

which is a high indicator for the payment systems (98.0 percent is usually taken as a planned accessibility ratio in the national systems).

Uninterrupted and efficient operation of the retail payment systems which process a large number of small and regular payments of the population (card payment systems, remittance systems, payment acceptance in favor of the third parties, e-money payment systems, etc.) is an important factor of the financial system stability in the country. Joint work was conducted with the commercial banks in this direction to gradually remove short-term restrictions imposed on international remittances in October 2020 to ensure the safety of the country's banking sector and the safeguard of the assets in the financial-credit organizations.

The projects have been implemented for settlements in the national currency for in-country transactions with the international cards "Visa" and "Mastercard" (KG NNSS and DSS projects, respectively). As a result, the "Visa" and "Mastercard" cardholders no longer bear conversion costs when paying in the national currency in the territory of the Kyrgyz Republic, and the term for final settlements between the banks for in-country transactions with such cards has been reduced. A similar project is being developed using the Union Pay system.

Compliance of payment systems with international standards

Operation of the RTGS, BCS and the national "Elcard" card payment system was assessed for compliance with the international PFMI¹ standards as part of the supervision over the payment system of the Kyrgyz Republic. Moreover, a critical service provider, CJSC "Interbank Processing Center", was assessed for the first time for compliance with the international recommendations for the payment service providers. The assessments results confirmed general compliance of the abovementioned systems with the international standards.

4.1.5. Development of Digital Payment Technologies

The National Bank developed and approved a roadmap for introduction of the e-payments and mobile banking in the regions in accordance with the Decree of the President of the Kyrgyz Republic "On Declaring 2020 – the Year of Regional Development, Country Digitalization and Children Support". Measures provided for in the roadmap were focused on development of the digital payment technologies in the regions and were implemented in accordance with the established deadlines.

The Concept for development of the digital payment technologies in the Kyrgyz Republic for 2020-2022 was approved to determine the priority areas of development in the sector of digital payment technologies, taking into account world practice and implementation of the objectives to further improve the efficiency, reliability and security of the payment system, to ensure harmonious interaction of the financial organizations, their clients, government bodies and commercial organizations through electronic communication channels by 2022.

The draft Laws "About crypto-currencies turnover" and "On Amendments to some legislative acts in the field of virtual assets" have been developed due to the need to establish a legal framework for circulation of the crypto-currencies and the activities of crypto-currency exchange service providers, as well as to reduce the risks of terrorism financing and anti-money laundering according to the Recommendation of the Financial Action Task Force on Money Laundering (FATF), and to protect the consumer rights.

Measures were taken to continue integration of the national payment system "Elcard" (Kyrgyz Republic) with the national payment system "Mir" (Russian Federation). Thus, holders of these cards can withdraw cash from the ATMs of 18 commercial banks and make payments via the POS-terminals of 19 out of 23 commercial banks. In general, "Mir" cards are accepted for servicing in 1,515 ATMs, 4,741 POS-terminals located in the merchants

¹ Principles for Financial Market Infrastructures are developed and adopted in April 2012 by the Committee on Payment and Market Infrastructures at the Bank for International Settlements.

and in 1,638 POS-terminals in the branches and the savings banks of the commercial banks.

The project of money transfers from “Mir” cards to “Elcard” cards was implemented during 2020. 4,812 transactions were conducted, the volume thereof amounted to approximately KGS 14.4 million.

The project “Elcard NFC” (“Elcard Bezkontakt”) was put into production operation. A feature of “Elcard Bezkontakt” cards is an additional opportunity to conduct operations outside the Kyrgyz Republic in the network of the national payment system “Mir” and the partner payment systems.

The range of services provided through the “Elcard Mobile” mobile application has been expanded (crediting of accounts/e-wallets, credit repayment, credit interest repayment, payment of taxes, fines, government services and other operations). The services of 10 commercial banks were included into this range.

At the same time, a pilot launch of the “Elcard Trade” mobile application was conducted to enable the merchants to accept payments using a QR code.

A “regulatory sandbox”¹ was launched for the first time to create favorable conditions for the population, as well as to reduce the time and costs for introducing innovative banking services and new products. A special regulatory regime was created to test the following banking operations and services according to the application of one MCC and one payment system operator:

- issue of the credit cards of the national payment system “Elcard” by a microcredit company to provide credits in non-cash form;
- carrying out transactions using credit cards of the national payment system “Elcard” through POS-terminals/QR codes (acquiring).

To inform the population about the use of payment services and innovative technologies, the National Bank, together with the International Finance Corporation (IFC), developed five videos on the topic “Digital financial services”, which were posted on the Finsabat website, and were also broadcasted on the republican and regional TV channels.

“Regulatory sandbox”

4.2. Cash Circulation

Meeting the needs of the economy in cash in a timely manner is among the main functions of the National Bank. The National Bank implements regular monitoring of cash in circulation through the commercial banks to fulfil this function.

In 2020, work was continued to put the banknotes and coins into circulation, to maintain their optimal reserves of the required denominations, withdraw and destruct unfit banknotes.

External and internal economic factors formed due to the COVID-19 pandemic contributed to increased demand for cash. Uninterrupted delivery of the required denominations of banknotes and coins to the remote regions was implemented during introduction of the restrictive measures to ensure timely and continuous provision with cash.

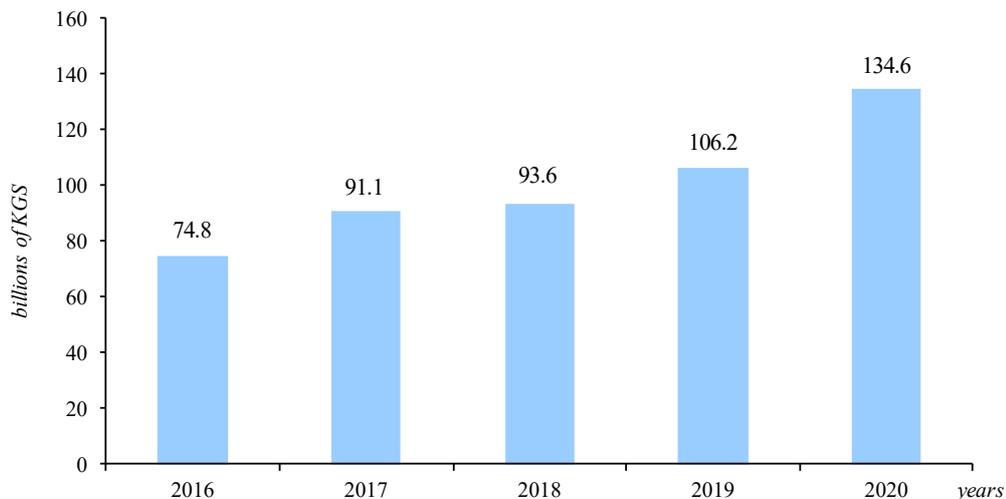
New banknotes and coins in factory packaging, as well as the banknotes and coins that were under quarantine for two weeks were issued to the commercial banks in compliance with the sanitary and epidemiological standards as part of measures taken to counter the spread of the COVID-19 pandemic.

In 2020, the total amount of cash in circulation increased by 26.7 percent and amounted to KGS 134.6 billion.

¹ “Regulatory sandbox” is a special legal regime that allows legal entities involved in development of the new financial products and services to conduct experiments for implementation thereof in a limited environment without the risk of violating applicable laws.

Chart 4.2.1.

Dynamics of Cash in Circulation (end-of-period)



The cash turnover was represented by 409.9 million sheets of banknotes and 435.8 million pieces of coins. The share of banknotes accounted for 99.0 percent, and the share of coins – 1.0 percent of the total amount of cash in circulation in 2020. The structure of banknotes and coins by denomination in circulation is presented in Table 4.2.1.

Table 4.2.1.

Shares of Banknotes and Coins in Total Cash in Circulation
(in percent of total cash in circulation)

Denomination	up to 5 Soms	10 Soms	20 Soms	50 Soms	100 Soms	200 Soms	500 Soms	1 000 Soms	2 000 Soms	5 000 Soms	Total
2019	0.8	0.4	0.6	0.9	1.7	3.9	10.2	38.4	11.5	31.6	100.0
2020	0.8	0.4	0.5	0.7	1.4	3.5	10.0	37.1	13.1	32.5	100.0

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

In 2020, receipt of cash in cash departments of the commercial banks totaled KGS 2,116.3 billion and increased by 2.5 percent compared to 2019. Payment of cash from the cash departments of the commercial banks increased by 3.2 percent and amounted to KGS 2,151.0 billion.

Table 4.2.2.

Movement of Cash via Cash Departments of Commercial Banks by Regions

	Receipt, <i>billions of KGS</i>		Disbursement, <i>billions of KGS</i>		Recoverability, <i>percent</i>	
	2019	2020	2019	2020	2019	2020
Total	2,065.3	2,116.3	2,085.3	2,151.0	99.0	98.4
Bishkek city	1,070.0	1,075.9	1,056.3	1,071.4	101.3	100.4
Batken oblast	85.9	95.2	85.8	95.1	100.1	100.1
Jalal-Abad oblast	209.1	230.4	223.1	246.0	93.7	93.7
Issyk-Kul oblast	100.8	112.1	105.3	116.5	95.7	96.2
Naryn oblast	44.7	52.9	47.2	55.3	94.7	95.7
Osh city	247.1	260.8	253.8	272.4	97.4	95.7
Osh oblast	96.6	95.0	96.4	95.2	100.2	99.8
Talas oblast	47.6	60.9	54.1	65.8	88.0	92.6
Chui oblast	163.5	133.1	163.3	133.3	100.1	99.8

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

In 2020, the number of detected counterfeit banknotes totaled 55 pieces amounting to KGS 117.5 thousand (in 2019 – 116 pieces amounting to KGS 199.9 thousand). The rate of counterfeiting amounted to 0.1 forgeries per one million of the genuine banknotes being classified as a minimum 1st level (0-10 forgeries/million). The law enforcement agencies initiated criminal cases and conducted criminal-intelligence operations for each fact of counterfeiting.

The National Bank continued selling the refined gold measuring bars with the fineness of 999.9 and the weight of 1, 2, 5, 10 grams, 1 troy ounce, and 100 grams within the framework of implementing the Concept on creation and development of the precious metals market in the Kyrgyz Republic focused on forming the market for new savings and investment tools, as well as in the banking sector, and on developing the industrial potential of the gold mining industry in the country.

In 2020, 44.4 kg of refined gold measuring bars were sold to the amount of KGS 204.8 million (in 2019, 17.2 kg – to the amount of KGS 58.3 million). In the reporting period, 11.0 kg of refined gold measuring bars were re-purchased to the amount of KGS 51.8 million (in 2019, 6.2 kg – to the amount of KGS 20.4 million).

Table 4.2.3.

Information about Sold and Re-purchased Gold Measuring Bars

(thousands of KGS)

Weight	Sale		Re-purchase	
	2019	2020	2019	2020
1 gram	509.7	2,655.4	235.0	825.9
2 grams	852.6	9,783.7	677.7	5,388.9
5 grams	3,675.5	13,142.7	1,639.3	10,013.7
10 grams	1,964.0	4,792.9	1,141.3	1,133.6
1 troy ounce	2,525.6	2,668.3	1,240.5	995.2
100 grams	48,764.5	171,793.0	15,428.4	33,415.2

Selling of refined gold measuring bars

Chart 4.2.2.
 Number of Sold Refined Gold Measuring Bars
 (pieces)

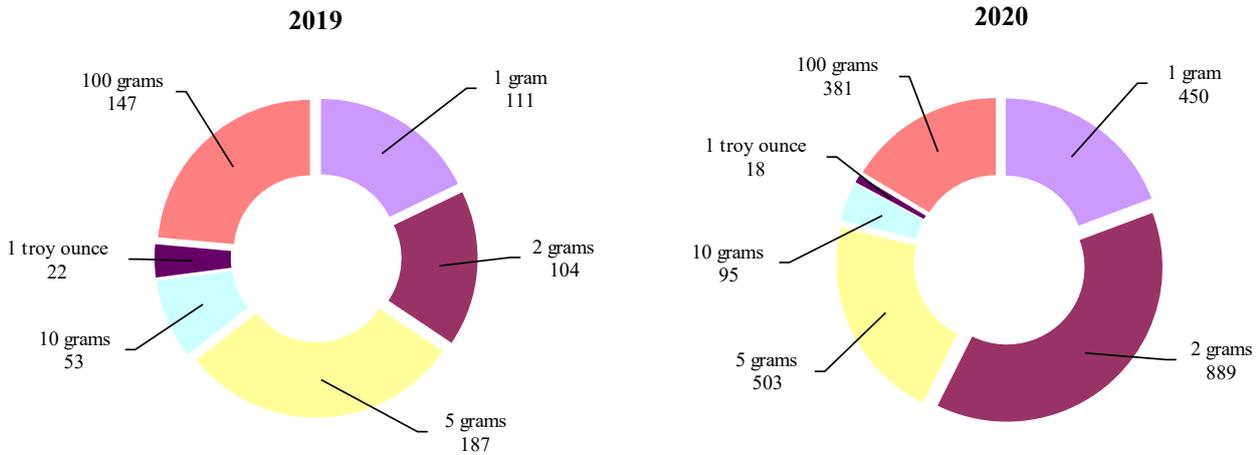
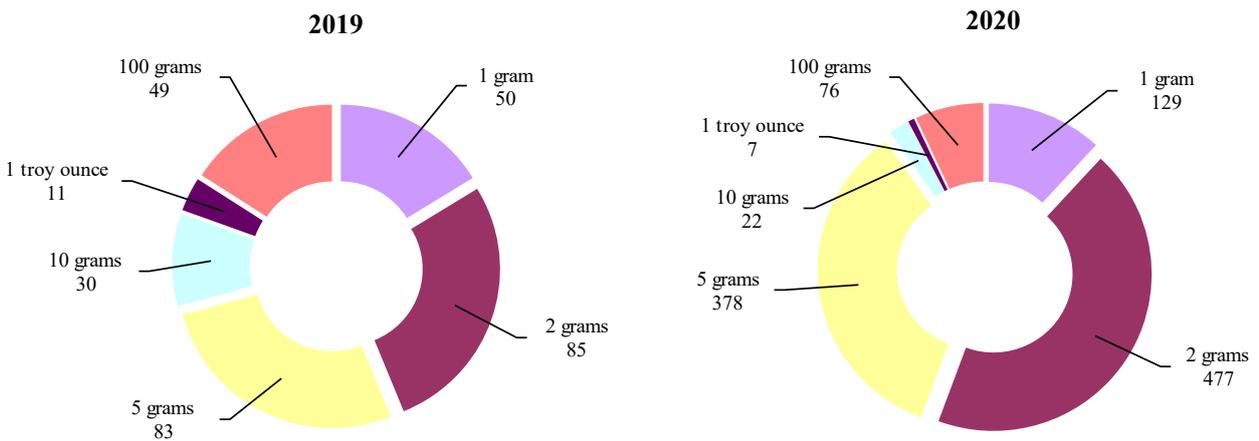


Chart 4.2.3.
 Number of Re-purchased Refined Gold Measuring Bars
 (pieces)



The National Bank provided the services for storage of refined gold measuring bars weighing 1 troy ounce and 100 grams for the individuals and legal entities to develop the market of bank precious metals.

In the reporting year, work was conducted to replenish the stocks of refined gold measuring bars made from domestic raw materials. During the reporting year, refined non-monetary gold was purchased from the local gold producing companies for the national currency according to the Law of the Kyrgyz Republic “On Precious Metals and Precious Stones”.

Commemorative coins

In 2020, work was continued on release and promotion of the collection commemorative coins using up-to-date coinage technologies that reflect the most significant historical events to popularize the spiritual and cultural values of the Kyrgyz people.

The National Bank participated in the 49th annual exhibition “World Money Fair 2020” (Germany) to demonstrate and popularize collection commemorative coins.

In the reporting year, five types of collection commemorative coins were put into circulation:

- Silver coin “75th anniversary of the Great Victory” of the series “Historical events”;
- Copper-nickel coin “75th anniversary of Great Victory” of the series “Historical events”;
- Copper-nickel coin “10 years of the People’s April revolution” of the series “Historical events”;
- Silver coin “Kyrgyz kurosh” of the series “World nomad games”;
- Copper-nickel coin “Kyrgyz kurosh” of the series “World nomad games”.

Figure 4.2.1.

Silver coin “75th anniversary of Great Victory”



Figure 4.2.2.

Copper-nickel coin “75th anniversary of Great Victory”



Figure 4.2.3.

Copper-nickel coin “10 years of the People’s April revolution”



Figure 4.2.4.

Silver coin “Kyrgyz kurosh”



Figure 4.2.5.

Copper-nickel coin “Kyrgyz kurosh”



CHAPTER 5. INTERNATIONAL COOPERATION AND PUBLIC RELATIONS

5.1. International Cooperation

In 2020, the National Bank continued cooperation with the central (national) and integration banks, international organizations, financial institutions and associations. International events were held in the virtual format due to the spread of the COVID-19 pandemic.

Within the framework of close interaction of the Kyrgyz Republic with the International Monetary Fund (IMF), the National Bank, as the office of the Governor from the Kyrgyz Republic in the IMF, was actively involved in the activities of the IMF on a wide range of issues, as well as within the Swiss group¹. In the reporting year, the National Bank conducted work on coordination and harmonization of the economic policy measures related to the loan in the amount of USD 242.0 million provided by the IMF to the Kyrgyz Republic under emergency financing through the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) to prevent the spread of the COVID-19 pandemic. The loans extended by the IMF were used to support the state budget of the country. In October 2020, assessment of the National Bank's protective mechanisms was conducted due to provision of emergency financing by the IMF to the Kyrgyz Republic to combat the spread of the COVID-19 pandemic.

In April and October 2020, the National Bank administration participated in the Spring and Annual Meetings of the IMF Governors and the World Bank Group.

At the same time, the National Bank cooperated with the IMF within the framework of various areas of technical assistance, including improvement of the monetary policy and development of the payment system.

In 2020, cooperation with the Islamic Development Bank (IsDB) was conducted in the field of development of the principles of Islamic finance in the territory of the Kyrgyz Republic. Within the framework of the agreement signed between the National Bank and the IsDB measures were taken to implement technical assistance focused on improving the regulatory legal framework for banking supervision, taxation of the Islamic banking operations, creating a centralized Sharia Board, as well as building the specialists' capacity on the principles of Islamic finance. During the year, the National Bank's representatives participated in series of virtual-seminars organized by the Accounting and Auditing Organization for Islamic Financial Institutions and the Islamic Financial Services Board. These seminars are focused on research of the possibilities for applying the AAOIFI and IFSB international standards in the Kyrgyz Republic.

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

The National Bank participated in the activities of the advisory and working bodies (subcommittees, working groups and subgroups) established within the EAEU. Work was continued on elaboration of the draft Strategic Directions for Developing Eurasian Economic Integration until 2025 and a draft action plan for implementation thereof.

The Advisory Committee on Macroeconomic Policy conducted activities focused on improving the Approval procedure for the interval quantitative values of the forecasts external parameters used to prepare official forecasts of the social and economic

Cooperation with international financial organizations

Cooperation with integration associations

¹ Swiss voting group within the framework of dividing the countries into the voting groups at the Bretton Woods Institutions. This voting group includes the Republic of Azerbaijan, the Kyrgyz Republic, the Republic of Kazakhstan, the Republic of Poland, the Republic of Serbia, the Republic of Tajikistan, Turkmenistan, the Republic of Uzbekistan, the Swiss Confederation.

development in the EAEU member states, and the Forecast developing procedure for mutual trade among the EAEU member states. The draft report on the macroeconomic situation in the EAEU member states and the proposals to ensure stable economic development were considered. Work was conducted to approve the draft guidelines for the macroeconomic policy of the EAEU member states for 2020-2021.

The Advisory Committee on Statistics held work on updating the list of statistical indicators of the official statistical information and the formats for submitting thereof to the Eurasian Economic Commission (EEC), on creating “personal accounts” for the representatives of the authorized bodies providing official statistical information to the EEC web portal, as well as comparisons according to the mirror statistics of the balance of payments.

The National Bank continued work on harmonization of the legislation of the EAEU member states within the framework of the activities conducted by the Advisory Committee on Financial Markets. An Agreement on exchange of information included in the credit histories was developed, and a work plan was prepared to implement the Concept for the formation of the EAEU common financial market.

Intersystem integration of the national payment system “Elcard” with the Russian national payment card system “Mir” was implemented within the framework of the working group to coordinate development of the national payment systems of the EAEU countries.

The representatives of the National Bank participated in the regular meetings of the ISB Council. The issues related to the results of the work and further activities of the ISB were considered during these meetings.

The National Bank participated in the work on the development of an Agreement on free trade of services, on a plan of main measures to implement the Concept for further development and an action plan to implement the first stage (2021-2025) of the CIS Economic Development Strategy.

