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NATIONAL BANK OF THE KYRGYZ REPUBLIC

ANNUAL REPORT

2023



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Annual Report of the National Bank of the Kyrgyz Republic for 2023

The report of the National Bank of the Kyrgyz Republic for the year of 2023 is prepared in accordance with Articles 50 and 64 of the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” as of August 11, 2022 No.92.

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Dear Readers!

The 30th anniversary of the Kyrgyz som was celebrated in 2023. Currently, the Kyrgyz Som is among the most stable currencies in the post-Soviet space, despite periodic shocks in the economy and crisis phenomena in the world.

Long-lasting tense geopolitical situation worldwide and related slowdown of the world economy, consequences of the pandemic, growth of the world prices for food products and commodities still create high uncertainty for the countries with a small open model of economy.

Under these conditions, in the reporting year, the activities of the National Bank of the Kyrgyz Republic were focused on minimizing the impact of external economic factors on inflation development in the country, maintaining the purchasing power of the national currency, ensuring efficiency, safety and reliability of the banking and payment systems of the Kyrgyz Republic and creating conditions for long-term economic growth of the country.

In 2023, macroeconomic and price stability was maintained in the Kyrgyz Republic due to the joint measures of the Cabinet of Ministers and the National Bank despite the negative external economic environment.

In the reporting year, the impact of the external economic environment remained the predetermining factor for the inflation dynamics in the Kyrgyz Republic. Monetary policy measures were focused on reducing the inflation rate to the medium-term target of 5-7 percent. During 2023, the policy (key) rate of the National Bank was kept unchanged at 13 percent. Timely measures taken by the National Bank and the Cabinet of Ministers limited the inflation development strengthening in the country and eased the pressure on the domestic foreign exchange market, thereby conditioning a decrease in the inflation rate and inflationary expectations of the population and the economic entities. In the reporting year, the annual inflation rate in the Kyrgyz Republic decreased twice – from 14.7 to 7.3 percent.

The National Bank continued to adhere to the floating exchange rate regime. The situation in the domestic foreign exchange market was stable due to measures taken in due time. The international reserves management was conducted taking into account the principles of ensuring liquidity and safety. At the end of 2023, the volume of gross international reserves of the Kyrgyz Republic increased from USD 2.8 billion up to USD 3.2 billion.

The financial system of the country demonstrated sustainable development and was characterized by a significant growth of key indicators and an increase in the volume of provided banking services. During the year, the total assets of the financial-credit organizations increased by 27.2 percent, the credit portfolio grew by 26.5 percent. The portfolio on the principles of Islamic finance increased by 38 percent. The total deposit base of the financial-credit organizations increased by 27.5 percent to reflect growing confidence of the population in the banking system of the country.

Special attention was paid to supervision over compliance by the commercial banks, non-banking financial-credit and payment organizations, and the exchange bureaus with the requirements of the legislation of the Kyrgyz Republic, as well as in the sphere of counter-terrorism financing and anti-money laundering.

In the reporting year, the objectives set for the development of the payment system were successfully realized. In order to ensure sustainable development of the digital payment systems, measures were still taken to create favorable conditions for introduction of the innovative banking operations and services provided also under special regulatory regimes.

The number of bank payment cards and banking equipment grew year on year. During the year, the total number of issued bank payment cards increased by 32.7 percent and amounted to 6.9 million. By the end of 2023, the bank payment cards were accepted for servicing in 2,260 ATMs and 23,009 POS-terminals, the number thereof increased by 10.7 percent and 41.6 percent, respectively, during the reporting year.

Development of intersystem integration of the payment systems of the Kyrgyz Republic with the use of QR-code of the national standard was among the main achievements of 2023. Over 3 million payments for the amount of more than KGS 3.2 billion were made through QR-codes during the year; the number of QR-codes installed at merchants exceeded 38 thousand.

In addition, measures aimed at stimulating the population to use non-cash payment methods, strengthening the state control over the availability of equipment designed to accept non-cash payments at merchants were taken together with the state bodies. The next stage of the State Program Increasing the Share of Non-cash Payments and Settlements in the Kyrgyz Republic – for 2023-2027 was adopted by the joint resolution of the Cabinet of Ministers and the National Bank in order to further increase the share of non-cash payments and settlements and develop innovative and digital financial services.