The National Bank’s employees participated in the round-table meetings organized by the Ministry of Finance of the Russian Federation, where they discussed the issues of economic cooperation and mutual settlements in the national currencies among the SCO member states.

The representatives of the National Bank participated in the 42nd meeting of the Eurasian Council of the Central (National) Banks (ECB). The issues of development of the banking sector and the foreign exchange markets in the states of the central (national) banks-the ECB participants were considered during the meeting. An Agreement was signed on cooperation between the central (National) banks in the area of payment oversight. This Agreement is focused on harmonizing the parties approaches to implementing the payment oversight, regulating the cross-border money transfers, creating fair competition, protecting the consumer rights, improving the quality and security of the payment services, as well as counteracting unauthorized money transfers made with the use of electronic payment instruments.

The representatives of the National Bank participated in the 43rd and 44th meetings of the Central Bank Governors’ Club of the Black Sea Region, Central Asia and the Balkan Peninsula. During these meetings measures taken to resume economic activity, the prospectives for development of the world economy and the financial system in the context of the COVID-19 pandemic were discussed.

Technical cooperation

The National Bank of the Kyrgyz Republic cooperated with the Swiss National Bank, the National Bank of Poland, as well as the Asian Development Bank, the World Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the Joint Vienna Institute (JVI), German Corporation for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ), Savings Banks Foundation for International Cooperation (Sparkassenstiftung für internationale Kooperation) to exchange experience within the framework of the professional development programs and technical assistance.

The National Bank initiated cooperation with the Central Bank of Hungary (The Magyar Nemzeti Bank). Within the framework of this cooperation a webinar was held for the National Bank's employees on supervision (oversight) over the payment systems, payment systems information security, studying the experience of the Central Bank of Hungary on the project for implementation of instant payments in accordance with ISO 20022. The National Bank cooperated with the Central Bank of the Philippines (Bangko Sentral ng Pilipinas) to exchange experience in internal audit activities of the National Bank.

Bilateral cooperation

The National Bank continued the work on a project of establishment of an Islamic bank in the Kyrgyz Republic. Negotiations with the representatives of the foreign Islamic financial institutions on interaction in the field of the principles of Islamic finance and establishment of an Islamic bank in the Kyrgyz Republic were conducted.

5.2. Public Relations and Improvement of the Population Financial Literacy

In 2020, the National Bank continued to carry out the policy of transparency and public information focused on expanding interaction with the financial market participants and the public, as well as on increasing confidence in the activities conducted of the National Bank.

Informing the public about the monetary policy focused on ensuring price stability; about the stability of the banking system, providing population's access to the banking services; about measures taken by the Government of the Kyrgyz Republic and the National Bank to support the economy, entrepreneurs and borrowers; about development of the payment systems and digital technologies, as well as about protection of the consumers' rights and financial literacy of the population were the priority areas of the communication policy conducted by the National Bank in the reporting year.

Information was provided in different formats: organization of the press conferences and briefings with involvement of the National Bank's management, issuance of official publications, publication in the mass media (hereinafter referred to as the media), broadcasting of television and radio programs, and posting explanatory videos, booklets, brochures and other information on the official website of the National Bank, the website to improve the financial literacy www.finsabat.kg and the official media pages of the National Bank in social networks.

In 2020, the National Bank prepared over 100 publications on the banking issues in the republican and international media. More than 200 applications related to various areas of the National Bank's activities were considered.

Cooperation with media

More than 100 public statements of the National Bank's representatives were organized and carried out for print media, Internet publications, radio stations and TV channels. Monitoring conducted in the media space showed over 3,000 publications in the media related to the National Bank's activities.

The National Bank's management participated in seven press conferences and briefings on the monetary policy, the National Bank's policy rate, the situation in the foreign exchange market, the activities of the banks and non-banking financial-credit organizations, as well as measures taken by the National Bank to reduce the negative impact of the COVID-19 pandemic.

The National Bank's representatives cleared up the topical points related to economic development; the situation in the foreign exchange market; digital transformation of the banking services; financial consumer protection and measures to support borrowers affected by the COVID-19 pandemic on the republican, regional TV channels and radio stations. "The National Bank Reports" rubric was daily aired in the news blocks of the republican and the regional TV channels with infographics on the exchange rates and the cost of gold measuring bars. The videos on financial literacy, on electronic digital financial services, on provision of deferral of interest payments, principal amount of loans

Media products of the National Bank

Work on public information in the remote regions

and additional types of assistance to the borrowers provided by the banks and the NBFcos were also broadcasted as part of these news blocks.

Information was provided to the public in the remote regions through the regional offices and the Batken representative office of the National Bank. 88 informational and analytical materials related to the National Bank's activities were published in the regional mass media.

Public Information Service activity

In 2020, the public information services activity was continued in the central office, regional departments and the representative office of the National Bank in Batken oblast. The public information services gave consultations and provided information on the issues related to the competence of the National Bank, arrangement of the meetings for the citizens with the management and specialists of the bank, as well as consideration of the written and oral requests.

In the reporting period, the National Bank received more than 5 thousand oral and about 3 thousand written applications on different issues related to the National Bank's activities.

Numismatic museum

Visits to the National Bank's numismatic museums were limited due to the COVID-19 pandemic. Excursions were organized for schoolchildren and students, guests from foreign and neighboring countries. During these excursions, the visitors got acquainted with the history of cash circulation of independent Kyrgyzstan, a unique exposition of ancient coins found in the country, a collection of commemorative gold, silver and copper nickel coins, gold measuring bars, as well as other numismatic products issued by the National Bank.

Official website

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

National Bank in the social networks

The National Bank remained active user in the social networks and instant messengers to increase the dissemination and feedback channels.



Information on government programs and events focused on improving the financial literacy of the population, educational and other materials on financial literacy were made available on the financial literacy website of the National Bank – www.finsabat.kg and the social media page.

Improvement of the financial literacy

The activities of the National Bank to improve financial literacy were conducted within the framework of the Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020 (hereinafter referred to as the Program). A unified training course on financial literacy for the adults developed with the assistance of the German Corporation for International Cooperation (GIZ) was approved by the decision of the Coordination Council for implementation of the Program.

This course complies with the standards of basic competencies in financial literacy and is intended for use in education activities, when giving advice to the population in the financial literacy centers.

The National Bank has published training materials “Key to Financial Independence” to be distributed in the secondary schools of the republic among the high school students, which is used in teaching the basics of financial literacy.

A series of financial literacy videos on the use of remote banking services, including mobile and Internet banking, e-purses and payment cards, the need to comply with information security, methods of identifying and detecting fraudulent transactions and financial pyramids, was broadcasted on the republican and regional TV channels and in social networks.

The National Bank conducted a remote awareness campaign – World Savings Day under the slogan “When Dreams Become Possibilities” together with the government agencies, international and partner organizations, commercial banks and microfinance organizations. More than 40 online events were held during this campaign: interactive

games, puzzles, drawing contests, comics and piggy banks, proverbs, as well as webinars on the topic of savings. Direct coverage of the people in Kyrgyzstan who participated in the events amounted to over 12 thousand participants, and indirect coverage – over 90 thousand participants.

Instructions were conducted for the representatives of the out-of-school education centers: the leaders of financial literacy circles and the dual training coaches to conduct online trainings within the framework of cooperation with the international partners and government agencies.

In 2020, the program of the Savings Banks Foundation for International Cooperation for training of the young banking specialists in the dual training system was completed. More than 500 young banking specialists completed this training, the training manual “Banking” was developed, about 20 seminars/trainings on topical issues of banking were organized, as well as the research “Savings Behavior of the Population of the Kyrgyz Republic” was conducted in the course of implementation of this program.

In addition, more than 600 school teachers completed financial literacy courses. A manual for teachers “Methodological recommendations for conducting lessons on financial literacy” was elaborated..

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

6.1. Structure of the National Bank of the Kyrgyz Republic

The organizational structure was determined to conduct the activities of the National Bank. This structure conditioned the appropriate functions and powers given to the structural units. In the reporting year, the following departments and divisions were reorganized to improve the efficiency of activities and optimize the organizational structure of the National Bank:

- the Banking Oversight Department 1, by establishing the Banking Oversight Division 1 and the Banking Oversight Division 2 as part of the Department;
- the Banking Oversight Department 2, by establishing the Banking Oversight Division 3 and the Banking Oversight Division 4 as part of the Department;
- the Systemic Risk Analysis Division by establishing the Group of Financial-Credit Organizations Supervision on Information Security Risks as part of the Division;
- the Banking Automation Department by abolishing the Operational Risks, Incidents and Business Analysis Department and establishing the Service Support Division and the Operational Risks and Business Processes Division;
- the Accounting and Reporting Department by abolishing the Accounting and Financial Reporting Division and establishing the Accounting and Methodology Division and the Reporting Division;
- the Procurement Group was abolished and the Procurement and Property Sales Division was created on the basis thereof.

At the end of the reporting year, the organizational structure of the National Bank included 30 structural units of the central office, five regional departments and one representative office of the National Bank in Batken oblast.

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

<i>Economic Department</i>	develops the proposals on the monetary policy; analyzes monetary, real, financial, and fiscal sectors of the economy; and implements macroeconomic modeling and forecasting; carries out research work on macroeconomic issues, monetary policy, fiscal policy, exchange rate, and real sector
<i>Monetary Operations Department</i>	implements the monetary policy and manages the international reserves; carries out the operations in the financial markets, assesses and analyzes them; and identifies the trends and reasons for the changes in the financial markets to effectively coordinate the open market operations
<i>Financial Statistics and Review Department</i>	maintains statistics on monetary indicators, financial market performance indicators, statistics on the banking sector and non-banking financial-credit organizations; compiles the balance of payments of the Kyrgyz Republic; provides expert support in matters of external debt; analyzes and assesses stability of the financial system in the Kyrgyz Republic; and releases official publications of the National Bank

<i>Banking Oversight Departments 1 and 2</i>	implements oversight over the banks' activities to ensure the stability of the banking system, to protect the interests of the depositors and other creditors, as well as to ensure fair competition among the commercial banks
<i>Banks Supervision Methodology and Licensing Department</i>	develops methods for supervision over the banks' activities and conducts licensing of the banks' activities to ensure the stability of the banking system
<i>Non-banking Financial-Credit Organizations Oversight Department</i>	implements oversight over the activities of non-banking financial-credit organizations and other legal entities licensed and regulated by the National Bank to ensure stability, protect the interests of the depositors and other creditors, as well as to provide fair competition among the NBFCOs
<i>Cash Management Department</i>	meets the national economy's demands for banknotes and coins, refined gold and silver measuring bars, numismatic valuables, maintains their optimal stock; provides the storage and transportation of banknotes, coins and valuables, and takes measures to ensure the disposal of old banknotes and coins
<i>Bank Settlements Department</i>	ensures the functioning of interbank settlement systems; makes settlements on the financial market operations and transactions
<i>Banking Automation Department</i>	provides the National Bank with the high-quality and up-to-date IT services
<i>Payment Systems Department</i>	elaborates new promising directions for development of the payment systems and the legal framework to regulate the payment system, conducts analysis of the development trends in the payment services market, supervision (oversight) over operation of the payment system, study and regulation of the digital payment and financial technologies, as well as implements licensing, regulation and supervision over the activities of the payment system operators and payment organizations
<i>Accounting and Reporting Department</i>	keeps regular accounts and records of the Bank's operations in accordance with the international accounting practice to provide the customers with financial statements reflecting the Bank's financial position, custodian accounting of the Government Securities, as well as monitors the collateral on loans issued by the National Bank
<i>Legal Department</i>	provides comprehensive legal support of the National Bank, development and improvement of the banking legislation
<i>Security and Information Protection Department</i>	ensures safe activity of the National Bank; provides effective countering the cybercrimes in the activities of the financial-credit organizations, payment system operators and payment organizations of the Kyrgyz Republic
<i>Administration and Logistics Department</i>	maintains uninterrupted functioning of the buildings and structures and their power supply, resolves logistics issues, transport support

<i>Systemic Risk Analysis Division</i>	reveals systemically important risks in the banking and non-banking sectors; prepares proposals for taking measures to ensure the banking system stability, as well as carries out systematic supervision over the activity of the financial-credit organizations licensed by the National Bank for compliance with the laws of the Kyrgyz Republic in the sphere of counter-terrorism financing and anti-money laundering; conducts risk-oriented supervision in the field of information security in the financial-credit organizations
<i>Consumers' Rights Protection Division</i>	protects the rights of the consumers of the banking and microfinance services
<i>SWIFT Service Bureau Division</i>	provides the National Bank of the Kyrgyz Republic and the commercial banks of the Kyrgyz Republic with high-quality and continuous SWIFT services according to the requirements of the SWIFT Customer Security Program
<i>Subsidiaries and Associated Organizations Management Division</i>	interacts with the subsidiaries and the associated organizations of the National Bank on their activities and development strategy
<i>State Language Development and Documentation Management Division</i>	promotes the implementation and development of paperwork and record keeping in the state language, carries out the centralized document management and control of the National Bank's documents execution, as well as the activities of the National Bank's Management Board
<i>Personnel Division</i>	provides the workforce required to fulfill the functions and objectives of the National Bank, and implements the process of training and professional development of the Bank employees
<i>Finance and Monitoring Division</i>	organizes financial activities of the National Bank, focused on ensuring the financial resources for its development strategy, the safety and effectiveness of the use of fixed assets, working capital and financial resources of the Bank
<i>International Cooperation Division</i>	provides for the establishment, strengthening, and development of the National Bank international cooperation with the central banks, financial and integration institutions and other relevant organizations of the partner countries
<i>Financial Risk Control Division</i>	manages the financial risks in conducting the operations of the National Bank in the foreign markets
<i>Public Relations Division</i>	raises public awareness about the National Bank's activities and policies through the media outlets in accordance with the Bank's communications policy and contributes to improvement of the financial literacy in the Kyrgyz Republic
<i>Construction and Repair Division</i>	organizes construction and assembly operations, repair, design and survey works at the National Bank's facilities

Internal Audit Service	conducts audits in the structural units of the National Bank, monitors implementation of the recommendations, interacts with the external auditor of the National Bank and ensures interaction with the Audit Committee
Procurement and Property Sale Division	Organizes makes procurement, and sells property in accordance with the legal acts of the National Bank, as well as runs the projects implemented in the National Bank with involvement of the international financial organizations and donor countries in terms of procurements made at the expense of the international financial organizations and donor countries
Operational Risks and Business Processes Division	takes measures to reduce the impact of the operational risks on the activities of the National Bank; arranges uninterrupted activities of the National Bank; implements analysis and optimizes the business processes of the National Bank
Educational and Recreation Center (recreation center “Tolkun”)	is intended for holding workshops, roundtable meetings and other training, social and cultural events with participation of the National Bank employees
Regional Departments and Batken Representative Office	provides the branches of the commercial banks with cash; supervises the non-banking financial-credit organizations, the payment operators/organizations; provides implementation of the central bank’s policy in the remote regions to expand the availability of the financial services, to develop the payment system and improve the population financial literacy

At the end of 2020, the payroll number of employees of the National Bank amounted to 705 people, of which 625 people – in the central office and 80 people – in the regional departments and the Batken Representative Office. The number of women amounted to 318 people – in the central office and 32 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 50.0 percent and men – 50.0 percent.

In 2019, the payroll number of employees of the National Bank amounted to 712 people, of which 633 people – in the central office and 79 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 50.0 percent and men – 50.0 percent.

The National Bank of the Kyrgyz Republic provides trainings for its specialists on a regular basis to improve their qualification. In 2020, training was carried out for the specialists within the framework of the Program of vocational training for the personnel of the central (national) banks, training events organized in the CIS, far abroad countries, and in the Kyrgyz Republic, as well as on the basis of the National Bank.

In the reporting year, 62 young specialists from the personnel of the National Bank and the commercial banks were trained within the framework of the final stage of implementation of the Memorandum of Long-Term Cooperation between the National Bank and the Savings Banks Foundation for International Cooperation in the direction “Banking. Dual vocational training of bank officers”.

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

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

Payroll number of employees of the National Bank

Personnel training

Competitive selection

In 2020, 37 competitions were held, including 8 competitions in the regional offices. In total, 240 people took part in the competitions. As a result of these competitions, 27 people were recruited in the National Bank.

The staff turnover was 6.0 percent in 2020 and in 2019 – 14.0 percent.

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

Chart 6.1.1.

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

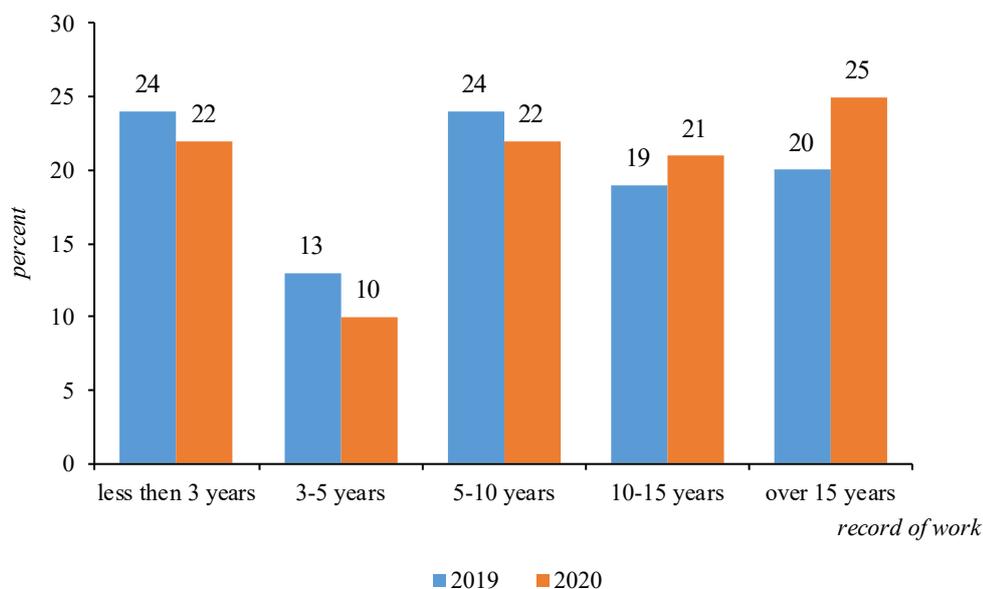
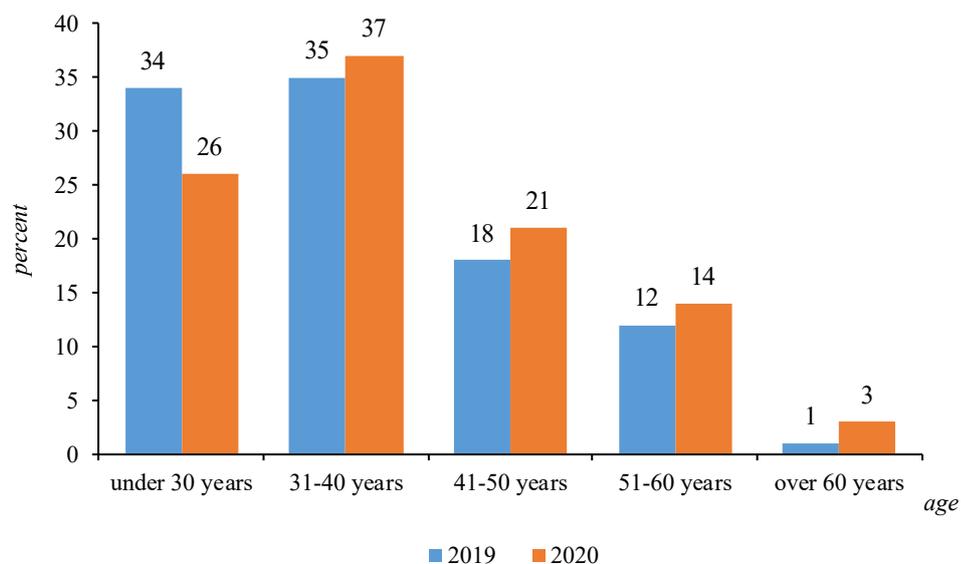


Chart 6.1.2.

Structure of Specialists by Age



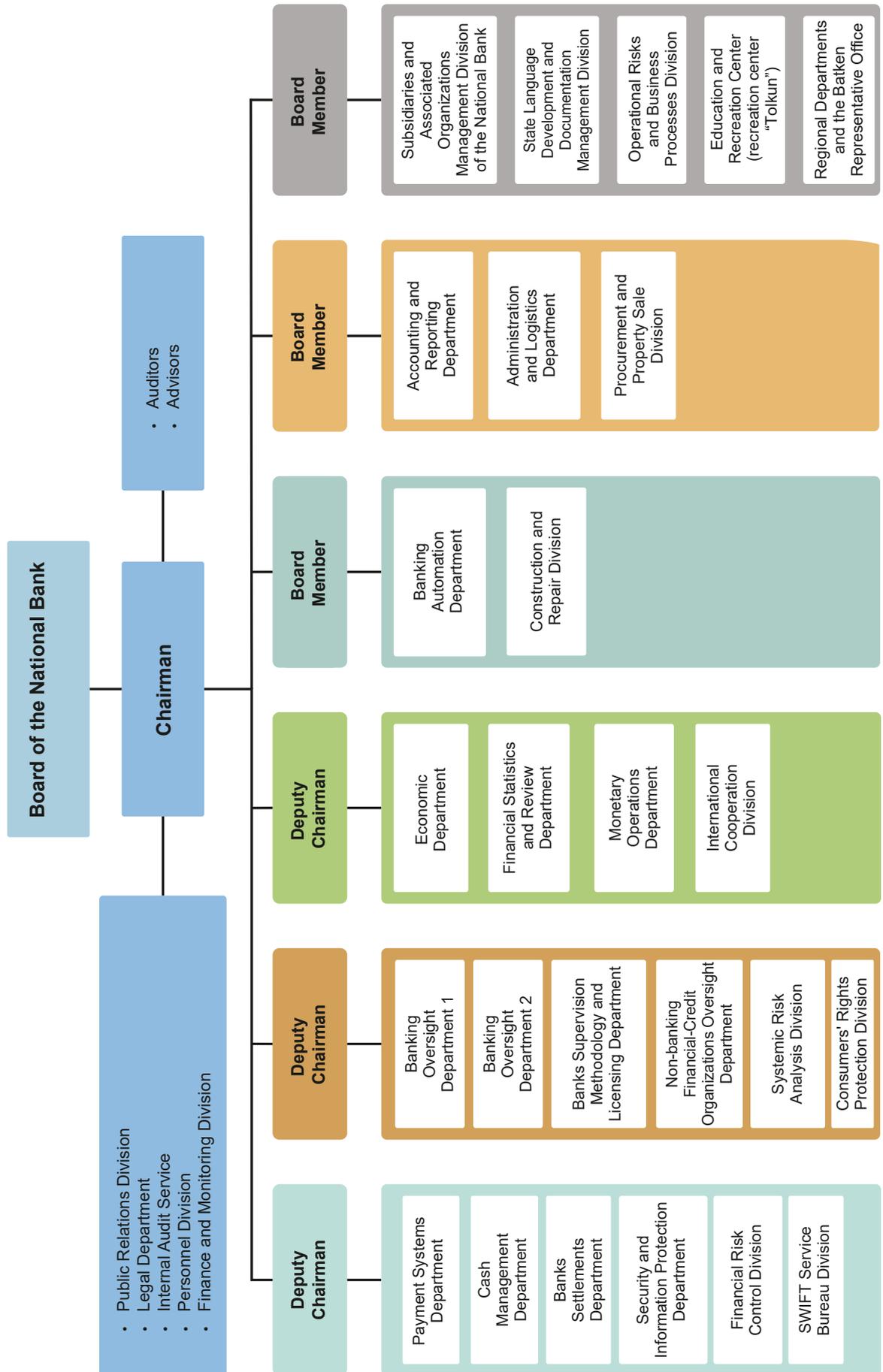
The committees and commissions operate in the National Bank on a regular basis to provide effective fulfillment of the functions and objectives. Eight committees, nine commissions, six editorial boards for publications of the National Bank and the scientific advisory council with their activity being regulated by the relevant provisions operated as of the end of 2020.

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

<i>Monetary Regulation Committee</i>	develops and implements the operational decision-making on liquidity management. The main objectives are to evaluate the current situation, develop and make decisions on the operations in the open and foreign exchange markets, consider recommendations and make decisions on application of the monetary policy instruments according to the regulatory legal acts of the National Bank, develop recommendations to the National Bank Board, the National Bank Chairman and the Kyrgyz Republic Government on the monetary policy issues
<i>Investment Committee</i>	considers and makes tactical decisions on management of the international reserves within the framework of the investment policy and established powers of the National Bank. The main objectives are to review, approve and monitor implementation of the investment strategy, analyze and evaluate the effectiveness of investment, taking into account the development of events in the international financial markets, as well as to develop recommendations and proposals for the National Bank Board on investment activities
<i>Supervision Committee</i>	decides on the regulation and supervision of the commercial banks and other financial-credit organizations licensed by the National Bank within the established competence
<i>Audit Committee</i>	assists the Board of the National Bank in ensuring an adequate system of internal control, control over the accounting procedures and preparation of financial statements of the National Bank, as well as supervises the internal audit service
<i>Payment System Committee</i>	coordinates operation of the payment system in the Kyrgyz Republic to ensure its efficiency, reliability and security, as well as defines the development trends of the payment system, the goals and the objectives for development, regulation and supervision (oversight) over the payment system, licensing and prudential supervision over the payment system operators and the payment organizations, and monitors implementation of the decisions made by the Committee
<i>Risk Committee</i>	takes measures on minimization of risks in the activities of the National Bank by coordinating operations of the structural units in the area of identification, evaluation, and constraints of risks inherent in activities of the National Bank
<i>Coordination Committee on Information Technologies</i>	determines the main directions for development of the information technologies and controls fulfillment of the activities for implementation of information technologies development in the National Bank and coordinates planned information technologies (IT) projects, changes, approval of technical solutions and business processes relevant to these projects or IT

<i>Committee for National Bank Subsidiaries and Associated Organizations Management</i>	makes decisions and develops recommendations to the National Bank Board on management of the subsidiaries and the associated organizations of the National Bank within the framework of the envisaged powers, on establishment of the legal entities, participation of the National Bank in the activities of legal entities through purchase of shares or otherwise, as well as purchase/sale/transfer of participatory interest in the subsidiaries and the associated organizations of the National Bank
<i>Ethics and Prevention of Corruption Commission</i>	ensures the activity of the National Bank in accordance with the laws on conflict of interests, as well as on preventing and combating corruption through implementation and monitoring of activities against corruption
<i>Methodological Commission</i>	considers drafts of individual regulatory acts with a view to their methodological elaboration; approves terms and their explanations to be used in the regulatory acts and practical work of the National Bank
<i>Commission for Organizational Development of the National Bank</i>	examines the issues and prepares proposals on organizational development of the National Bank. The main objectives are to consider the proposals and elaborate recommendations for optimization of the business processes, and for changing the organizational structure of the National Bank; to coordinate and supervise the activities related to optimization of business processes carried out in the National Bank
<i>Labor Disputes Commission</i>	considers individual labor disputes in the National Bank in accordance with the Labor Code of the Kyrgyz Republic

Organizational Chart of the National Bank of the Kyrgyz Republic as of December 31, 2020



6.2. Activity of the Board of the National Bank of the Kyrgyz Republic in 2020

The Board is the supreme governing body of the National Bank and it approves the main directions in the National Bank's activity. Powers of the Board are determined by the Law "On the National Bank of the Kyrgyz Republic, Banks and Banking Activity".

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

The Board of the National Bank activity was carried out in accordance with the approved annual and quarterly action plans. In 2020, it held 88 meetings (including 12 information exchange meetings) with 377 considered issues and 232 adopted resolutions.

Consideration of monetary policy issues

During 2020, the Board of the National Bank eight times considered the issue of the size of National Bank policy rate – the main monetary policy instrument. The decisions on the policy rate were made on the basis of analysis and forecast of the main inflation factors, the situation in the external environment and in the Kyrgyz Republic.

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

The Board of the National Bank considered the monetary policy issues and made appropriate decisions.

In December 2020, the Board approved the Statement of the National Bank of the Kyrgyz Republic on the monetary policy for 2021 and the schedule of the Board meetings for 2021 on the policy rate of the National Bank, which were posted on the official website.

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

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

In total, 21 issues were considered and 20 resolutions were adopted on the monetary policy issues and the international reserves management in 2020.

Consideration of issues of banking and non-banking organizations supervision

The Board of the National Bank adopted a number of resolutions focused on maintaining the banking and financial systems stability, protecting the rights of the banking services consumers due to the COVID-19 pandemic. These resolutions were also adopted to mitigate the negative consequences for the economy of the Kyrgyz Republic. A ban was imposed on charging the commissions and penalties from the borrowers. It was recommended to provide a grace period for loans and regulatory concessions were provided to the financial-credit organizations.

The resolutions on remote identification of the clients and on special regulatory regimes were approved by the National Bank Board to provide remote servicing regime in the banks for the population and to create conditions for development of the innovative services in the banking and payment sectors. At the same time, minimum requirements were established for remote identification and verification of the microfinance organizations clients to provide the banking and microfinance services.

The resolutions on licensing, securities market development, regulatory reporting, credit risk, commission payments, asset classification, assessment of collateral, and on improving the methods for risk-oriented supervision were adopted within the framework of developing the regulatory legal framework for supervision and regulation of the banks' activities.

In order to further develop the principles of Islamic finance the Board adopted the resolutions on corporate governance, financial reporting, expanding the possibilities of transactions/agreements applied according to the principles of Islamic finance, and standard distribution of profits/losses received from placing deposits attracted according to the principles of Islamic finance.

The Board adopted the resolution providing for new operations to finance the clients engaged in the agricultural sector. In particular, the list of contracts implemented by the microfinance organizations and the credit unions in accordance with the principles of Islamic banking and finance was expanded.

New provisions were approved for unification and optimization of the regulatory legal framework on assets classification and enforcement measures application to the non-banking financial-credit organizations.

The conditions for re-registration of the commercial banks as the microfinance companies were also clarified in terms of bringing prudential standards in line with the requirements of the regulatory legal acts. The need to coordinate the reorganized bank's officials was canceled. The procedure for submitting a report on foreign exchange position by the non-banking financial-credit organizations was optimized by submitting the reports electronically.

A corresponding resolution of the Board was adopted to ensure a fair approach when the microfinance organizations, that do not attract deposits, and the credit unions establish commissions and other payments within the framework of issuing loans, taking into account the economic feasibility of the list and level of commissions and other payments.

The Board adopted a resolution focused on creating conditions for the microfinance organizations when using electronic signatures and generating electronic credit files, settling the requirements for remote client service using electronic signatures, and setting limits for such loans.

During the year, the Board of the National Bank reviewed the reports on implementation of the action plan of the Main Directions for Development of the Banking and Microfinance Sector in the Kyrgyz Republic for 2018-2021.

127 issues on the activities of the individual commercial banks and other financial-credit organizations licensed and regulated by the National Bank were considered, 92 resolutions were adopted, among them 53 resolutions referred to the regulatory framework governing their activities.

Due to the COVID-19 pandemic, the decision was made to establish zero commissions for the holders of the "pensioner cards" and "social cards" in case of cash withdrawal through the settlement system of the bank payment cards "Elcard" irrespective of the card origin, to refuse from the commissions to be charged from the clients for the transactions conducted in the POS-terminal within the framework of the agency agreement with the State Enterprise Kyrgyz pochtasy in order to ensure social stability.

The National Bank Board adopted the relevant resolutions to approve the timeframes for submitting the reports by the supervised organizations to the National Bank in terms of the payment system, and to suspend the inspections of the payment system operators and the payment organizations in order to ensure stability in the banking and payment systems of the country.

The minimum requirements for arrangement of internal control were approved to provide compliance with the legislation on counter-terrorism financing and anti-money laundering by the payment organizations and the payment system operators in the course of e-money settlements.

*Consideration
of payment
system issues*

A number of the regulatory legal acts was adopted to govern the activities of the payment system operators, the international payment systems, to develop the digital payment technologies, and to provide the possibility of remote identification. Corresponding amendments were introduced into the State Classifier of Payment Turnover to marshal information on the payment turnover.

During 2020, the Board of the National Bank reviewed the reports on implementation of the action plan of the Main Directions for Development of the Payment System in the Kyrgyz Republic for 2018-2022 and on implementation of the roadmap measures for introduction of e-payments and mobile banking in the regions during the first half of 2020, which reflect the goals, objectives and vector of the payment system development for the short and medium term.

The Board considered 28 issues and adopted 17 resolutions on the operation and regulation of the payment system. During the reporting year, the Board also considered the issues of arranging the activity of the National Bank of the Kyrgyz Republic and other issues on which 103 resolutions were adopted.

6.3. Improvement of Banking Legislation

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

Effective laws

The Law of the Kyrgyz Republic “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, “On Innovation Activity”, “On Licensing System in the Kyrgyz Republic”)” was adopted and entered into force in 2020. The law provides for the powers of the National Bank to establish pilot regulation within the framework of special regulatory regimes and to issue the licenses within the framework of special regulatory regimes in order to test new technologies for conducting banking operations. These amendments are focused on reducing the barriers for introduction of the innovative services/technologies to the market of banking and payment systems, increasing the availability of services in the regions of the republic, developing competition and reducing the cost of financial services, regulating and controlling innovative activities, as well as for making decisions on other issues based on analysis of such activities. The range of innovative financial services provided in the territory of the Kyrgyz Republic is expected to expand, the availability of financial services is generally expected to increase upon establishing special regulatory regimes.

In the reporting year, the Law of the Kyrgyz Republic “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic “On Exchange of Credit Information”, “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”)” was adopted and entered into force. The law provides for differentiation of the credit information into positive and negative, the terms of credit information storage have been revised. The adopted amendments are focused on implementation of credit information effective exchange, which, in turn, will contribute to expansion of lending to the economy and stability of the financial and credit system in the country.

Draft laws

The National Bank has developed a draft Law “On Amendments to the Law of the Kyrgyz Republic “On Payment System of the Kyrgyz Republic” to ensure economic security in the country, to reduce cross-country risks and to protect the consumers’ rights. The draft Law provides for the requirements for collection, processing, and storage of financial information on payments made in the national currency using the bank payment cards of various payment systems in the territory of the Kyrgyz Republic (domestic payments), on conducting clearing of the domestic payments by the operator of the national payment system. Restrictions are proposed to be established on combining

the activities of payment system operators and payment organizations related to provision of the processing services and payments to third parties with another type of activity.

6.4. Performance of Financial Adviser's Duty

To perform the duty of a financial adviser to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic, the National Bank implemented the following measures in 2020:

- Provided information, analytical materials and recommendations on implementation of the monetary policy, on the state of the banking and payment systems to the President, the Jogorku Kenesh and the Government of the Kyrgyz Republic on a regular basis;
- Examined the draft laws and other regulatory legal acts and decisions affecting the issues of the financial, banking and payment systems development and the area of the National Bank authority;
- Provided advice to the Jogorku Kenesh and the Government in considering the issues related to the republican budget.

Analytical information regularly provided to the President, the Jogorku Kenesh and the Government of the Kyrgyz Republic included the data on the main directions of the monetary policy conducted by the National Bank, on the forecast of the key macroeconomic indicators, the situation in the external sector of the economy, the state of the banking and payment systems, non-banking financial-credit organizations, the situation in the foreign exchange market of the country.

The National Bank provided information on measures to stabilize the economy and restrain inflation, on the population's access to payment infrastructure, external loans, remittances, the state of the balance of payments and the exchange rate, development of the principles of Islamic finance in the Kyrgyz Republic, as well as on measures taken by the National Bank due to the COVID-19 pandemic.

As part of the financial advisor duty, the National Bank sent more than 600 letters to the public authorities during the reporting period.

During 2020, the National Bank participated in development and implementation of a number of state strategies, programs and plans, including:

- The National Development Strategy of the Kyrgyz Republic for 2018-2040;
- The Strategies for Financial Inclusion for 2021-2025;
- The State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2018-2022;
- The Programs for Improving the Financial Literacy of the Population in the Kyrgyz Republic for 2016-2020;
- The Programs for E-commerce Development in the Kyrgyz Republic for 2021-2025;
- The Programs of the Government of the Kyrgyz Republic “Ak Konush 2020-2025”;
- The Roadmap for Implementation of the Digital Transformation Concept “Digital Kyrgyzstan 2019-2023”;
- The Priority Measures Plan of the Government of the Kyrgyz Republic for 2020 to Reduce the Negative Impact on Economic and Social Stability due to the COVID-19 Virus;
- The Action Plan of the Government of the Kyrgyz Republic for 2020 to Ensure Social Stability, Economic Strength and to Maintain Personal Incomes;
- The Short-Term Action Plan of the Government of the Kyrgyz Republic on Economic Stabilization; and other documents.

Development and implementation of state programs

Examination of draft laws

In the reporting year, the National Bank examined and prepared proposals for more than 30 draft laws, including:

- “On Amendments to the Law of the Kyrgyz Republic “On the Republican Budget of the Kyrgyz Republic for 2020 and the Forecast for 2021-2022”;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the laws of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, “On Innovation Activity”, “On Licensing System in the Kyrgyz Republic”);
- “On Audit Activities”;
- “On Precious Metals and Precious Stones”;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic “On Exchange of Credit Information”, “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”);
- “On Amendments to the Tax Code”;
- “On E-commerce”;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic in the Sphere of E-commerce”;
- “On Amendments to Certain Legislative Acts in the Sphere of Accounting”;
- “On Valuation activities” and others.

In 2020, the National Bank also examined and prepared proposals for more than 40 draft resolutions and orders of the Government and acts of the President of the Kyrgyz Republic, including those on:

- Approval of the Action Plan of the Government of the Kyrgyz Republic on Economic Stabilization for 2020-2021;
- Rendering state support to the borrowers who received loans in the financial-credit organizations of the Kyrgyz Republic;
- Approval of the Concept for the National Pilot Program “Mekenim”;
- Approval of the Procedure for Remote Identification and Verification of the Microfinance Organizations Clients;
- Accumulation of funds for repayment of the state external debt of the Kyrgyz Republic;
- Measures to introduce an electronic system for tax procedures fiscalization;
- Approval of the projects “Agriculture Financing-8 and 9”;
- Provision of state support to the agricultural producers affected by weather conditions in April-May 2020 and others.

Examination of international agreements

Within the framework of participation of the Kyrgyz Republic in international and interstate organizations, the National Bank examined the international treaties and agreements affecting the financial and banking system of the Kyrgyz Republic, including:

- The draft Agreement between the governments of the Eurasian Economic Union member states on cooperation for information security and cyber resilience in the field of the financial markets;
- The draft Agreement on implementation of audit activities within the Eurasian Economic Union;
- The draft Agreement on exchange of information included in the credit histories within the Eurasian Economic Union;
- The draft Agreement on the Supranational Authority to Regulate the Common Financial Market of the Eurasian Economic Union;
- The draft Agreement on coordinated approaches to regulation of the foreign exchange legal relations and adoption of the liberalization measures;
- The draft Agreement on admission of the brokers and dealers of one member state of the Eurasian Economic Union to participate in organized trading of the stock exchanges (trade organizers) of other member states;

- The draft Agreement on mutual recognition of the bank guarantees in implementation of the state (municipal) procurement;
- The draft Agreement on the rules for issue, circulation and redemption of the warehouse certificates for agricultural products within the Eurasian Economic Union;
- The draft Agreement on a standardized license;
- The draft Agreement on services free trade, establishment, activities and investment of the CIS member states;
- The draft Memorandum between the Kyrgyz Republic and Hungary on the Hungarian-Kyrgyz Development Fund.

In the reporting year, the representatives of the National Bank participated in the activities of the interagency working groups and commissions on the following issues:

Work in interagency commissions

- Development of the draft Strategy for financial inclusion;
- Coordination of the monetary and fiscal policies;
- Development of the draft Program for promotion of e-commerce in the Kyrgyz Republic for 2021-2025;
- Regulation of digital payment technologies;
- The project for introduction of the institution of the financial ombudsman in the Kyrgyz Republic;
- The procedure of transferring the distributed amounts of import customs duties among the Eurasian Economic Union member states;
- Development of the draft Law “On Audit Activity in the Kyrgyz Republic”;
- Development of the draft Law “On Amendments to Certain Legislative Acts on Accounting”;
- Conducting an analysis of the regulatory impact in development of the State program on the tax and customs policy of the Kyrgyz Republic for 2021-2025;
- The macroeconomic policy of the Eurasian Economic Union; and other issues.

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

6.5. Internal Audit and Internal Control System

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

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

Implementation of activities

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

In the reporting period, internal audits were conducted on the main areas of the National Bank’s activities, as well as on analysis of the financial stability, forecasting of the macroeconomic indicators, methodology, analysis and development of the payment systems, arrangement of the banking settlements, consumer protection, banking supervision and oversight over the non-banking financial-credit organizations,

Report of the Audit Committee

and licensing of the commercial banks. Measures were determined according to the audit results, implementation thereof was monitored by the Internal Audit Service.