The National Bank takes measures to improve cash circulation and constantly enhances the security features and design of the Kyrgyz som. Since May 10, 2023, the banknotes of the new, fifth series in denominations of 200, 500 and 1,000 Som with a high level of protection against counterfeiting were put into circulation.

The National Bank will continue to work in all areas of its activities, contributing to sustainable economic development in the country.

This report was prepared based on the principles of openness, reliability and completeness of information. The annual report reflects the results of activities in the main areas of the National Bank of the Kyrgyz Republic in 2023 and includes financial statements confirmed by an independent international audit.

**Best regards,
Chairman**



K. Bokontayev

ECONOMIC SITUATION IN THE KYRGYZ REPUBLIC



CHAPTER 1. ECONOMIC DEVELOPMENT OF THE KYRGYZ REPUBLIC IN 2023

In 2023, the economy of the Kyrgyz Republic continued to adapt to changed external conditions, which were characterized by strengthening of regional trade, multidirectional dynamics of world prices in the commodity markets and weak world economic recovery.

The National Bank and the Cabinet of Ministers of the Kyrgyz Republic took active measures to ensure price and macroeconomic stability in the country.

Following the results of the reporting year, the economic growth of the Kyrgyz Republic was formed at 6.2 percent in real terms. The economy of the country witnessed the expansion of consumer demand due to increase in wages and social payments, growth of consumer lending and migration inflow to the Kyrgyz Republic.

The annual inflation rate decreased from 14.7 percent in December 2022 to 7.3 percent in December 2023. The growth in domestic consumption, the revision of the government's tariff policy, as well as a restrained slowdown in rise of prices for imported non-food products were the main factors of the current inflation.

Fiscal consolidation policy contributed to positive dynamics in the fiscal sector. The state budget surplus amounted to 1.0 percent to GDP in 2023, however, the budget deficit was 1.0 percent to GDP in the previous year.

Changes in the terms of trade in the region remained the main factor having a significant impact on the external sector of economy of the Kyrgyz Republic. According to the preliminary data, in 2023, the current account balance was formed negative in the amount of USD 7,040.2 million, to make 50.4 percent of GDP. The current account deficit was accompanied by net capital inflow on the capital account in the amount of USD 220.6 million and on the financial account in the amount of USD 385.1 million. The overall balance of payments was negative. At the end of 2023, gross international reserves increased by 15.7 percent in the reporting year and amounted to USD 3,236.5 million.

1.1. Real Sector of Economy¹

GDP

In 2023, real GDP of the Kyrgyz Republic grew by 6.2 percent. There was positive dynamics in all sectors of economy. In the reporting period, the service sector, construction and manufacturing industry provided the greatest contribution to GDP growth in the country. Contribution of net taxes on products to overall GDP growth was 1.8 percentage points, remaining relatively high in the structure of real GDP (in 2022, 1.9 percentage points).

Domestic demand remained high due to growing volumes of consumer lending, rise in wages and growth of net inflow of cross-border remittances.

At the end of the reporting year, the nominal GDP of the country (GDP in current prices) amounted to KGS 1,228.9 billion. The GDP deflator decreased by 6.2 percentage points compared to 2022, to make 13.4 percent.

¹ According to the NSC KR: data for 2023 are preliminary, for 2022 – updated.