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

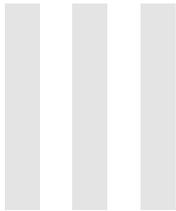
The Audit Committee's activity is to assist in improving the effectiveness of the internal control system, risk management and corporate governance, as well as to supervise the Internal Audit Service, ensure adequate application of the accounting principles, monitor the quality of the financial statements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

In 2020, the Audit Committee held 26 meetings, where the materials on the financial statements of the National Bank, on changes in the accounting policy, overview of the internal control system, monitoring of the implementation internal and external audits recommendations, materials on the activities of the Internal Audit Service were considered. The Audit Committee on a semi-annual basis provided information about its activity for consideration by the Board of the National Bank. A member of the Audit Committee – an independent expert – participated in selection of the external auditor for the National Bank. The Audit Committee held the meetings on the audit of the National Bank's financial statements with the representatives of the external auditors to guarantee the external auditors' independence.

Interaction with external auditors

The external audit of the separate and consolidated financial statements of the National Bank for 2019 was conducted by the audit organization – Deloitte & Touche LLC approved by the Jogorku Kenesh of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic. The audit organization – KPMG Bishkek LLC was approved as the external auditor of the National Bank for 2020.

APPENDICES



Major Events in the Monetary Sphere in 2020

Date	Contents
January 8	The licenses were issued to LLC “Kyrgyzmobilecompany” to conduct activities of a payment system operator and a payment organization.
January 9	<ul style="list-style-type: none"> • Settlements in the national currency with VISA cards (KG NNSS project) were initiated to eliminate the costs for double conversion when VISA card holders make payments in the national currency in the territory of the Kyrgyz Republic. • Due to reorganization in the form of merger with OJSC “BAKAI BANK”, CJSC “BTA Bank” submitted: <ul style="list-style-type: none"> – a license to conduct banking operations in the national and/or foreign currency No. 036 dated June 22, 2017; – an additional license to conduct banking operations in accordance with the principles of Islamic banking and finance through the “Islamic window” in the national and/or foreign currency No. 036/1 dated June 20, 2018.
January 10	The licenses of LLC “DREAM PRODUCTION” to conduct activities of a payment system operator and a payment organization was revoked.
January 21	A press conference dedicated to the preliminary results of the National Bank’s activities for 2019 was held with involvement of the National Bank Chairman.
January 27	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.25 percent.
February 5	The licenses were issued to LLC “KEMP Money” to conduct activities of a payment system operator and a payment organization.
February 20	A license was issued to CJSC “Interbank Processing Center” to conduct activities of the payment organization.
February 24-25	The Board of the National Bank decided to increase the policy rate of the National Bank up to 5.00 percent. A press conference on the size of the policy rate was held with involvement of the National Bank administration.
February 26	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – adopted amendments to some regulatory legal acts of the National Bank on commissions and other payments; – adopted amendments to some regulatory legal acts on corporate governance in the banks operating in accordance with the principles of Islamic finance, and on preparation of the financial statements by the banks that have an “Islamic window”; – issued a permit to CJSC “EcoIslamicBank” to conduct operations with precious metals in the form of refined standard and measuring bars of other issuers in cash and non-cash form.

February 28	CJSC “Interbank Processing Center” was registered as an interaction operator to make payments using two-dimensional barcode symbols (QR code).
March 3	Registration of LLP “Allpay” as an operator of the international e-money system “Allpay” was canceled.
March 11	<ul style="list-style-type: none"> • A press conference on the situation in the foreign exchange market was held with involvement of the National Bank Chairman. • The Board of the National Bank introduced amendments to certain regulatory legal acts on credit risk management, providing for the use of an electronic signature, remote lending, formation of a credit rating, and storage of a credit dossier in soft copies.
March 18	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – approved the Provisional rules to regulate the activities of the financial-credit organizations due to the COVID-19 pandemic; – adopted amendments to the Rules for implementation of money transfers through the money transfer systems in the Kyrgyz Republic, establishing requirements for the participants of money transfer systems and the operators of money transfer systems without opening an account in the field of legislation on counter-terrorism financing and anti-money laundering, as well as on providing data on remittances.
March 20	A press conference on the situation in the foreign exchange market was held with involvement of the National Bank Chairman.
March 23	The Board of the National Bank approved the Procedure for operation and regulation of the activities of the banks, non-banking financial-credit organizations and other legal entities supervised by the National Bank of the Kyrgyz Republic, when an emergency situation is introduced in the territory of the Kyrgyz Republic due to the spread of the COVID-19 coronavirus.
March 24	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – adopted the Resolution “On some temporary decisions of the National Bank of the Kyrgyz Republic on establishment of the prudential ratios and requirements mandatory for the commercial banks and non-banking financial-credit organizations of the Kyrgyz Republic” focused on mitigating the negative impact of restrictive measures taken to prevent the spread of the COVID-19 pandemic, on activities of the banks and reducing the risk of the banks failing to comply with certain prudential ratios and requirements; – adopted amendments to some regulatory legal acts to develop the Islamic securities market and create equal conditions for market participants; – approved additions to the Regulation “On minimum requirements for credit risk management in the commercial banks and other financial and credit organizations licensed by the National Bank of the Kyrgyz Republic” in terms of regulating the group loans of the commercial banks.
March 25	The Board of the National Bank adopted amendments to some regulatory legal acts regarding establishment of the requirements for the commercial banks’ lending on security of the warehouse receipts, focused on expanding the types of pledges for obtaining loans.

- March 26
- The IMF Executive Board approved provision of emergency financing for the Kyrgyz Republic in the amount of USD 120.9 million to overcome the consequences of the COVID-19 pandemic.
 - The Board of the National Bank adopted the Temporary Regulation “On provision of loans to the commercial banks by the National Bank of the Kyrgyz Republic to mitigate the negative impacts of the COVID-19 pandemic in the Kyrgyz Republic”, therefore loans were provided to the commercial banks in the amount of KGS 400.2 million.
- March 30
- The Board of the National Bank adopted:
- the decision to keep the policy rate of the National Bank unchanged at 5.00 percent;
 - the procedure for operation and regulation of the activities conducted by the banks, non-banking financial-credit organizations and other legal entities supervised by the National Bank of the Kyrgyz Republic, when a state of emergency is introduced in the territory of the Kyrgyz Republic due to the spread of the COVID-19 pandemic.
- March 31
- A collection copper-nickel coin “10 years of the People’s April revolution” of the series “Historical events” was put into circulation.
- April 3
- The Board of the National Bank adopted the following Resolutions:
- “On the time frames for submitting the reports by the commercial banks and non-banking financial-credit organizations of the Kyrgyz Republic to the National Bank of the Kyrgyz Republic”;
 - “On the time frames for submitting the reports in soft copies by the commercial banks, the payment organizations and the payment system operators of the Kyrgyz Republic to the National Bank of the Kyrgyz Republic in terms of the payment system”.
- April 9
- The Board of the National Bank established the requirements for the commercial banks and CJSC “Interbank Processing Center” to exempt the holders of pensioners’ cards and social benefits from paying commissions when they withdraw cash in ATMs, cash withdrawal points of the commercial banks, as well as in POS-terminals installed in the branches of the State Enterprise “Kyrgyz pochtasy”, during the period of the state of emergency/emergency situation.
- April 10
- A briefing was held to explain measures taken by the National Bank during the COVID-19 pandemic in order to protect the consumer rights, ensure availability of the financial services, and regulate the activities of the financial-credit organizations.
- April 11
- The liquidation period of OJSC “AsiaUniversalBank” was extended from April 11, 2020 till April 11, 2021.
- April 14
- Participation in the 60th meeting of the Interstate Bank (ISB) Council.
- April 15
- The loans of the National Bank, issued within the framework of the credit auction in 2018 and due to be repaid in 2020, were extended for two years to mitigate the negative economic consequences of the COVID-19 pandemic.

April 16	The Board of the National Bank adopted the Resolution “On extension of the terms of the audit, approval, submission and publication of the bank’s financial statements”.
April 17-19	Participation in the Spring Meetings of the Governors of the IMF and the World Bank Group being held as virtual.
April 20	A collection silver coin “75 th anniversary of Great Victory” of the series “Historical events” was put into circulation.
April 22	<ul style="list-style-type: none"> • The Board of the National Bank: <ul style="list-style-type: none"> – introduced amendments to certain regulatory legal acts on the open currency positions reports submitted in soft copies by the microfinance companies and the credit unions and exclusion of hard copies; – adopted a decree providing for new operations under the principles of Islamic finance for the microfinance organizations and the credit unions to finance clients engaged in the agricultural sector: Mugarasa, Muzaraa and Musakat. • Registration of the operators of international money transfer systems “BLIZKO”, “Avers”, “The Money”, “FedPay” was canceled.
April 29	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – adopted the Resolution “On additional temporary measures to regulate the activities of the commercial banks of the Kyrgyz Republic” focused on mitigating and temporary suspending the execution of certain requirements of the National Bank by the commercial banks and protecting the rights of banking services consumers; – approved the Temporary rules for assets classification and corresponding allocations for loan loss provision by the commercial banks.
May 8	The IMF Executive Board approved the provision of additional funds to the Kyrgyz Republic in the amount of USD 121.1 million as part of emergency funding to overcome the consequences of the COVID-19 pandemic.
May 10	A briefing on measures taken by the National Bank to support the economy during the COVID-19 pandemic was held by the Chairman of the National Bank.
May 13	The Board of the National Bank adopted the Remote client identification and verification procedure, which provides for the clients remote identification and verification via video communication, as well as other channels of interaction with the clients.
May 26	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent.

- May 27 The Board of the National Bank:
- approved amendments to the Regulation “On regulation of the activities of the payment organizations and the payment system operators” to expand the possibilities for remote identification and verification of the payment organizations users when providing services through the agents’ mobile applications;
 - introduced amendments into the Rules for regulating the activities of the guarantee funds in terms of submitting a report on guarantees issued to the women - business entities.
- June 1 Participation in the 43rd meeting of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries.
- June 2 The licenses of LLC “Green Line GSM” and LLC “Nur International Trade” as the operators of the payment systems were terminated.
- June 4 Participation in the meeting of the central (national) banks’ governors from the EAEU member states on measures focused on reducing the negative consequences of the COVID-19 pandemic.
- June 10 LLP “ASIAPAY” was registered as an operator of the international e-money system “ASIAPAY”.
- June 17 The Board of the National Bank adopted amendments to a number of resolutions in terms of easing the requirements for assets classification of the non-banking financial-credit organizations, as well as due to the spread of the COVID-19 pandemic.
- June 26 The Board of the National Bank:
- terminated a special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” due to expiration of the special regime extended term;
 - introduced a special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” for a period of six months due to the fact that the bank’s equity capital is less than 75% of the amount established by the National Bank.
- June 29 The Board of the National Bank:
- decided to keep unchanged the policy rate of the National Bank at 5.00 percent;
 - suspended the inspections of the activities conducted by the commercial banks, non-banking financial-credit organizations, a guarantee fund, a specialized financial-credit organization, the exchange and credit bureaus due to the spread of the COVID-19 pandemic;
 - adopted a resolution in order to clarify the issues of re-registration of a commercial bank into a microfinance company in terms of bringing prudential ratios in line with the requirements of the regulatory legal acts, canceling the need for coordination of the officials in the reorganized bank.
- July 1 The Board of the National Bank made a decision on temporary measures to suspend inspection and preliminary audits of the payment organizations/ payment system operators/applicants due to the spread of the COVID-19 pandemic.

July 8	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – adopted amendments to some resolutions of the Board of the National Bank in terms of licensing; – introduced amendments into the Instruction “On procedure of compliance with the net foreign exchange position limits by the banks conducting operations in accordance with the principles of Islamic banking and finance”; – introduced amendments into some regulatory legal acts in terms of ensuring a fair approach when the microfinance organizations that do not attract deposits and the credit unions establish commissions and other payments as part of loans extending.
July 10	UPT Odeme Hizmetleri A.S. was registered as an operator of the international money transfer system “UPT”.
July 23	Participation in the meeting of the Advisory Committee on the Financial Markets of the EAEU member states.
July 24	A license was issued to CJSC “MFC “OXUS” due to re-registration of CJSC “MCC “OXUS”.
August 12	<p>The Board of the National Bank adopted:</p> <ul style="list-style-type: none"> – Regulation “On a special regulatory regime” in order to reduce barriers for introduction of innovative services/technologies in the market of banking and payment systems with existing and new players to increase the availability of services, as well as in the regions of the Kyrgyz Republic; – amendments to some regulatory legal acts on provision of permits within the framework of a special regulatory regime.
August 14	LLP “MAER Soft” was registered as an operator of the international e-money system “One Click”.
August 19	The Board of the National Bank approved the Regulation “On the minimum requirements for arrangement of internal control in the payment organizations and for the payment system operators to counter terrorism financing and money laundering.”
August 24-26	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent. A briefing on the size of the policy rate was held with involvement of the Chairman of the National Bank.
August 26	LLP “Interpay” was registered as an operator of the international e-money system “Interpay”.
September 2	Participation in the meeting of the Advisory Committee on the Financial Markets of the EAEU member states.
September 22	An order “On amendments to the joint order of the Ministry of Internal Affairs of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic “On unified requirements for technical strength of the financial-credit organizations and the procedure for protection thereof in the Kyrgyz Republic” was signed to ensure the availability of banking services for the residents of the remote regions in the country.

September 23	The Board of the National Bank adopted amendments to some regulatory legal acts to expand the possibilities of the list of transactions/agreements concluded in accordance with the principles of Islamic finance.
September 25	The Board of the National Bank adopted a resolution on resumption of the inspections of the activities conducted by the commercial banks, non-banking financial-credit organizations, a guarantee fund, a specialized financial-credit organization, exchange and credit bureaus, which were previously suspended due to the spread of the COVID-19 pandemic.
September 28	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent.
September 30	The Board of the National Bank approved the Procedure for remote identification and verification of the microfinance organizations' clients.
October 14	Participation in the 17 th meeting of the Advisory Committee on Statistics of the EAEU member states.
October 15-23	Participation in the Annual Meeting of the Governors of the IMF and the World Bank Group.
October 19-30	The IMF Mission conducted assessment of the National Bank protective mechanisms.
October 21	The liquidation term of CJSC "Manas Bank was extended from October 25, 2020 till December 31, 2020.
October 28	A license was issued to LLC "MCC "M Bulak" to conduct a limited list of banking operations within the framework of a special regulatory regime: <ul style="list-style-type: none"> – for issue of the pre-issued limited functional credit cards of the national payment system "Elcard" to extend loans in non-cash form; – for cards acquiring of the national payment system MCC "M Bulak".
November 4	The Board of the National Bank approved amendments to the Rules for making money transfers through money transfer systems in the Kyrgyz Republic and the Regulation "On bank payment cards in the Kyrgyz Republic" to clarify the current procedure for registration/cancellation of registration of the international payment system operators in the National Bank.
November 5	Participation in the 44 th meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan Countries.
November 12	Participation in the 15 th meeting of the EAEU Advisory Committee on the Macroeconomic Policy.
November 13	Participation in the 61 st meeting of the Interstate Bank (ISB) Council.
November 16	Settlements in the national currency were initiated using the system "Mastercard" (DSS project) to reduce the cardholders' expenses for conversion when making payments with Mastercard cards in the territory of the Kyrgyz Republic.

November 18	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – issued a permit to OJSC “BAKAI BANK” to conduct operations with precious metals in the form of refined standard and measuring bars of other issuers and with coins of the bank’s silver, gold, high grade platinum in cash form; – decided to invalidate the resolution of the Board of the National Bank of the Kyrgyz Republic “On the time frames for submitting the reports in soft copies by the commercial banks, the payment organizations and the payment system operators to the National Bank of the Kyrgyz Republic in terms of the payment system”; – adopted amendments to the Regulation “On e-money in the Kyrgyz Republic” to expand the capabilities of the banks and their agents in provision of the services using e-money and to ensure smooth functioning of the payment system.
November 19	Participation in the 42 nd meeting of the Eurasian Council of Central (National) Banks (ECB).
November 25	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> – introduced amendments into some regulatory legal acts of the National Bank of the Kyrgyz Republic on banking regulation and supervision; – approved the Instruction on distribution of profit/loss on the bank accounts, bank deposit accounts in accordance with the principles of Islamic banking and finance, taking into account the peculiarities of working with the bank accounts according to the principles of Islamic banking and finance.
November 27	Registration of the operators of international money transfer systems “Xpress Money”, “Sigue Money Transfer”, “FORSAGE”, “NARODNAYA” was canceled.
November 30	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent.
December 1	The collection silver and copper-nickel coins “Kyrgyz kurosh” of the series “World nomad games” were put into circulation.
December 2	The license of LLC “Nur International Trade” to conduct activities of the payment organization was revoked.
December 9	A meeting of the Interdepartmental Coordination Council of the Ministry of Finance and the National Bank was held to coordinate measures on fiscal and monetary policies.
December 15	A certificate of accounting registration was issued to LLC MCC “Impact Capital”.
December 16	The Board approved the statement of the National Bank of the Kyrgyz Republic on monetary policy for 2021.

- December 23 The Board of the National Bank:
- adopted amendments into some regulatory legal acts on questions of classification and restructuring of the commercial banks’ assets;
 - adopted amendments into some regulatory legal acts on the issues of periodic regulatory banking reporting;
 - lifted a restriction in the license of OJSC “Dos-Credobank” to conduct banking operations in the national and/or foreign currency for the implementation of the operations with derivative financial instruments (derivatives);
 - approved the Regulation “On enforcement measures of influence applied to the non-banking financial-credit organizations and other legal entities supervised by the National Bank of the Kyrgyz Republic”;
 - approved the Regulation “On assets classification and loan loss provision by the non-banking financial-credit organizations”.
- December 25 • The Coordination Council held a meeting on implementation of the Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020.
- The Board of the National Bank extended the special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” for a period of six months.
- December 28 The Board of the National Bank:
- adopted amendments into some regulatory legal acts on assessment of the collateralized property when issuing loans, the bank’s work with other real estate and asset classification;
 - decided to resume verifications of the applicants for obtaining licenses of the payment system operators/payment organizations and inspections.
- December 29 Approval of the final report prepared by the liquidator of CJSC “Manas Bank” was refused and the liquidator was recommended to send a petition to the court to extend the liquidation period of CJSC “Manas Bank”.
- December 31 The draft laws “On the turnover of cryptocurrencies” and “On amendments to some legislative acts in the field of virtual assets”, developed to regulate the activities of the entities providing cryptocurrency exchange services, were submitted for public debate.

Appendix 2
to the Report of the National Bank
of the Kyrgyz Republic for 2020

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Table 1.**Macroeconomic Indicators**

	unit of measurement	2016	2017	2018	2019	2020
Real sector						
Nominal GDP ¹	millions of KGS	476,331.2	530,475.7	569,385.6	619,102.7	598,344.5*
Real GDP growth rate ¹	percent	4.3	4.7	3.8	4.6	-8.6*
Rate of growth of industrial output ¹	percent	5.9	8.9	5.1	6.6	-7.5*
Rate of growth of gross agricultural output ¹	percent	2.9	2.2	2.6	2.5	1.1*
Rate of growth of wholesale and retail trade; repair of motor vehicles and motorcycles ¹	percent	8.0	7.1	5.7	5.9	-15.7*
Growth of CPI (in % December to December)		-0.5	3.7	0.5	3.1	9.7
- food products		-5.0	2.7	-2.6	5.7	17.6
- alcoholic beverages and tobacco		4.3	4.0	6.4	3.4	6.7
- non-food products		1.6	3.2	1.4	0.6	2.4
- services		5.2	6.9	4.1	0.4	3.0
Growth of PPI ² (in % to the corresponding period of the previous year)		6.4	1.7	1.5	4.3	21.3
Unemployment level	percent	2.2	2.3	2.8	3.0	3.0
Average nominal wage	KGS	14,492.0	15,391.0	16,218.0	17,166.0	18,493.0
Estimated subsistence level	KGS	4,794.3	4,900.8	4,792.5	4,806.3	5,358.5
Financial sector						
NBKR discount rate (end of period)	percent	5.00	5.00	4.75	4.25	5.00
Yield of NBKR notes (average for the period)	percent	2.6	2.0	3.0	3.8	4.1
Yield of ST-Bills (average for the period)	percent	9.9	5.0	5.6	5.1	5.9
Yield of ST-Bonds (average for the period)	percent	16.5	13.0	11.8	10.3	11.0
Interbank Domestic Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	1,852.0	748.0	65.7	91.2	-
- interest rate (average for the period)	percent	6.9	3.4	0.0	2.3	-
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	35.6	116.9	-	467.1	1,168.2
- interest rate (average for the period)	percent	2.0	2.6	-	3.2	2.5
Repo Operations						
- volume (for the period)	millions of KGS	4,515.2	10,291.7	31,305.5	38,686.8	28,895.0
- interest rate (average for the period)	percent	4.0	1.8	2.4	3.0	3.8
Foreign Exchange Market						
Non-cash Transactions at Interbank Foreign Exchange Auctions	millions of USD	757.3	518.5	588.4	680.4	808.8
Deposit and Credit Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	59,062.9	69,989.2	76,612.3	93,520.7	93,066.9
- interest rate (average for the period)	percent	24.5	19.8	19.5	19.0	17.0
- interest rate (end of period)	percent	22.2	18.8	18.0	17.5	16.1
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	36,881.4	35,991.1	37,103.8	36,581.2	23,192.7
- interest rate (average for the period)	percent	12.4	10.5	9.7	9.6	8.7
- interest rate (end of period)	percent	13.5	11.3	10.1	9.7	9.3
Deposits in National Currency:						
- volume (for the period)	millions of KGS	249,003.8	289,676.4	328,293.9	387,578.7	450,397.1
- interest rate (average for the period)	percent	2.4	2.8	2.4	1.5	1.4
- interest rate (end of period)	percent	6.5	6.2	6.2	6.0	5.7
Deposits in Foreign Currency:						
- volume (for the period)	millions of KGS	214,848.5	237,864.0	272,873.4	278,461.8	195,700.1
- interest rate (average for the period)	percent	0.6	0.6	0.4	0.3	0.3
- interest rate (end of period)	percent	2.7	2.1	1.5	1.4	1.2
State Budget						
Revenue	millions of KGS	130,574.4	149,502.0	151,540.4	167,328.6	152,148.8*
including the share of tax revenue	percent	71.8	69.1	77.0	72.6	70.3*
Expenditure	millions of KGS	115,961.0	124,910.3	129,098.1	136,117.9	147,408.7*
Net purchase of non-financial assets	millions of KGS	35,502.2	41,067.9	28,631.2	31,642.4	24,446.6*
Deficit (-) / Surplus (+)	millions of KGS	-20,888.9	-16,476.2	-6,188.9	-431.7	-19 706.6*
in percent of GDP	percent of GDP	-4.4	-3.1	-1.1	-0.1	-3.3*
External Economic Sector						
Export of goods and services	percent of GDP	35.7	34.3	33.2	35.2	31.6*
Import of goods and services	percent of GDP	69.8	66.4	71.6	64.1	52.0*
Current account balance ³ (including transfers)	percent of GDP	-11.5	-6.3	-12.1	-12.1	4.5*
Gross international reserve assets	months of import of next year's goods and services	4.6	4.4	4.5	7.3	6.4*

*preliminary data

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

¹ Indicators given by Gross Value Added² The data were recalculated in accordance with the State Classifier "Economic activities", version 3.³ Positive balance – "+"; Negative balance – "-"

Table 2.
GDP Composition
(percent)

	2016	2017	2018	2019*	2020*
Total	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishing	12.8	12.5	11.7	11.7	13.5
Mining	0.6	1.0	1.0	1.9	1.6
Manufacturing (Manufacturing)	15.4	15.0	14.3	14.7	17.0
Providing (supply) electricity, gas, steam and air conditioning	1.9	2.5	2.8	2.2	2.3
Water supply, waste treatment and cleaning getting recycled	0.2	0.3	0.4	0.2	0.2
Construction	8.4	8.6	9.0	9.5	8.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.9	17.8	17.9	17.6	16.2
Transport activities and storage of goods	3.8	3.9	3.8	4.0	3.0
Hotels and restaurants	1.8	1.7	1.7	1.6	1.0
Information and communication	3.5	3.1	2.6	2.7	2.7
Financial intermediation and insurance	0.5	0.5	0.7	0.6	0.6
Operations with the real estate	2.5	2.6	2.5	2.9	2.9
Professional, scientific and technical activities	1.4	1.6	1.9	1.4	1.5
Administrative and support service activities	0.4	0.5	0.4	0.5	0.5
Public administration and defense, compulsory social security	5.4	5.7	5.8	5.9	6.5
Education	5.9	5.7	5.5	5.6	7.1
Health and social services for the population	2.7	2.6	2.5	2.4	2.7
Arts, entertainment and recreation	0.5	0.4	0.5	0.5	0.5
Other service activities	1.1	1.1	1.1	1.0	1.1
Net (less subsidies) taxes on products	13.1	13.1	14.1	13.3	10.8

*preliminary data

Source: NSC KR

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

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

	2016	2017	2018	2019	2020*
Total	100.0	100.0	100.0	100.0	100.0
Domestic investment	57.4	57.5	72.0	69.5	76.3
including those financed through:					
Republican budget	7.5	5.6	4.1	2.7	2.4
local budget	1.0	1.1	0.8	1.1	1.1
funds of enterprises and organizations	24.6	25.5	33.3	32.9	36.9
bank loans	0.04	2.0	4.3	2.1	1.3
public funds, including charitable aid to residents of the Kyrgyz Republic	24.4	23.4	29.5	30.7	34.6
Foreign investment	42.6	42.5	28.0	30.5	23.7
including those financed through:					
foreign loan	28.4	29.1	13.1	15.9	14.2
foreign direct investments	11.5	9.0	8.7	7.9	5.7
foreign grants and humanitarian aid	2.7	4.3	6.2	6.7	3.7

*preliminary data

Source: NSC KR

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

	2016	2017	2018	2019	2020*
Monetary base	85,584.1	100,019.0	106,347.3	118,065.4	147,337.5
Currency in circulation	74,838.8	91,104.3	93,566.1	106,244.8	134,629.2
Currency outside banks (M0)	69,338.8	84,450.9	84,826.7	96,009.9	124,171.9
Monetary aggregate (M1)	97,656.6	118,144.1	121,631.9	139,682.1	174,213.9
Money supply (M2)	115,444.1	142,859.1	154,576.3	181,768.1	219,103.6
Monetary aggregate (M2X)	164,017.4	193,390.6	204,071.1	230,260.6	285,248.2
M1 Multiplier	1.14	1.18	1.14	1.18	1.18
M2 Multiplier	1.35	1.43	1.45	1.54	1.49
M2X Multiplier	1.92	1.93	1.92	1.95	1.94
Velocity M1	5.80	4.49	4.68	4.43	3.43
Velocity M2	4.92	3.71	3.68	3.41	2.73
Velocity M2X	3.23	2.74	2.79	2.69	2.10
Currency outside banks/total deposits	0.73	0.78	0.71	0.72	0.77
Deposits/Monetary Aggregate (M2X)	0.58	0.56	0.58	0.58	0.56

* preliminary data

Source: NBKR, NSC KR, Commercial banks of KR

Currency in circulation = notes and coins issued by NBKR less held as vault cash in NBKR;

Currency outside banks (M0) = currency in circulation less vault cash balances of banks;

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

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

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

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

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

Table 5.

Analytic Balance Sheet of the National Bank of the Kyrgyz Republic (end-of-period)
(millions of KGS)

	2016	2017	2018	2019	2020
Net foreign assets	126,836.9	140,716.9	142,089.2	160,750.0	222,109.5
Net international reserves	121,249.6	134,613.7	134,078.3	151,837.5	216,676.9
Gold	11,810.1	19,937.3	32,153.3	48,834.0	84,129.8
Foreign currency (assets)	111,148.3	115,591.8	102,087.4	103,004.1	132,549.2
Foreign currency (liabilities)	-1,708.9	-915.4	-162.4	-0.6	-2.0
Other external assets	13,451.3	14,414.4	16,233.0	17,059.2	15,427.4
SDR allocation	-7,864.0	-8,311.2	-8,222.2	-8,146.7	-9,994.9
Long-term external liabilities	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-41,252.8	-40,697.9	-35,741.9	-42,684.6	-74,772.0
<i>Net domestic credit</i>	-20,325.4	-18,244.2	-15,819.4	-27,358.5	-33,505.7
Net claims on General Government	-7,746.9	-8,994.4	-12,289.7	-16,906.1	-13,727.3
Net claims on Government	-7,746.9	-8,994.4	-12,289.7	-16,906.1	-13,727.3
Securities	312.5	251.3	189.5	127.0	3,021.3
Loans to Government in foreign currency	0.0	0.0	0.0	0.0	0.0
Deposits	-8,048.9	-9,235.2	-12,468.6	-17,033.2	-16,748.5
Budget accounts	-6,322.4	-7,014.4	-9,596.9	-2,361.4	-4,587.1
Counterpart funds	0.0	0.0	0.0	0.0	0.0
Other Government accounts	-835.5	-1,106.1	-1,699.3	-2,604.6	-1,974.4
Government deposits in foreign currency	-891.0	-1,114.7	-1,172.3	-12,067.2	-10,187.0
Government Credit	-10.6	-10.5	-10.7	0.0	0.0
Net claims on special funds	0.0	0.0	0.0	0.0	0.0
Net claims on other depository corporations	-10,993.1	-8,818.2	-3,277.4	-10,020.0	-18,627.9
Credits	5,718.6	5,569.2	7,794.1	5,031.3	6,483.7
including: "overnight" credits	0.0	0.0	0.0	0.0	0.0
credits in foreign currency	40.8	0.0	0.0	0.0	0.0
Securities	-5,243.4	-5,212.3	-7,992.3	-8,048.5	-12,990.7
including: notes issued by the NBKR	-5,243.4	-5,212.3	-7,992.3	-8,048.5	-12,990.7
securities under repo agreements	0.0	0.0	0.0	0.0	0.0
Deposits	-11,468.3	-9,175.1	-3,079.3	-7,002.9	-12,120.9
including: deposits in foreign currency	-3,910.8	-3,811.3	-2,174.3	-1,380.9	-3,080.2
Financial derivatives	0.0	0.0	0.0	0.0	0.0
Net claims on other financial institutions	-1,585.3	-431.6	-252.2	-432.3	-1,150.5
<i>Capital account</i>	-24,178.1	-25,614.9	-23,213.3	-29,206.8	-66,959.9
<i>Other items</i>	3,250.7	3,161.2	3,290.7	13,880.7	25,693.5
Monetary base	85,584.1	100,019.0	106,347.3	118,065.4	147,337.5
Currency in circulation	74,838.8	91,104.3	93,566.1	106,244.8	134,629.2
Reserves of other depository corporations in national currency	10,745.3	8,914.7	12,781.1	11,820.7	12,708.4
<i>Note:</i>					
Monetary base-broad definition	97,052.3	109,194.1	109,426.6	125,068.3	159,458.5
Currency in circulation	74,838.8	91,104.3	93,566.1	106,244.8	134,629.2
Reserves of other depository corporations	12,337.6	11,530.6	13,982.6	12,983.0	14,172.5
Reserves of other depository corporations in national currency	10,745.3	8,914.7	12,781.1	11,820.7	12,708.4
Reserves of other depository corporations in foreign currency	1,592.3	2,615.9	1,201.4	1,162.4	1,464.1
Deposits in foreign currency	9,876.0	6,559.2	1,877.9	5,840.5	10,656.8

Source: NBKR

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

The data of the daily balance sheet as of the end of the year without amendments introduced in the audited financial statements were used in indicators calculation.

Table 6.**External Economic Indicators**

	unit of measurement	2016	2017	2018	2019	2020*
Balance of payments indicators						
Total balance	<i>millions of USD</i>	305.6	15.3	-163.6	46.7	-122.7
	<i>percent of GDP²</i>	4.5	0.2	-2.0	0.5	-1.6
Current account balance ¹	<i>millions of USD</i>	-788.0	-481.8	-997.0	-1,073.2	349.2
	<i>percent of GDP²</i>	-11.5	-6.3	-12.1	-12.1	4.5
Export of goods (FOB)	<i>millions of USD</i>	1,607.9	1,813.9	1,916.0	2,042.9	2,009.6
	<i>percent of GDP²</i>	23.4	23.6	23.2	23.0	26.1
Import of goods (FOB)	<i>millions of USD</i>	3,744.4	4,197.2	4,949.9	4,669.0	3,422.5
	<i>percent of GDP²</i>	54.5	54.5	59.9	52.6	44.5
Gross international reserve assets	<i>months of next year's import of goods and services</i>	4.6	4.4	4.5	7.3	6.4
Public external debt						
Public external debt ³	<i>millions of USD</i>	3,742.7	4,089.8	3,825.7	3,850.7	4,217.4
	<i>percent of GDP⁴</i>	54.4	53.1	46.9	43.3	58.3
	<i>percent of export of goods and services</i>	152.8	155.1	139.3	123.2	173.4
Public external debt servicing (actual)	<i>millions of USD</i>	144.8	157.4	184.0	203.1	205.3
	<i>percent of GDP²</i>	2.1	2.0	2.2	2.3	2.7
	<i>percent of export of goods and services</i>	5.9	6.0	6.7	6.5	8.4

* preliminary data

Source: NBKR, NSC KR, MF KR

¹Positive balance - "+", negative balance - "-"²In the calculation of indicators USD equivalent of GDP calculated at the average rate for the year was used³Including IMF loans⁴According to NBKR estimates; in the calculation of indicators USD equivalent of GDP calculated at the rate to the end of the year was used

Table 7.
Monetary Policy Instruments

	unit of measurement	2016	2017	2018	2019	2020
NBKR Credits						
intraday credits	<i>millions of KGS</i>	-	-	-	406.4	281.9
"overnight" credits	<i>millions of KGS</i>	2,045.6	13,816.5	18,102.3	286.4	3,533.7
7-day credits	<i>millions of KGS</i>	-	-	-	-	-
credit auctions*	<i>millions of KGS</i>	1,440.0	4,810.0	3,000.0	2,020.0	3,490.0
maintaining liquidity	<i>millions of KGS</i>	-	538.3	571.7	-	-
credits provided to mitigate the negative impact of the COVID-19 pandemic	<i>millions of KGS</i>	-	-	-	-	400.2
credits to international organizations created within the framework of the EAEU	<i>millions of KGS</i>	678.2	72.5	300.0	300.0	200.0
"Overnight" Deposits	<i>billions of KGS</i>	1,986.5	1,903.0	956.3	976.7	1,175.6
NBKR Policy Rate (end of period)	<i>percent</i>	5.00	5.00	4.75	4.25	5.00
NBKR Notes						
maturity:						
7 days						
volume of sales	<i>millions of KGS</i>	102,293.4	54,718.0	64,888.8	87,911.9	99,873.9
average yield	<i>percent</i>	2.6	1.3	2.3	3.7	3.9
14 days						
volume of sales	<i>millions of KGS</i>	8,000.0	3,638.0	312.0	5,100.0	91,228.3
average yield	<i>percent</i>	0.7	2.5	3.4	3.7	4.2
28 days						
volume of sales	<i>millions of KGS</i>	-	20,969.8	18,363.5	27,788.6	78,450.4
average yield	<i>percent</i>	-	3.1	3.3	4.0	4.4
91 days						
volume of sales	<i>millions of KGS</i>	-	5,614.5	23,938.4	12,681.2	7,151.8
average yield	<i>percent</i>	-	4.9	4.6	4.4	4.6
182 days						
volume of sales	<i>millions of KGS</i>	-	-	1,580.3	200.0	-
average yield	<i>percent</i>	-	-	4.7	4.6	-
Open Market Transactions						
Direct repo transactions	<i>millions of KGS</i>	-	49.6	-	-	-
Reverse repo transactions	<i>millions of KGS</i>	-	-	-	-	-
Purchase-to-maturity (at par value)	<i>millions of KGS</i>	-	-	-	-	3,649.8
NBKR Foreign Exchange Interventions						
Purchase	<i>millions of USD</i>	191.9	34.5	20.6	-	-
Sale	<i>millions of USD</i>	162.7	107.2	168.3	143.5	518.5
NBKR Foreign Exchange Swaps						
Purchase	<i>millions of Euro</i>	-	-	-	-	-
Sale	<i>millions of Euro</i>	-	-	-	-	-
Reserve Requirements						
Reserve requirement ratio (end of period)						
in national currency	<i>percent</i>	4.0	4.0	4.0	4.0	4.0
in foreign currencies of the EAEU countries and the PRC	<i>percent</i>	4.0	4.0	4.0	4.0	4.0
in foreign currencies except for the EAEU countries and the PRC	<i>percent</i>	12.0	12.0	12.0	14.0	14.0
Required reserves (annual average)	<i>millions of KGS</i>	7,333.3	7,519.6	8,194.3	9,524.4	11,500.5
Excess reserves (annual average)	<i>millions of KGS</i>	1,369.9	1,321.7	663.1	366.9	193.4

Source: NBKR

*Volume of credits actually provided during specified period

Table 8.

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

	2016	2017	2018	2019	2020
January	10.00	5.00	5.00	4.75	4.25
February	10.00	5.00	5.00	4.50	5.00
March	8.00	5.00	5.00	4.50	5.00
April	8.00	5.00	5.00	4.50	5.00
May	6.00	5.00	4.75	4.25	5.00
June	6.00	5.00	4.75	4.25	5.00
July	6.00	5.00	4.75	4.25	5.00
August	6.00	5.00	4.75	4.25	5.00
September	6.00	5.00	4.75	4.25	5.00
October	6.00	5.00	4.75	4.25	5.00
November	5.50	5.00	4.75	4.25	5.00
December	5.00	5.00	4.75	4.25	5.00

Source: NBKR

Table 9.
State Treasury Bills and Bonds Market

	unit of measurement	2016	2017	2018	2019	2020
State Treasury Bills (ST-Bills)						
maturity:						
<i>3 months</i>						
volume of sales	<i>millions of KGS</i>	456.0	420.0	-	2,352.2	200.0
average yield	<i>percent</i>	3.6	2.1	-	5.1	5.1
<i>6 months</i>						
volume of sales	<i>millions of KGS</i>	1,800.0	1,032.7	-	2,300.6	25.0
average yield	<i>percent</i>	8.1	4.1	-	5.8	6.0
<i>12 months</i>						
volume of sales	<i>millions of KGS</i>	3,463.7	2,698.3	2,628.4	793.9	815.7
average yield	<i>percent</i>	11.3	5.7	5.6	4.9	5.9
State Treasury Bonds (ST-Bonds)						
maturity:						
<i>2 years</i>						
volume of sales	<i>millions of KGS</i>	4,758.5	3,665.7	2,382.8	1,309.0	834.8
average yield	<i>percent</i>	16.1	10.1	7.8	6.8	7.5
<i>3 years</i>						
volume of sales	<i>millions of KGS</i>	2,140.9	2,464.9	2,200.0	1,177.1	471.4
average yield	<i>percent</i>	15.9	11.4	9.3	8.8	9.0
<i>5 years</i>						
volume of sales	<i>millions of KGS</i>	1,095.3	2,540.0	2,650.0	2,706.7	3,960.3
average yield	<i>percent</i>	19.1	15.0	11.0	10.4	10.9
<i>7 years</i>						
volume of sales	<i>millions of KGS</i>	-	2,638.9	4,971.5	5,937.7	6,738.5
average yield	<i>percent</i>	-	16.6	12.9	11.4	11.5
<i>10 years</i>						
volume of sales	<i>millions of KGS</i>	-	1,800.0	7,270.0	364.0	4,219.1
average yield	<i>percent</i>	-	18.5	15.3	13.5	11.8
State Treasury Bonds in Foreign Currency (ST-Bonds-B)						
maturity:						
<i>5 years</i>						
sales volume	<i>millions of KGS</i>	49.4	-	-	-	-
average yield	<i>percent</i>	1.8	-	-	-	-

Source: NBKR

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

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

	2016	2017	2018	2019	2020
Deposits of Legal Entities	2.1	2.3	1.7	2.3	2.4
<i>demand deposits</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>	<i>0.7</i>
<i>time deposits:</i>	<i>11.9</i>	<i>9.2</i>	<i>9.3</i>	<i>9.5</i>	<i>8.3</i>
<i>of which:</i>					
up to 1 month	6.3	8.0	5.8	4.9	3.4
1-3 months	6.6	5.6	4.1	5.4	4.0
3-6 months	10.4	7.5	5.3	6.5	6.2
6-12 months	13.4	9.8	10.0	9.5	10.2
over 1 year	14.5	12.5	10.5	11.2	7.9
Deposits of Individuals	2.5	2.8	2.5	1.4	1.2
<i>demand deposits</i>	<i>1.5</i>	<i>1.9</i>	<i>1.5</i>	<i>0.4</i>	<i>0.4</i>
<i>time deposits:</i>	<i>12.8</i>	<i>11.0</i>	<i>10.2</i>	<i>9.4</i>	<i>9.3</i>
<i>of which:</i>					
up to 1 month	5.5	6.4	7.2	6.0	6.1
1-3 months	6.3	5.7	5.7	5.4	5.0
3-6 months	9.6	7.8	7.5	6.6	6.5
6-12 months	13.4	11.1	10.4	9.5	9.6
over 1 year	15.1	13.0	11.7	10.8	10.8
Deposits on Non-residents	2.0	2.1	2.5	2.4	1.5
<i>demand deposits</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.3</i>	<i>0.0</i>
<i>time deposits:</i>	<i>13.3</i>	<i>11.3</i>	<i>10.9</i>	<i>10.0</i>	<i>9.6</i>
<i>of which:</i>					
up to 1 month	6.5	6.9	6.9	5.1	5.3
1-3 months	7.9	7.2	6.6	6.0	5.0
3-6 months	9.8	6.9	8.5	6.6	7.0
6-12 months	13.0	11.2	11.3	10.0	10.1
over 1 year	15.2	13.2	11.6	11.0	10.9
Average Weighted Rate	2.4	2.8	2.4	1.5	1.4