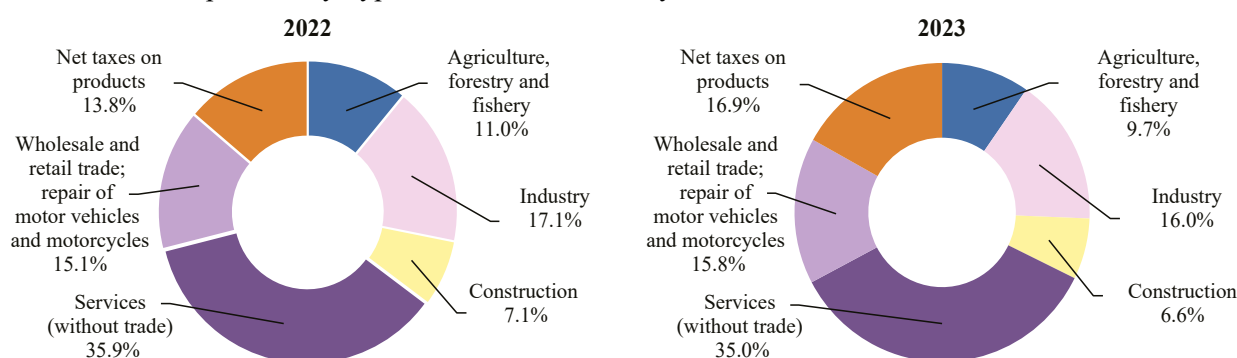
Table 1.1.1.**Structure of the Gross Domestic Product**

Economic sectors	Share, percent		Growth rate, percent		Contribution to growth, percentage points	
	2022	2023	2022	2023	2022	2023
Agriculture, forestry and fishery	11.0	9.7	7.3	0.6	0.9	0.1
Industry	17.1	16.0	11.9	2.7	2.0	0.5
Mining	1.8	1.8	8.2	3.1	0.2	0.1
Manufacturing (processing)	13.6	12.6	16.1	2.0	1.9	0.3
Provision (supply) of electricity, gas, steam and conditioned air	1.5	1.4	-8.1	8.4	-0.1	0.1
Water supply, purification and treatment of waste and generation of secondary materials	0.2	0.2	-10.5	5.8	-0.0	0.0
Construction	7.1	6.6	9.1	10.3	0.7	0.7
Services	51.0	50.8	6.8	6.2	3.5	3.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	15.1	15.8	11.1	15.1	1.7	2.3
Transportation and storage of goods	3.0	3.0	16.1	7.4	0.6	0.2
Information and communication	2.3	2.1	12.3	6.7	0.3	0.2
Other	30.6	30.0	2.9	1.6	0.8	0.5
Net taxes on products	13.8	16.9	15.2	12.7	1.9	1.8
GDP	100.0	100.0	9.0	6.2	9.0	6.2

Source: NSC of KR, NBKR calculations

In the reporting year, the industrial sector demonstrated real growth of production output by 2.7 percent, meanwhile, in 2022, there was an increase by 11.9 percent. The share of industry in overall GDP structure decreased by 1.1 percentage points compared to 2022 and amounted to 16.0 percent. In the reporting year, stable positive dynamics of the industrial sector was conditioned by an increase of production output in the processing industry.

Industry

Chart 1.1.1.**GDP Sector Composition by Types of Economic Activity**

In the reporting year, agriculture demonstrated insignificant growth rates by 0.6 percent due to dry weather and reduction of crops yield. Contribution of agriculture to overall GDP growth was 0.1 percentage point, while the share of this industry in the GDP structure decreased by 1.3 percentage points compared to the previous year, to make 9.7 percent.

Agriculture

Trade and service sector

The service sector made the largest contribution to overall GDP growth at 3.1 percentage points. In the reporting year, the service sector increased by 6.2 percent in real terms mainly due to growth in the turnover of wholesale and retail trade by 15.1 percent, however its share in the GDP structure remained unchanged.

Construction

The construction sector also made a positive contribution to overall GDP formation. In the reporting year it increased by 10.3 percent in real terms. There was an increase in construction and reconstruction of mining, manufacturing, wholesale and retail trade facilities. At the same time, there was a decrease in the construction of facilities in the sectors of agriculture and transportation activities compared to 2022.

Capital investment

In the reporting year, the volume of capital investments increased by 18.8 percent. An increase in capital investments was observed in most types of activities: in the construction of wholesale and retail trade facilities by 2.9 times; art, entertainment and recreation facilities by 2.8 times; manufacturing facilities by 2.0 times.

Investments financed from the domestic sources increased by 34.6 percent (mainly at the expense of the banks' credits by 3.8 times). At the same time, investments financed from the foreign sources, on the contrary, decreased by 26.3 percent, due to a decrease in foreign credits by 1.5 times and direct foreign investments by 2.7 times.