Source: Commercial banks of KR

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

	2016	2017	2018	2019	2020
Deposits of Legal Entities	0.3	0.2	0.1	0.2	0.3
<i>demand deposits</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>
<i>time deposits:</i>	<i>3.2</i>	<i>2.6</i>	<i>2.6</i>	<i>3.5</i>	<i>3.2</i>
<i>of which:</i>					
up to 1 month	2.2	4.2	0.5	3.5	2.2
1-3 months	1.9	3.6	2.5	2.5	2.6
3-6 months	2.2	2.9	1.9	2.5	1.5
6-12 months	3.7	3.2	2.8	4.0	3.3
over 1 year	4.3	3.4	3.4	4.0	3.1
Deposits of Individuals	1.0	1.0	0.6	0.4	0.4
<i>demand deposits</i>	<i>0.3</i>	<i>0.5</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
<i>time deposits:</i>	<i>5.0</i>	<i>4.2</i>	<i>3.5</i>	<i>3.2</i>	<i>2.8</i>
<i>of which:</i>					
up to 1 month	3.7	3.5	2.4	2.1	1.9
1-3 months	3.9	3.6	2.5	1.9	2.2
3-6 months	3.4	3.8	2.5	2.4	2.2
6-12 months	5.4	4.4	3.6	3.4	2.9
over 1 year	5.5	4.3	4.2	3.8	3.4
Deposits on Non-residents	0.6	0.9	0.6	0.5	0.3
<i>demand deposits</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
<i>time deposits:</i>	<i>4.9</i>	<i>5.2</i>	<i>4.2</i>	<i>3.7</i>	<i>2.7</i>
<i>of which:</i>					
up to 1 month	6.8	4.0	3.3	2.6	1.2
1-3 months	3.4	4.1	3.7	2.3	2.5
3-6 months	2.5	3.8	3.5	2.3	2.2
6-12 months	5.6	4.5	4.7	4.3	2.7
over 1 year	5.4	5.5	4.1	3.9	3.3
Average Weighted Rate	0.6	0.6	0.4	0.3	0.3

Source: Commercial banks of KR

Table 12.Interest Rates of Loans of Commercial Banks in National Currency (for the period)
(percent)

	2016	2017	2018	2019	2020
Average Weighted Rate	24.5	19.8	19.5	19.0	17.0
Industry	15.8	13.6	13.7	13.9	12.8
Agriculture	24.0	20.3	20.4	19.3	17.1
Transport and communication	26.9	20.3	20.9	20.3	17.5
Trade	23.7	17.7	16.5	15.8	14.8
Procurement and processing	17.7	9.7	9.2	8.0	10.5
Construction	25.3	18.8	18.2	19.0	17.1
Mortgage	19.3	14.3	14.5	13.6	13.9
Consumer loans	31.0	27.4	26.7	25.5	22.5
Other	24.4	19.4	18.4	18.6	16.1
up to 1 month	21.7	18.6	17.2	16.3	14.9
Industry	16.6	16.6	17.3	17.4	22.1
Agriculture	35.0	34.0	22.0	10.0	24.5
Transport and communication	-	12.0	-	12.6	26.0
Trade	16.7	15.2	13.2	13.0	13.7
Procurement and processing	-	-	-	-	-
Construction	25.0	20.4	-	-	0.0
Mortgage	-	-	-	13.1	10.8
Consumer loans	30.1	27.2	27.3	24.8	17.0
Other	25.4	26.0	23.7	26.2	17.0
1-3 months	25.6	24.6	20.7	24.5	16.5
Industry	26.0	23.5	19.7	16.2	24.6
Agriculture	32.3	31.0	29.5	27.9	25.6
Transport and communication	33.7	-	24.6	31.0	30.7
Trade	30.7	26.9	21.7	21.1	13.1
Procurement and processing	-	-	-	-	-
Construction	31.6	20.4	26.6	26.8	22.9
Mortgage	7.5	0.0	-	-	24.3
Consumer loans	30.7	30.1	27.5	29.5	27.9
Other	22.0	23.6	21.6	26.1	23.7
3-6 months	31.1	29.7	24.5	24.7	24.4
Industry	30.9	29.2	19.2	19.6	24.7
Agriculture	31.8	31.3	28.8	25.2	26.4
Transport and communication	29.8	28.5	20.7	25.7	28.1
Trade	29.2	26.6	23.3	18.2	16.4
Procurement and processing	35.4	-	32.0	28.0	-
Construction	30.3	26.5	25.8	25.5	25.8
Mortgage	28.4	20.7	17.1	23.2	21.8
Consumer loans	34.0	31.5	26.3	27.2	27.1
Other	27.8	26.2	25.2	22.0	23.5
6-12 months	28.5	26.0	25.2	24.2	22.4
Industry	23.4	20.1	16.3	18.5	16.2
Agriculture	25.9	22.8	22.5	21.2	19.9
Transport and communication	29.9	24.8	23.7	26.5	26.4
Trade	27.3	23.6	21.7	20.7	19.1
Procurement and processing	34.0	29.1	26.6	29.1	22.8
Construction	30.4	26.9	25.5	26.4	25.7
Mortgage	25.4	20.0	19.9	19.3	23.9
Consumer loans	33.1	31.1	28.9	27.3	26.6
Other	28.6	26.3	24.8	25.1	24.1
over 1 year	23.7	18.7	18.6	18.4	16.7
Industry	15.4	13.3	13.6	13.6	12.8
Agriculture	23.5	19.8	19.8	18.8	16.7
Transport and communication	26.7	20.7	21.0	20.0	17.1
Trade	25.3	18.3	18.0	17.3	15.7
Procurement and processing	15.7	8.1	7.9	7.7	10.3
Construction	24.9	18.6	17.7	18.6	16.9
Mortgage	19.3	14.3	14.5	13.6	13.9
Consumer loans	29.9	25.9	25.1	24.6	23.5
Other	24.1	18.1	17.2	17.5	15.3

Source: Commercial banks of KR

Table 13.

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

	2016	2017	2018	2019	2020
Average Weighted Rate	12.4	10.5	9.7	9.6	8.7
Industry	11.8	10.3	8.7	9.2	8.6
Agriculture	13.2	11.4	8.2	8.4	11.0
Transport and communication	14.8	12.1	11.2	11.1	11.6
Trade	12.5	11.0	10.0	9.7	8.6
Procurement and processing	14.4	10.6	11.5	10.3	10.9
Construction	12.3	9.5	9.2	8.9	8.5
Mortgage	15.8	12.3	13.0	11.9	11.0
Consumer loans	16.2	12.4	10.3	10.6	7.7
Other	12.2	9.8	9.7	9.8	9.0
up to 1 month	12.6	11.2	8.9	7.5	6.0
Industry	14.0	14.8	17.0	15.0	11.3
Agriculture	17.0	-	8.0	7.9	8.0
Transport and communication	-	0.0	-	0.0	-
Trade	12.4	11.2	9.3	7.4	6.2
Procurement and processing	-	-	-	-	-
Construction	0.0	8.0	12.0	-	-
Mortgage	22.0	11.0	22.0	2.4	-
Consumer loans	12.3	7.9	3.8	4.6	0.5
Other	13.0	5.9	14.2	12.2	15.2
1-3 months	14.1	13.0	12.7	11.8	8.6
Industry	13.0	15.4	-	12.7	-
Agriculture	14.8	-	-	-	-
Transport and communication	20.0	20.0	-	-	-
Trade	15.1	13.2	14.6	12.1	8.5
Procurement and processing	-	-	-	-	-
Construction	8.0	-	16.0	13.0	-
Mortgage	30.0	-	-	-	-
Consumer loans	16.4	17.4	30.0	-	13.3
Other	17.3	14.4	9.7	14.4	15.2
3-6 months	13.6	10.7	11.7	9.9	8.3
Industry	13.2	14.2	8.3	11.7	11.0
Agriculture	23.3	19.8	-	-	-
Transport and communication	-	-	11.5	-	-
Trade	14.1	11.6	12.8	11.3	9.7
Procurement and processing	-	-	-	-	-
Construction	10.7	-	-	10.3	-
Mortgage	10.6	13.0	-	-	13.0
Consumer loans	17.6	17.6	18.0	7.3	10.5
Other	16.8	18.2	13.8	17.3	11.3
6-12 months	13.5	11.8	12.0	10.0	9.5
Industry	14.7	10.7	10.1	9.0	12.3
Agriculture	19.5	27.7	23.7	17.4	21.5
Transport and communication	22.0	17.3	16.3	13.3	11.8
Trade	12.9	11.3	12.6	11.7	9.6
Procurement and processing	-	-	-	9.0	10.0
Construction	18.1	15.5	15.9	13.8	10.3
Mortgage	15.5	6.7	19.5	16.0	-
Consumer loans	23.0	24.8	24.9	23.6	26.9
Other	15.6	19.2	16.4	16.4	6.5
over 1 year	12.5	10.5	9.8	10.0	9.2
Industry	11.2	9.9	8.7	9.5	8.5
Agriculture	12.5	11.3	8.7	8.8	10.0
Transport and communication	14.7	12.1	11.2	11.2	12.1
Trade	12.9	10.9	10.2	10.4	9.4
Procurement and processing	14.4	10.6	11.5	10.2	11.3
Construction	12.5	9.6	9.2	8.9	8.5
Mortgage	15.8	12.5	12.9	12.1	11.0
Consumer loans	18.5	14.9	14.6	14.1	12.7
Other	12.1	10.3	9.7	9.8	9.2

Source: Commercial banks of KR

Table 14.Interest Rates on Loans of Non-banking Financial and Credit Organizations (end of period)
(percent)

	2016	2017	2018	2019	2020
Microfinance organizations	31.4	31.1	30.4	30.0	29.8
Industry	25.8	27.9	28.3	28.2	28.1
Agriculture	31.7	30.9	31.0	30.3	29.9
Transportation	26.7	29.8	29.5	27.8	28.2
Communication	39.6	36.1	34.4	32.6	31.0
Trade and commerce	31.0	29.2	28.7	29.0	29.9
Procurement and processing	13.7	15.0	14.2	17.4	16.5
Construction and mortgage	33.3	31.8	31.1	30.3	29.3
Services	33.8	33.1	32.5	31.1	30.1
Consumer loans	34.0	33.6	31.5	31.8	31.7
Loans to financial and credit organizations	21.0	17.4	16.2	15.8	16.2
Other	26.9	31.1	30.0	27.8	29.4
Credit Unions	27.8	25.9	27.4	26.6	26.4
Industry	31.7	31.3	31.9	30.3	26.1
Agriculture	28.3	27.2	28.3	27.5	26.9
Transport and communication	25.4	26.9	27.2	26.3	26.8
Trade and commerce	27.0	24.1	27.6	27.2	27.1
Procurement and processing	29.3	28.4	29.1	28.9	29.6
Construction and mortgage	23.3	22.5	21.7	21.4	21.9
Services	31.3	30.0	30.4	30.8	27.6
Other	29.8	27.6	30.1	29.0	28.7
SFCO	16.6	16.5	15.7	15.2	15.0

Source: Non-banking Financial and Credit Organizations of KR

Table 15.Annual Average Interest Rate of Interbank Credits
(percent)

	2016	2017	2018	2019	2020
Interbank Repo Operations	4.0	1.8	2.4	3.0	3.8
up to 1 day	4.8	1.9	2.0	2.6	3.3
2 - 7 days	3.7	1.5	2.3	3.1	3.7
8 - 14 days	4.6	1.9	2.9	3.3	4.2
15 - 30 days	1.5	2.8	4.6	3.9	4.4
31 - 60 days	-	2.9	4.1	4.1	4.6
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
Interbank Credits in National Currency	6.9	3.4	0.0	2.3	-
up to 1 day	-	-	-	2.3	-
2 - 7 days	8.3	4.1	0.0	2.3	-
8 - 14 days	3.3	3.4	0.0	-	-
15 - 30 days	6.7	1.7	-	-	-
31 - 60 days	2.0	4.1	-	-	-
61 - 90 days	10.0	-	-	-	-
91 - 180 days	12.0	-	-	-	-
181 - 360 days	10.6	3.5	-	-	-
over 360 days	-	6.7	-	-	-
Interbank Credits in Foreign Currency	2.0	2.6	-	3.2	2.5
up to 1 day	-	-	-	-	2.5
2 - 7 days	2.0	1.3	-	2.7	2.5
8 - 14 days	2.0	1.3	-	3.3	-
15 - 30 days	-	-	-	4.0	-
31 - 60 days	-	-	-	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	4.0	-	-	-
over 360 days	-	-	-	-	-

Source: Commercial banks of KR

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

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

	2016	2017	2018	2019	2020*
Current Account	-788.0	-481.8	-997.0	-1,073.2	349.2
Goods and services	-2,340.0	-2,475.3	-3,166.9	-2,564.2	-1,567.2
Trade balance	-2,136.5	-2,383.3	-3,033.8	-2,626.0	-1,412.9
Export (FOB) ¹	1,607.9	1,813.9	1,916.0	2,042.9	2,009.6
EAEU countries	447.2	541.5	640.6	641.7	546.3
Non-EAEU countries	1,160.7	1,272.4	1,275.4	1,401.3	1,463.2
Import (FOB)	3,744.4	4,197.2	4,949.9	4,669.0	3,422.5
EAEU countries	1,519.8	1,733.4	2,011.0	1,961.5	1,731.6
Non-EAEU countries	2,224.6	2,463.8	2,938.9	2,707.5	1,690.8
Balance of services	-203.5	-92.0	-133.0	61.8	-154.3
Transportation services	-239.4	-225.9	-280.0	-183.6	-197.4
Travels	-28.6	136.2	145.3	252.4	62.4
Other services	84.5	17.6	21.7	13.0	0.7
Technical assistance	-20.0	-20.0	-20.0	-20.0	-20.0
Income ¹	-350.7	-371.6	-251.0	-779.3	-329.6
Direct investment income	-269.5	-295.9	-191.8	-706.7	-220.2
Portfolio investment income	0.0	0.0	0.0	0.0	0.0
Other investment income	-64.9	-56.9	-45.6	-57.6	-96.5
Interest on loans	-69.8	-76.2	-77.2	-81.5	-101.6
Other income on other investment	4.9	19.3	31.6	23.9	5.2
Compensation of employees	-16.3	-18.8	-13.6	-15.0	-13.0
Current transfers	1,902.7	2,365.1	2,420.9	2,270.3	2,246.1
Official transfers	83.8	106.3	45.6	111.8	80.4
Private transfers	1,818.9	2,258.8	2,375.4	2,158.5	2,165.7
Capital and Financial Account	708.1	609.3	536.3	554.2	-268.5
Capital account	112.6	131.3	335.0	88.5	79.8
Capital transfers	112.6	131.3	335.0	88.5	79.8
Financial account	595.5	478.0	201.3	465.7	-348.2
Direct investment ¹	579.0	-78.1	44.3	336.7	-511.6
Portfolio investment	-7.2	-24.9	-9.2	25.0	15.1
Financial derivatives	6.3	2.8	-0.4	0.0	-0.3
Other investment	17.5	578.2	166.6	104.1	148.6
Assets ("-" increase)	-98.3	424.4	22.8	-107.1	-80.3
Commercial banks	92.1	-5.5	-3.7	-20.1	-175.4
Accounts receivable	-163.9	283.0	-14.9	-72.3	35.6
Accounts of enterprises abroad	-193.4	143.4	77.9	-1.3	-2.1
Other assets	167.0	3.5	-36.4	-13.4	61.6
Liabilities ("+" increase)	115.8	153.8	143.8	211.2	228.8
Commercial banks	-33.7	-13.2	47.7	19.4	-3.5
Loans	92.1	176.2	-61.3	135.1	94.7
Loans to public sector	237.4	214.8	-191.2	66.2	41.2
Loans to private sector	-145.4	-38.6	130.0	69.0	53.6
Accounts payable	57.4	-9.2	157.4	56.6	137.6
Other liabilities	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	385.5	-112.1	297.1	565.7	-203.4
Total Balance	305.6	15.3	-163.6	46.7	-122.7
Financing	-305.6	-15.3	163.6	-46.7	122.7

* preliminary data

Source: NBKR, NSC KR, MF KR other organizations

¹ Including NBKR additional estimates

Table 17.

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

	2016	2017	2018	2019	2020
External public and government guaranteed debt (1+2+3):	3,742.7	4,089.8	3,825.7	3,850.7	4,217.4
1. Multilateral debt:	1,523.8	1,650.3	1,615.1	1,600.9	1,963.3
World Bank	618.2	666.8	660.2	657.7	677.4
Asian Development Bank	567.9	600.8	582.2	565.6	605.4
European Investment Bank	-	-	-	11.2	36.5
International Monetary Fund	188.0	200.3	166.8	140.3	376.4
Islamic Development Bank	64.6	77.0	79.9	92.9	118.3
European Bank for Reconstruction and Development	42.5	50.9	51.8	50.8	50.3
International Fund for Agricultural Development	12.2	15.6	20.1	24.3	28.6
Nordic Development Fund	4.3	4.7	4.3	4.0	4.1
OPEC	4.8	4.7	5.4	5.1	4.5
Eurasian Development Bank	5.5	11.5	27.4	32.2	43.6
European Union	15.8	18.0	17.2	16.8	18.2
2. Bilateral debt:	2,219.0	2,439.6	2,210.6	2,249.8	2,254.1
2.1. EAEU countries:	270.0	240.0	-	-	-
Russia	270.0	240.0	-	-	-
2.2. other:	1,949.0	2,199.6	2,210.6	2,249.8	2,254.1
China	1,482.8	1,708.1	1,719.4	1,778.5	1,766.0
Japan	236.0	243.6	244.4	239.2	242.0
Germany	81.7	93.3	86.7	82.0	88.8
The Republic of Korea	15.1	17.0	16.0	14.8	14.9
Kuwait Fund	8.6	7.6	11.1	6.9	8.0
Turkey	97.0	97.0	97.0	93.3	89.5
France	4.7	5.3	5.0	4.7	4.9
Denmark	3.1	3.0	2.9	2.8	2.6
Saudi Development Fund	11.2	15.5	17.7	19.6	28.9
UAE	8.8	9.1	10.6	8.2	8.5
3. Government guaranteed external debt	-	-	-	-	-

Source: MF KR

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

Bank	2016			2017			2018			2019			2020		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
	Total	19,047.2	18,977.2	8,349.0	22,621.8	21,893.8	10,906.0	24,103.6	23,500.8	11,120.1	28,799.4	28,649.4	9,145.8	31,367.1	31,217.1
1 OJSC "Aiyi Bank"	1,922.3	1,922.3	-	2,083.7	2,083.7	-	2,268.8	2,268.8	-	3,379.2	3,379.2	-	3,476.3	3,476.3	-
2 OJSC RK "AMANBANK"	750.0	680.0	0.1	853.4	725.4	0.1	1,002.5	799.6	0.1	949.6	799.6	0.1	949.6	799.6	0.1
3 CJSC "Bank of Asia"	400.0	400.0	310.8	500.0	400.0	310.8	620.0	620.0	543.1	620.0	620.0	543.1	670.0	670.0	593.1
4 OJSC Bank "Bai-Tushum" ¹	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	404.9
5 OJSC "BAKAI BANK"	482.8	482.8	-	501.2	501.2	-	627.9	627.9	-	697.7	697.7	-	2,697.7	2,697.7	-
6 CJSC "BTA Bank"	1,000.0	1,000.0	710.0	2,000.0	2,000.0	1,710.0	2,000.0	2,000.0	1,864.2	2,000.0	2,000.0	-	-	-	-
7 CJSC "Demir Kyrgyz International Bank"	400.0	400.0	400.0	500.0	500.0	500.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0
8 OJSC "DOS-KREDOBANK"	404.4	404.4	-	522.5	522.5	-	623.0	623.0	-	623.0	623.0	-	623.0	623.0	-
9 OJSC "Eurasian Savings Bank"	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	67.0	300.0	300.0	37.0
10 OJSC "Capital Bank"	432.9	432.9	-	522.9	522.9	-	616.4	616.4	-	616.4	616.4	-	616.4	616.4	-
11 CJSC "Bank Companion" ²	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6
12 CJSC "Kyrgyz-Swiss Bank"	566.4	566.4	566.4	566.4	566.4	566.4	670.0	670.0	502.5	670.0	670.0	502.5	670.0	670.0	502.5
13 CJSC "Kyrgyz Investment Credit Bank"	1,211.5	1,211.5	1,090.4	1,204.7	1,204.7	1,084.2	1,222.4	1,222.4	1,100.1	1,218.8	1,218.8	1,096.9	1,446.4	1,446.4	1,301.7
14 OJSC "Kyrgyzkommerbank"	400.0	400.0	0.1	1,000.0	1,000.0	529.2	1,000.0	1,000.0	529.2	1,000.0	1,000.0	529.2	1,000.0	1,000.0	529.2
15 OJSC "Commercial Bank KYRGYZSTAN"	1,080.8	1,080.8	-	1,126.4	1,126.4	-	1,301.7	1,301.7	-	1,301.7	1,301.7	-	1,734.2	1,734.2	-
16 OJSC "Optima Bank"	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0
17 OJSC "Keremet Bank" ³	647.2	647.2	356.4	1,082.2	782.2	402.6	1,082.2	782.2	78.1	4,498.7	4,498.7	78.1	5,998.7	5,998.7	78.0
18 OJSC "RSK Bank"	1,846.0	1,846.0	-	1,926.3	1,926.3	-	2,011.2	2,011.2	-	2,136.7	2,136.7	-	2,333.3	2,333.3	-
19 CJSC JSCB "Tolubay"	412.0	412.0	6.3	500.0	500.0	7.4	600.0	500.0	7.4	600.0	600.0	8.9	664.0	664.0	9.8
20 OJSC "FinanceCreditBank KAB"	550.0	550.0	-	750.0	550.0	-	710.0	710.0	-	710.0	710.0	-	710.0	710.0	-
21 CJSC "FINCA Bank"	1,353.8	1,353.8	1,353.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8
22 OJSC "Halyk Bank Kyrgyzstan"	534.2	534.2	534.2	600.0	600.0	600.0	600.0	600.0	600.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
23 OJSC "Chang An Bank" ⁴	600.0	600.0	-	600.0	600.0	600.0	600.0	600.0	600.0	-	-	-	-	-	-
24 CJSC "EcoIslamicBank"	512.3	512.3	38.3	666.8	666.8	38.3	732.3	732.3	38.3	762.3	762.3	19.8	762.3	762.3	19.8
Bishkek Branch of the National Bank of Pakistan	400.0	400.0	400.0	500.0	500.0	500.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0

Source: Commercial banks of KR

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

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

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

³Since September 27, 2019 OJSC "Rosinbank" was renamed as OJSC "Keremet Bank".

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

Table 19.
Consolidated Regulatory Report of Commercial Banks of the Kyrgyz Republic
(millions of KGS)

	2016	2017	2018	2019	2020*
ASSETS					
Cash resources	13,289.3	13,092.9	15,457.7	18,135.7	24,233.8
Correspondent account with NBKR	12,303.3	11,464.4	13,895.5	12,983.0	14,172.5
Correspondent accounts with other banks	15,960.5	15,464.1	14,026.4	12,759.8	22,635.7
Deposits with other banks	7,571.3	10,136.0	10,500.3	12,527.6	17,168.8
Securities portfolio	13,044.9	17,690.6	21,666.5	23,107.1	21,939.3
Securities purchased under repo agreements	15.1	400.0	404.2	469.8	260.0
"Net" loans and financial leasing	87,108.1	101,352.3	119,633.7	137,403.6	149,080.2
Loans and financial leasing to settlement credit organizations ¹	1,245.3	1,128.0	1,148.6	1,862.2	2,127.2
Loans and financial leasing to clients ²	93,499.0	108,325.0	127,882.1	146,438.6	162,550.2
(less) Special Loss Provisions for loans and financial leasing	-7,636.2	-8,100.7	-9,397.0	-10,897.2	-15,597.2
Fixed assets	9,172.7	10,603.2	12,001.9	14,215.2	15,577.3
Investments and Equities	291.6	342.8	357.8	403.8	502.6
Other assets	19,421.5	17,464.8	14,010.0	16,982.2	23,724.6
TOTAL: ASSETS	178,178.3	198,011.0	221,954.0	248,987.9	289,294.8
LIABILITIES					
Liabilities to NBKR	5,515.0	5,549.4	7,764.2	5,012.4	6,457.7
Settlement accounts and deposits of banks	2,216.1	1,301.0	1,896.0	3,361.2	4,083.2
Resident banks	382.1	317.4	311.1	409.3	118.4
Non-resident banks	1,834.0	983.6	1,584.9	2,951.9	3,964.8
Settlement accounts	34,522.2	39,003.2	40,745.3	39,287.9	51,962.7
Settlement accounts of finance and credit organizations	687.7	521.7	667.7	867.9	1,108.8
Settlement accounts of clients ³	33,834.5	38,481.5	40,077.6	38,420.0	50,853.9
Demand deposits	24,574.6	30,205.8	32,234.5	37,662.8	46,946.5
Demand deposits of finance and credit organizations	368.0	199.2	178.9	548.1	920.3
Demand deposits of clients ³	24,206.6	30,006.5	32,055.6	37,114.7	46,026.1
Time deposits	34,865.1	39,084.3	45,567.8	56,445.3	61,243.4
Time deposits of finance and credit organizations	665.4	556.8	636.3	731.4	808.5
Time deposits of clients ³	34,199.7	38,527.5	44,931.5	55,713.9	60,435.0
Deposits of non-residents ⁴	5,862.0	7,079.7	9,746.3	10,624.9	11,575.5
Deposits of Government	7,255.3	6,224.0	4,824.1	6,932.6	9,199.5
Loans of Government	2,600.1	3,445.8	3,858.0	4,723.8	7,615.0
Securities sold under repo agreements	15.1	400.0	404.2	469.8	260.0
Loans received	19,325.0	19,905.5	22,819.9	25,467.5	23,724.3
Other liabilities	12,811.5	13,582.9	16,733.5	16,922.8	20,405.6
TOTAL: LIABILITIES	149,562.1	165,781.6	186,593.8	206,911.1	243,473.3
CAPITAL					
Capital stock	19,189.5	21,760.5	23,748.0	28,345.5	30,920.7
Provisions for prospective needs of bank	597.9	631.2	811.4	844.1	965.1
Retained earnings of past years	7,171.3	7,083.6	6,865.6	9,244.6	10,966.4
Profits/losses of the current year	890.9	2,138.4	3,005.6	2,952.3	2,297.1
Revaluation accounts	766.6	615.8	929.6	690.2	672.2
TOTAL: CAPITAL	28,616.1	32,229.4	35,360.3	42,076.8	45,821.5
TOTAL: LIABILITIES AND CAPITAL	178,178.3	198,011.0	221,954.0	248,987.9	289,294.8

*preliminary data

Source: Commercial banks of KR

¹ Includes loans to banks and other finance and credit organizations residents and non-residents.² Includes loans to legal entities and individuals resident and non-resident.³ Includes accounts of legal entities and individuals.⁴ Includes accounts of finance and credit organizations, legal entities and individuals.

Table 20.
Information on Head Offices and Branches of Commercial Banks as at the end of 2020

	Bank	Head Office Location	Total Branches	Bishkek	Batken oblast	Jalal-Abad oblast	Issyk-Kul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast
	Total branches		312	74	23	46	39	18	58	18	36
	Branches of resident banks										
1	OJSC "Aiyyl Bank"	Bishkek	36	4	4	6	4	2	9	2	5
2	OJSC RK "AMANBANK"	Bishkek	13	2	-	1	2	-	5	1	2
3	CJSC "Bank of Asia"	Bishkek	8	4	-	1	2	-	1	-	-
4	OJSC Bank "Bai-Tushum"	Bishkek	7	1	1	1	1	1	1	1	-
5	OJSC "BAKAI BANK"	Bishkek	22	7	1	2	4	1	4	1	2
6	CJSC "Demir Kyrgyz International Bank"	Bishkek	14	7	1	1	1	1	2	1	-
7	OJSC "DOS-KREDOBANK"	Bishkek	9	2	-	1	2	1	1	-	2
8	OJSC "Eurasian Savings Bank"	Bishkek	3	1	-	1	-	-	1	-	-
9	OJSC "Capital Bank"	Bishkek	7	1	1	1	1	-	2	1	-
10	CJSC "Bank Companion"	Bishkek	18	3	2	4	2	2	3	1	1
11	CJSC "Kyrgyz-Swiss Bank"	Bishkek	1	-	-	-	-	-	1	-	-
12	CJSC "Kyrgyz Investment Credit Bank"	Bishkek	18	7	1	2	1	1	3	1	2
13	OJSC "Kyrgyzkommertsbank"	Bishkek	3	2	-	-	-	-	1	-	-
14	OJSC "Commercial Bank KYRGYZSTAN"	Bishkek	22	7	1	5	1	1	2	1	4
15	OJSC "Optima Bank"	Bishkek	19	8	1	1	3	-	2	1	3
16	OJSC "Keremet Bank"	Bishkek	10	3	1	1	2	-	1	1	1
17	OJSC "RSK Bank"	Bishkek	52	4	5	10	7	5	9	4	8
18	CJSC JSCB "Tolubay"	Bishkek	2	2	-	-	-	-	-	-	-
19	OJSC "FinanceCreditBank KAB"	Bishkek	6	-	-	1	1	1	2	-	1
20	CJSC "FINCA Bank"	Bishkek	24	3	3	5	2	2	4	2	3
21	OJSC "Halyk Bank Kyrgyzstan"	Bishkek	10	4	-	1	2	-	2	-	1
22	CJSC "EcoIslamicBank"	Bishkek	8	2	1	1	1	-	2	-	1
	Branches of non-resident banks										
23	Bishkek Branch of the National Bank of Pakistan ¹	Karachi	-	-	-	-	-	-	-	-	-

Source: "Register of Issued Banking Licenses and Register of Branches of Banks, maintained in NBKR"
¹The branch of the non-resident bank was entered into the "Register of Issued Banking Licenses" on April 24, 2000, with the right to conduct banking operations

Table 21.

Composition of Circulating Cash of Commercial Banks and Its Rate of Collection in 2020
(billions of KGS)

	Receipt				Issue						Deviation (+/-) (9-4)	Collection Rate (%) (4/9)
	From sales of foreign exchange		Other	Total	To Treasury for salary payments	For payments of pensions and allowances	Purchases of foreign exchange	Other expenses	Total			
	1	2								3		
Total for the Kyrgyz Republic	32.1	132.3	1,951.9	2,116.3	3.5	2.0	185.3	1,960.2	2,151.0	34.7	98.4	
Bishkek city	11.0	99.2	965.7	1,075.9	1.5	0.2	76.1	993.6	1,071.4	-4.5	100.4	
Batken oblast	1.3	2.4	91.5	95.2	0.1	0.2	16.7	78.1	95.1	-0.1	100.1	
Jalal-Abad oblast	1.4	5.5	223.5	230.4	0.6	0.5	27.5	217.4	246.0	15.6	93.7	
Issyk-Kul oblast	0.9	2.8	108.3	112.0	0.1	0.2	6.8	109.4	116.5	4.5	96.1	
Naryn oblast	0.3	0.5	52.1	52.9	0.2	0.2	1.1	53.8	55.3	2.4	95.7	
Osh city	3.8	12.1	244.9	260.8	0.2	0.2	33.7	238.3	272.4	11.6	95.7	
Osh oblast	2.9	2.3	89.9	95.1	0.2	0.3	10.0	84.7	95.2	0.1	99.9	
Talas oblast	0.5	1.3	59.1	60.9	0.2	0.1	3.0	62.5	65.8	4.9	92.6	
Chui oblast	10.0	6.2	116.9	133.1	0.4	0.1	10.4	122.4	133.3	0.2	99.8	

Source: Commercial banks of KR

Table 22.

Pattern of Payments in the Gross System of Settlements

	2016		2017		2018		2019		2020	
	Volume, millions of KGS	Number of payments								
payments up to 1 thousand KGS	9	19,360	11	22,708	14	28,315	20	38,626	20	39,960
from 1 thousand to 100 thousand of KGS	4,149	157,127	4,479	167,625	5,416	204,405	6,008	231,686	6,473	259,867
from 100 thousand to 1 million of KGS	31,570	77,611	39,660	90,980	41,058	100,964	43,713	108,174	43,726	110,712
from 1 million to 10 million of KGS	186,365	64,140	231,140	79,715	252,220	89,762	263,909	93,013	271,689	94,765
from 10 million to 100 million of KGS	485,813	14,009	460,744	13,828	534,896	15,753	619,324	18,121	568,461	17,004
payments of over 100 million of KGS	4,376,054	6,474	4,015,959	5,850	2,186,516	5,041	2,193,404	5,159	3,040,927	6,173
Total	5,083,960	338,721	4,751,993	380,706	3,020,120	444,240	3,126,378	494,779	3,931,296	528,481

Source: Real Time Gross Settlement System

Table 23.
Volume and Number of Clearing Payments by Regions

	2016			2017			2018			2019			2020		
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	
Bishkek city and Chui oblast	87,302	2,465,931	158,177	5,228,672	171,797	5,804,659	181,385	6,389,687	164,856	4,943,656					
Batken oblast	4,965	232,242	2,920	467,413	3,390	540,457	3,246	546,414	2,560	402,235					
Jalal-Abad oblast	7,503	280,840	4,806	672,091	5,234	750,457	5,587	797,323	5,552	589,539					
Issyk-Kul oblast	6,222	197,542	4,080	413,574	4,070	488,102	4,001	552,069	3,321	405,835					
Naryn oblast	2,964	68,752	1,252	205,052	1,305	230,028	1,385	231,869	1,279	163,737					
Osh city and Osh oblast	11,588	426,333	13,180	1,139,616	13,684	1,259,739	13,676	1,338,472	11,554	979,719					
Talas oblast	2,226	98,823	1,111	204,600	1,298	207,111	1,421	209,548	1,293	160,475					
Total	122,770	3,770,463	185,526	8,331,018	200,778	9,280,553	210,701	10,065,382	190,414	7,645,196					

Source: Bulk Clearing System

Table 24.

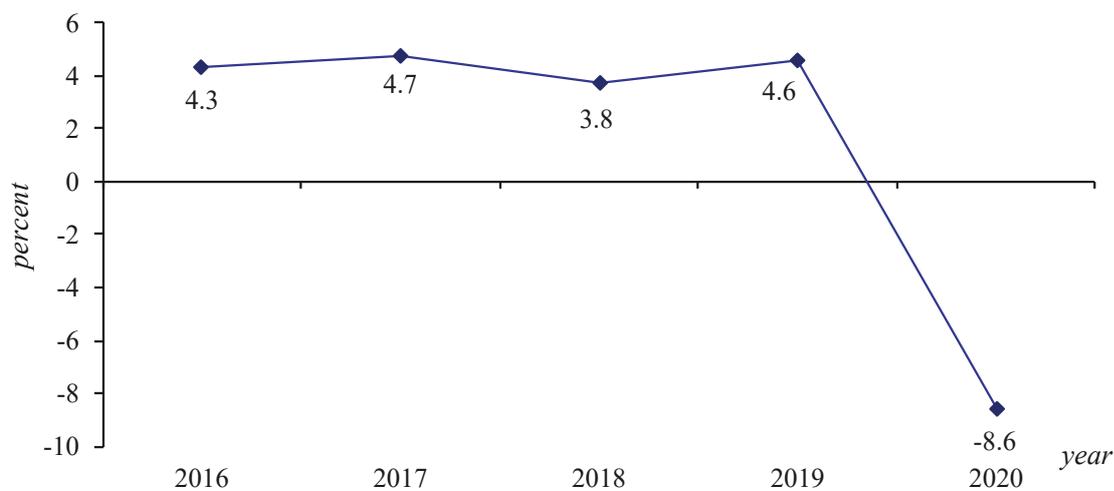
Information on Transactions with Payment Cards at Trade Outlets

Type of Cards	2016			2017			2018			2019			2020		
	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	
Elcard	200,231	178,248	773,582	942,533	1,496,388	1,666,556	3,555,947	3,932,230	9,128,232	5,226,368					
Elcard-UPI	4,680	5,606	8,711	14,587	18,743	28,994	21,096	35,048	18,009	21,538					
Zolotaya Korona (Alai Card)	476,069	133,956	311,177	127,262	214,657	107,845	90,692	50,885	41,367	25,702					
Visa	1,841,129	3,964,267	2,668,500	5,928,123	4,392,914	8,238,457	6,924,512	13,035,048	7,964,910	12,433,739					
Master Card	79,643	413,775	133,885	508,276	274,313	797,780	474,685	1,196,816	527,544	1,044,367					
American Express	1,895	60,536	2,607	58,375	3,367	65,530	3,395	60,541	578	12,984					
Union Pay	12,667	11,741	7,650	9,371	5,408	102,016	3,538	7,016	1,456	2,304					
Mir	-	-	-	-	-	-	2,127	740	5,420	3,007					

Source: Commercial banks of KR

Chart 1.

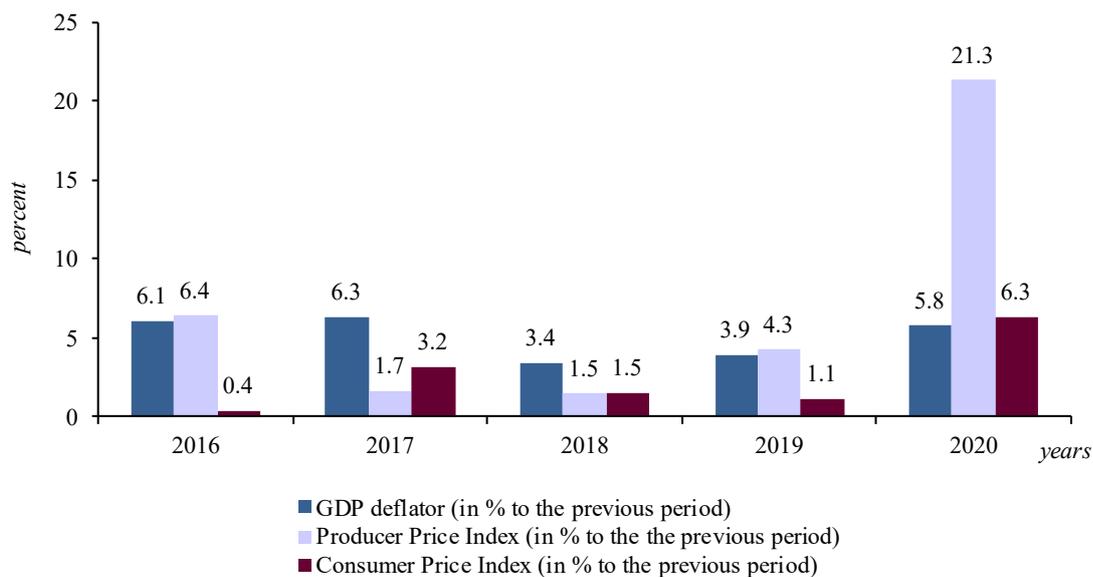
Rates of Growth of Real Gross Domestic Product



Source: NSC KR

Chart 2.

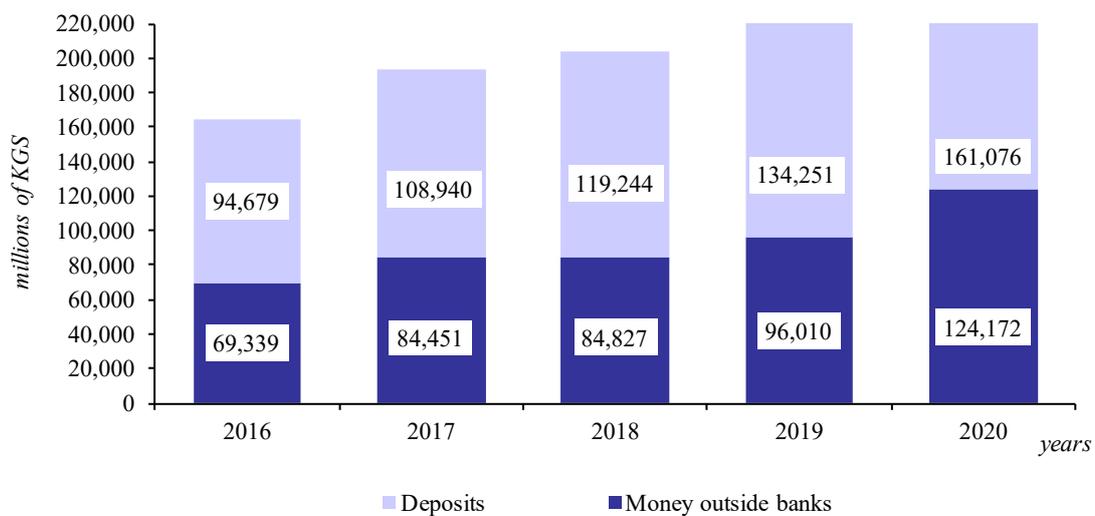
Rates of Growth of Consumer and Producer Prices



Source: NSC KR

Chart 3.