1.2. Public Finance Sector¹

Fiscal policy

In the reporting year, the fiscal sector of economy was characterized by fiscal consolidation. Measures were still taken to modernize tax legislation, including in terms of digitalization of tax and customs procedures, and to improve public finance management.

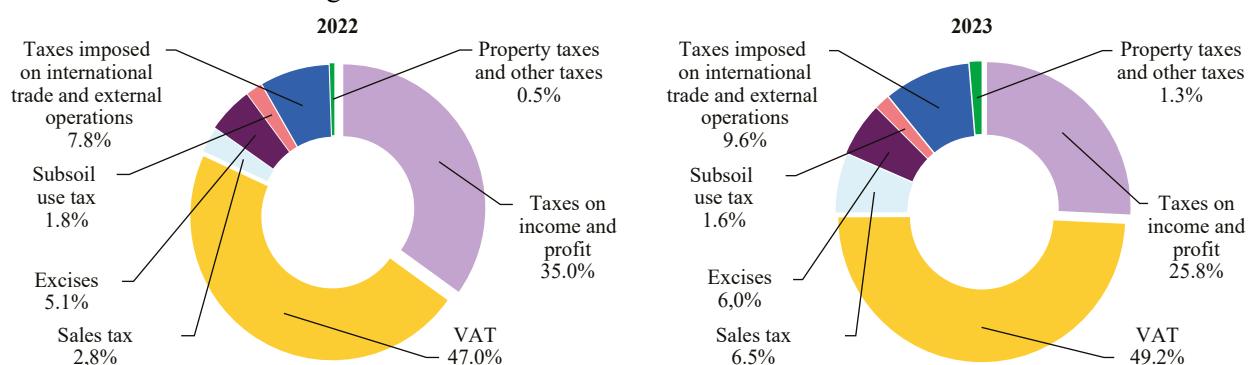
At the end of 2023, the state budget of the Kyrgyz Republic was executed with a surplus of 1.0 percent to GDP (in 2022, deficit was formed at 1.0 percent to GDP). In the reporting year, the primary budget surplus² amounted to 2.2 percent to GDP (in 2022 – surplus amounted to 0.1 percent to GDP). Outstripping growth of budget revenues compared to expenditures contributed to improvement of the budget balance.

Budget revenues were characterized by a significant increase in tax revenues (mainly due to the growth of economic activity in the country and increase in imports) and non-tax revenues.

In 2023, state budget revenues from operating activities increased by 30.4 percent, up to KGS 391.9 billion, to make 31.9 percent to GDP. Tax revenues, comprising the main share (75.1 percent) in the state budget revenues, increased by 28.6 percent compared to 2022 mainly due to the growth of revenues from foreign economic activity. The total amount of tax revenues amounted to KGS 294.4 billion, 37.9 percent thereof were provided by the customs service and 62.1 percent – by the tax service.

Chart 1.2.1.

State Budget Tax Revenue Structure



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

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

According to the results of 2023, non-tax revenues to the budget increased by 55.7 percent compared to 2022 and amounted to KGS 81.2 billion. Revenues from public service rendering, dividends paid on the state and municipal shareholding, as well as the profit of the National Bank transferred to the budget were the main sources of non-tax revenues.

In the reporting year, KGS 16.2 billion in the form of official transfers were transferred to the state budget (in 2022 – KGS 19.5 billion).

The public expenditures policy was focused on full and timely financing of social guarantees and obligations of the state to the population. The state budget expenditures for operating activities increased by 27.8 percent compared to 2022 and amounted to KGS 287.1 billion. In the reporting year, budget expenditures to GDP increased from 22.0 to 23.4 percent. Budget expenditures were mainly conditioned by payments of remuneration to public sector employees, pensions/benefits, and capital expenditures.

Net capital expenditures of the state budget for 2023 amounted to KGS 92.2 billion, or 7.5 percent to GDP (in 2022 – 8.5 percent to GDP).

In the reporting period, budget expenditures for public debt servicing increased by 57.9 percent compared to 2022 and amounted to KGS 53.1 billion (4.3 percent to GDP), KGS 13.8 billion thereof – interest payments (1.1 percent to GDP).