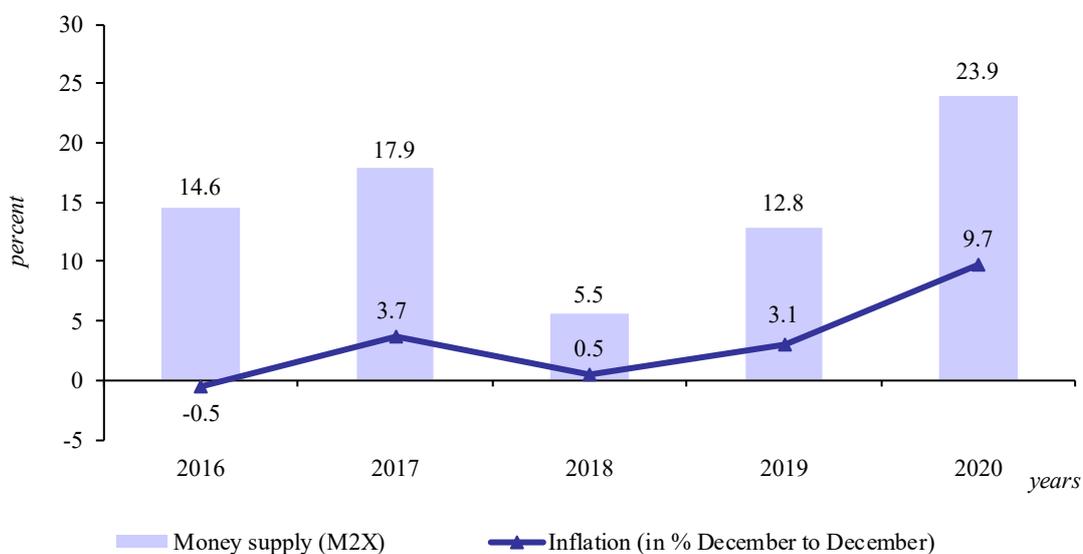
Monetary Aggregates M2X Structure



Source: NBKR

Chart 4.

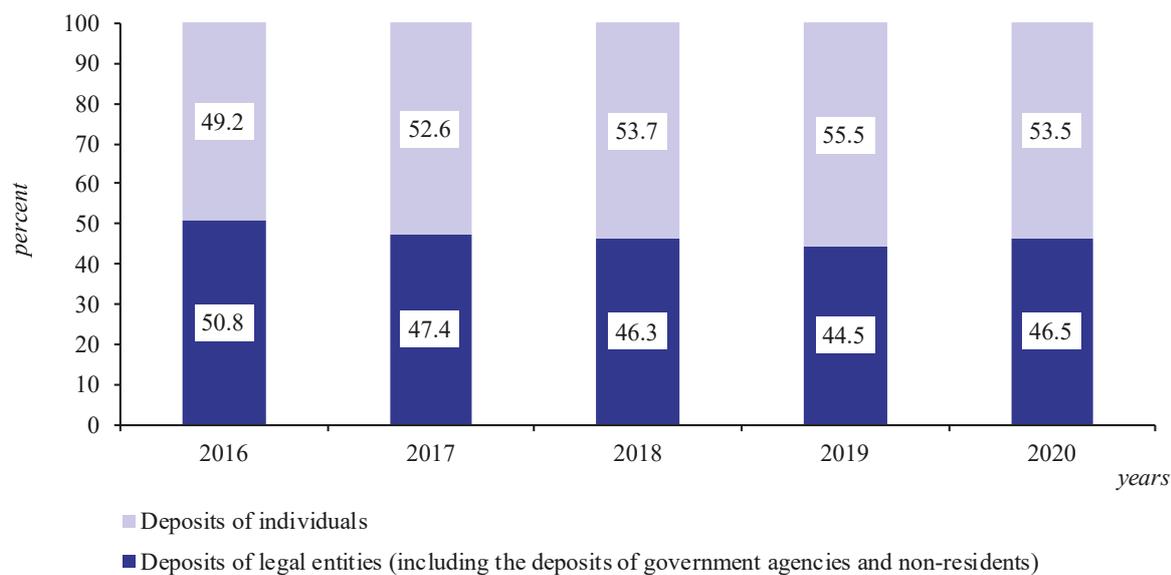
Rates of Growth of Money Supply and Inflation



Source: NBKR, NSC KR

Chart 5.

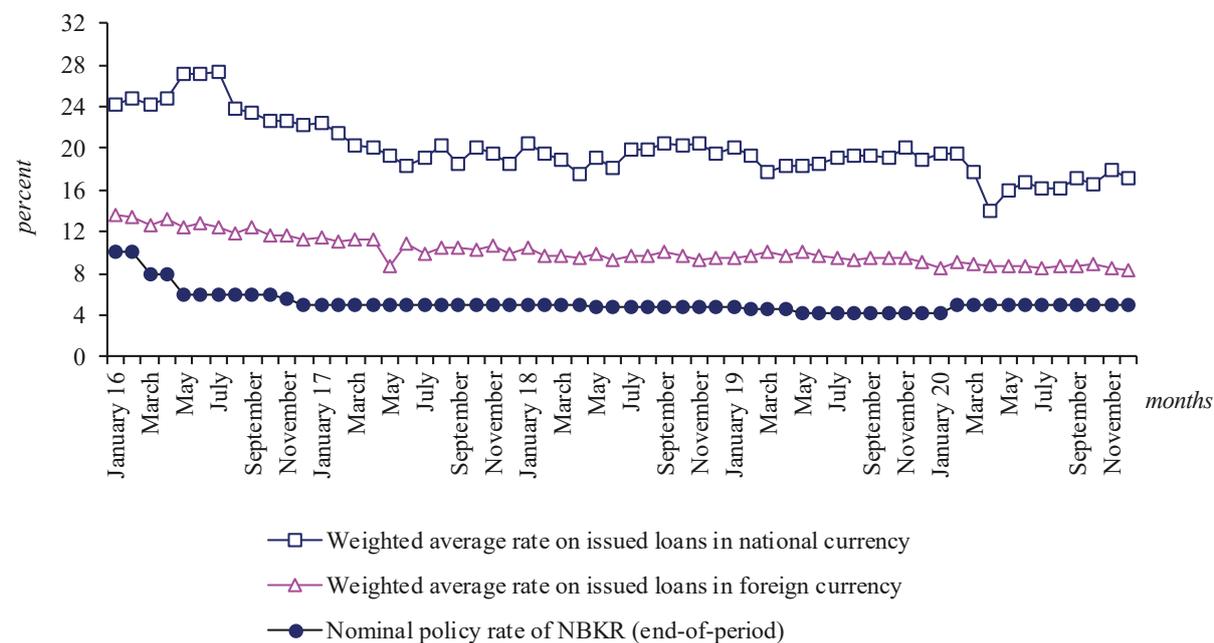
Structure of Deposit Base of Commercial Banks (end-of-period)



Source: Commercial banks of KR

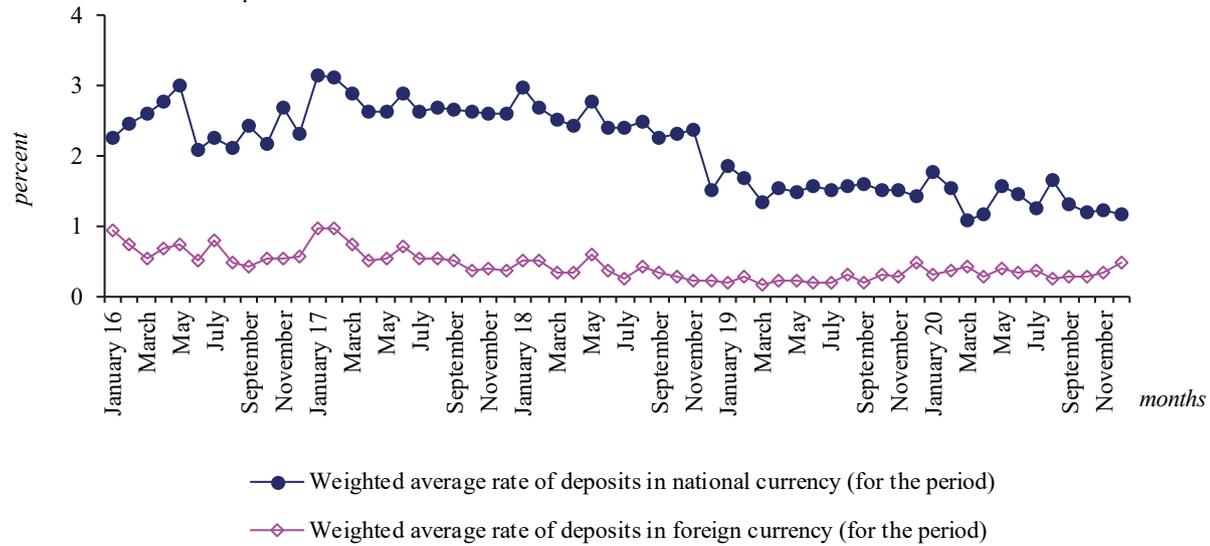
Chart 6.

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



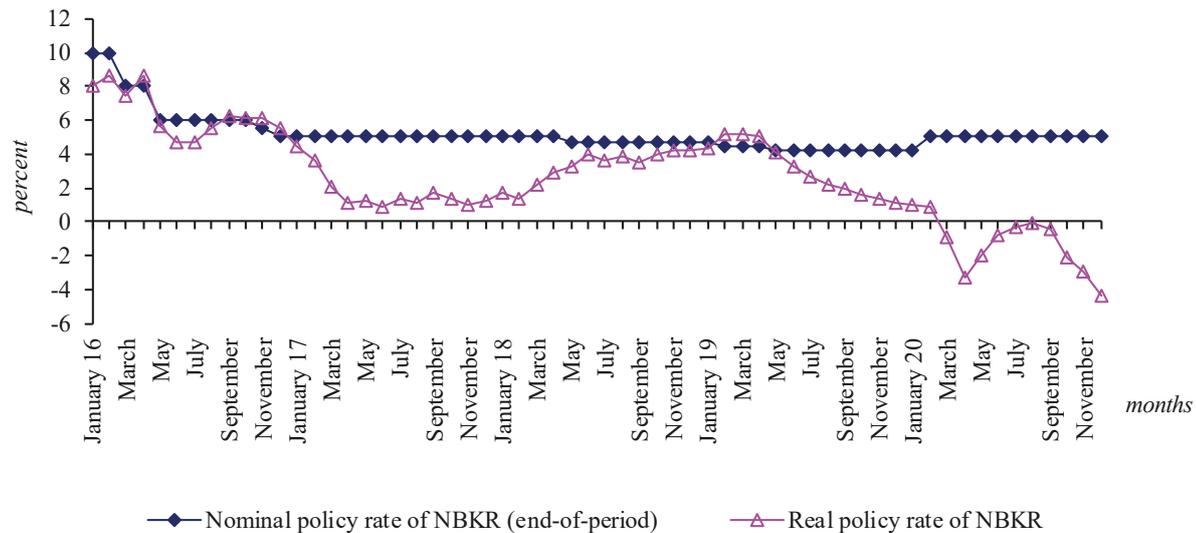
Source: NBKR, Commercial banks of KR

Chart 7.
Interest Rates of Deposits of Commercial Banks



Source: NBKR, Commercial banks of KR

Chart 8.
Nominal and Real Policy Rate Development

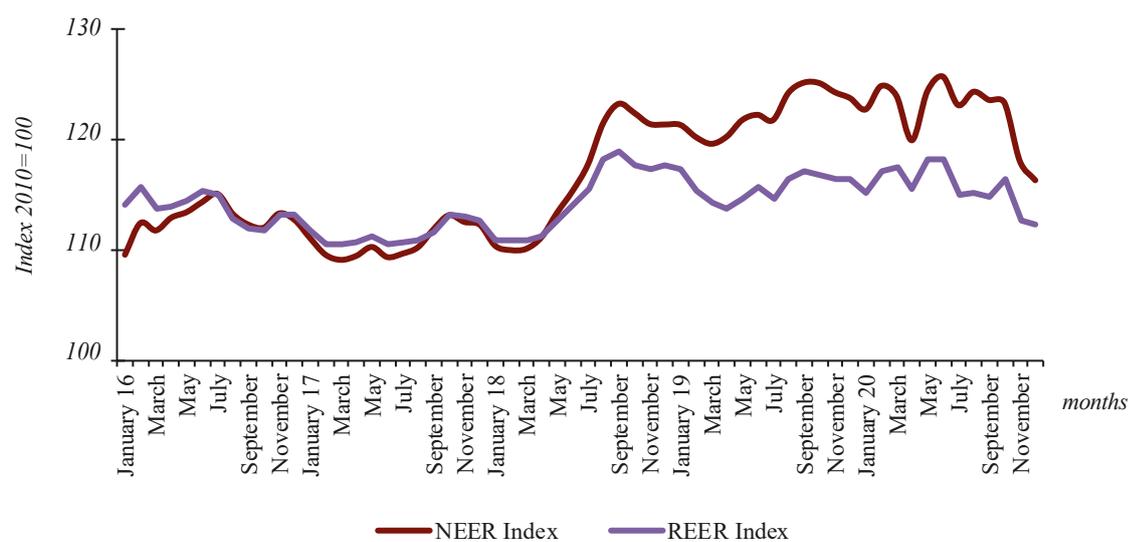


Source: NBKR

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

Chart 9

Nominal and Real Effective Exchange Rate Indices



Source: NBKR

Appendix 3
to the Report of the National Bank of the Kyrgyz Republic for 2020

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

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

No.	Title	Language of Publication	Periodicity	Contents	Distribution
4.	Financial Sector Stability Report of the Kyrgyz Republic	In the state, official, English languages	Biannually	The objective of the Report is to inform the public of the general assessment of financial system stability and sustainability in the Kyrgyz Republic.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank.
5.	Balance of Payments of the Kyrgyz Republic	In the state, official, English languages	Quarterly	The publication describes the recent development trends in the external economic sector and contains the statistical data on the balance of payments, external trade, international reserves, external debt, and the international investment position, as well as the metadata and the information base of the balance of payments.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank.
6.	Regulatory Acts of the National Bank of the Kyrgyz Republic	In the state, official, English languages	Monthly	These are the regulations, instructions and other regulatory acts adopted by the National Bank.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, commercial banks, financial-credit organizations, courts of the Kyrgyz Republic, ministries and departments, libraries of the Kyrgyz Republic. Electronic version is published on the official website of the National Bank.

No.	Title	Language of Publication	Periodicity	Contents	Distribution
7.	Official website of the National Bank www.nbkr.kg	In the state, official, English languages	It is updated in the real time mode	<p>Information on activity of the National Bank, including:</p> <ul style="list-style-type: none"> – information on the banking legislation; – information on the regulatory legal acts of the National Bank; – draft laws, draft regulatory legal documents submitted for public discussion; – regularly updated list of organizations licensed/regulated by the National Bank; – information on the official rates of exchange and the monetary policy instruments; – news block. <p>The following information is also posted on the official website: reviews on the banking and non-banking financial sector, the payment system, the statistical data on monetary surveys, foreign economic indicators, balance of payments, international reserves, external debt, and on the international investment position of the country.</p> <p>The special sections are devoted to the materials and information on the history of the national currency and the numismatic museum, the releases of periodical publications and other information and analytical materials of the National Bank.</p> <p>Moreover, leaflets and information for the consumers of the financial services, including excerpts from the regulatory legal acts on the requirements set for the financial-credit organizations and focused on protecting the rights of the consumers of the financial and payment services, are placed in the special section “Information for the Consumers of the Financial Services”. Information on combating corruption, with the phone number of the “hot line” indicated therein, vacancies, purchases, sales and other contests of the National Bank is available in separate sections.</p>	Free access to information.

No.	Title	Language of Publication	Periodicity	Contents	Distribution
8.	Website of the National Bank on financial literacy www.finsabat.kg	In the state, official languages	It is updated in the real time mode	Information on the programs and events focused on improving the financial literacy of the population, and public information about measures taken by the National Bank during the pandemic, educational and other materials on financial literacy in the form of articles, audio and video clips, as well as new tools, a solvency calculator, a loan and deposit calculator, and tests on various topics related to financial literacy and other.	Free access to information.
9.	Radio Program “The National Bank Reports”	In the state, official languages	1 time a week	The basic aspects of the National Bank activity are highlighted therein in the form of the interviews of the Bank’s specialists on the current issues of monetary policy, banking and payment systems, banking legislation and other issues.	Broadcast on the radio “Birinchi Radio”, Public Broadcasting Corporation (FM 104.1).
10.	Column “Rate of exchange”	In the state, official languages	Daily (except for weekends)	Graphic information on the official exchange rates and prices for gold measuring bars.	Broadcast on the TV channel “Ala-Too 24” and Broadcasting Corporation “NTS”.
11.	Radio Program “Zhargylchak”	In the state language	1 time a month	Information on the National Bank activity, monetary policy, banking and payment systems, banking legislation, financial literacy and other issues is highlighted in the form of interviews with involvement of the National Bank representatives.	Broadcast on the radio “Sanzhyra” (FM 103.3).
12.	Official pages in the social networks Youtube, Facebook, Twitter, Instagram and Telegram	In the state, official languages	It is updated in the real time mode	Information on the decision-making, graphic materials, videos, and information in the form of infographics using the data presented on the official website, as well as information on competitive selection of the candidates.	https://www.youtube.com/user/NationalBankKR/ https://www.facebook.com/kyrgyzbank1992/ https://twitter.com/NBKR_press https://www.instagram.com/nbkr_kg/ telegram - @news_nbkr_kg

List of Abbreviations

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ACFEP	Advisory Council on Foreign Exchange Policy
ADB	Asian Development Bank
CTF/AML	Counter-terrorism financing and anti-money laundering
BCS	Bulk Clearing System
CIF	Price at the border of the importing country (cost, insurance, freight)
CIS	Commonwealth of Independent States
CJSC	Close Joint-Stock Company
CT MF KR	Central Treasury of the Ministry of Finance of the Kyrgyz Republic
CU	Credit Union
CYFI	Child and Youth Finance International
DPA	Deposit Protection Agency
DSS	Domestic Settlement Service
EAEU	Eurasian Economic Union
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
EBRD	European Bank for Reconstruction and Development
ECC(N)B	Eurasian Council of Central (National) Banks
EEC	Eurasian Economic Commission
FATF	Financial Action Task Force on Money Laundering
FCCU	Financial Company of Credit Unions
FCO	Financial-Credit Organization
FOB	Price at the frontier of country-exporter (free on board)
GDP	Gross Domestic Product
GIZ	German Corporation for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GS	Government Securities
GVA	Gross Value Added
IsDB	Islamic Development Bank
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IPC	CJSC “Interbank Processing Center”
ISB	Interstate Bank
ISO 20022	International Organization for Standardization standard for electronic data interchange between financial institutions
IT	Information Technologies
ITFC	International Islamic Trade Finance Corporation
JSC	Joint-Stock Company
JVI	Joint Vienna Institute

KG NNSS	Kyrgyz National Net Settlement Service
KR	Kyrgyz Republic
LLC	Limited Liability Company
LLP	Loan Loss Provision
LLP	Limited Liability Partnership
MCA	Microcredit Agency
MCC	Microcredit Company
ME	Merchant Enterprise
MFC	Microfinance Company
MF KR	Ministry of Finance of the Kyrgyz Republic
MFO	Microfinance Organization
MHIF	Mandatory Health Insurance Fund under the Government of the Kyrgyz Republic
MM	Mass Media
MP	Monetary Policy
MRC	Monetary Regulation Committee
NBFCO	Non-Banking Financial-Credit Organizations
NBKR	National Bank of the Kyrgyz Republic
NEER	Nominal Effective Exchange Rate
NPCS	National Payment Card System
NSC KR	National Statistical Committee of the Kyrgyz Republic
OJSC	Open Joint-Stock Company
OPEC	Organization of the Petroleum Exporting Countries
PBC	Public Broadcasting Corporation
PFMI	Principles for Financial Market Infrastructures
PIF	Principles of Islamic Finance
POS-terminal	Equipment to make card payments for goods/services in the points of sale
p.p.	Percentage point
PRBR	Periodic Regulatory Bank Reporting
PRC	People's Republic of China
PRR	Periodic Regulatory Report
QR code	Quick response code, bar code
RBS	Risk-Based Supervision
RCF	Rapid Credit Facility
REER	Real Effective Exchange Rate
RFI	Rapid Financing Instrument
RKDF	Russian-Kyrgyz Development Fund
RLA	Regulatory Legal Acts
ROA	Return on Assets
ROE	Return on Equity
RR	Reserve Requirement
RTGS	Real Time Gross Settlement System
SCEA	State Classifier "Economic activities"
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds

SCO	Shanghai Cooperation Organization
SDR	Special Drawing Rights
SE	State Enterprise
SECO	State Secretariat for Economic Affairs
SFCO	Specialized Financial-Credit Organization
SFIS	State Financial Intelligence Service
SME	Small and Medium Enterprises
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TF/ML	Terrorism Financing and Money Laundering
T-Obligations	Treasury Obligations
UAE	United Arab Emirates
USA	United States of America
VAT	Value Added Tax
WB	World Bank