Public debt servicing

At the end of 2023, the public debt increased by 17.0 percent in the reporting year, up to KGS 559.5 billion (45.5 percent to GDP). There was an increase of internal debt in the structure of public debt, the share thereof increased from 19.7 percent in 2022 up to 25.9 percent in 2023.

Domestic borrowings were attracted through issuance and placement of government securities of the Ministry of Finance of the Kyrgyz Republic: short-term (state treasury bills – ST-Bills) and long-term (state treasury bonds – ST-Bonds).

Government securities market

In the reporting year, government securities were placed on the trading platform of the National Bank of the Kyrgyz Republic and “Kyrgyz Stock Exchange” CJSC.

On the trading platform of the National Bank, only 12-month ST-Bills, the auctions of which were held in January-April 2023, were represented in the short-term segment due to low activity of the participants. The volumes of supply and demand decreased by 70.9 percent and 41.0 percent, respectively. In the reporting period, sales of ST-Bills, including additional placements, decreased by 94.5 percent. The weighted average yield in the ST-Bills market increased by 0.2 percentage points during the reporting year and amounted to 8.5 percent.

Table 1.2.1.

Parameters of ST-Bills and ST-Bonds primary placement¹

	unit of measurement	2022	2023
ST-bills			
Volume of supply	<i>billions of KGS</i>	1.7	0.5
Volume of demand	<i>billions of KGS</i>	0.2	0.1
Volume of sales (taking into account additional placements)	<i>billions of KGS</i>	0.2	0.01
Average weighted	<i>percent</i>	8.3	8.5
ST-bonds			
Volume of supply	<i>billions of KGS</i>	33.0	69.2
Volume of demand	<i>billions of KGS</i>	24.1	53.8
Volume of sales (taking into account additional placements)	<i>billions of KGS</i>	22.6	53.2
Average weighted	<i>percent</i>	15.0	15.6

¹ On the trading platform of the National Bank of the Kyrgyz Republic.

In 2023, within the framework of implementing the Strategy of the Kyrgyz Republic Public Debt Management, the Cabinet of Ministers of the Kyrgyz Republic provided stable support to supply of long-term ST-Bonds. The ST-Bonds market was represented by securities of all maturities: from 2 to 20 years.

Supply, participants' demand, as well as ST-Bonds sales increased by 2.1 times, 2.2 times, and 2.4 times, respectively on the trading platform of the National Bank at the end of 2023. The largest volume of funds to finance the state budget was attracted through the sale of 10-year and 7-year ST-Bonds, the shares thereof in the total volume of sales amounted to 29.3 percent and 24.5 percent, respectively. In the reporting period, the total weighted average yield of ST-Bonds increased by 0.6 percentage points compared to the level in the year 2022 and amounted to 15.6 percent.

The process of placement and circulation of 12-month ST-Bills and 2-year ST-Bonds on the trading platform of "Kyrgyz Stock Exchange" CJSC was initiated in May 2023 within the framework of implementing the Order of the Cabinet of Ministers of the Kyrgyz Republic No. 609-p dated November 4, 2022, aimed at expanding accessibility to the market of publicly placed government securities for the domestic and foreign investors. Thus, the sales of 12-month ST-Bills amounted to KGS 0.2 billion with the weighted average yield of 13.0 percent, the sales of 2-year ST-Bonds amounted to KGS 1.2 billion with the weighted average yield of 15.2 percent¹.

During 2023, the Ministry of Finance of the Kyrgyz Republic increased the volume of treasury bonds issue to finance construction facilities from KGS 88.2 million at the end of 2022 up to KGS 10.0 billion at the end of October 2023 within the framework of the Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 616 dated November 4, 2022. At the same time, in November 2023, early redemption of treasury bonds, taking into account accrued coupon payments in the amount of KGS 8.7 billion, was made to stabilize the state securities portfolios of the commercial banks in accordance with the Order of the Cabinet of Ministers of the Kyrgyz Republic No. 660-p dated October 30, 2023, and at the end of 2023, the volume of these bonds amounted to KGS 1.9 billion.

1.3. Balance of Payments of the Kyrgyz Republic²

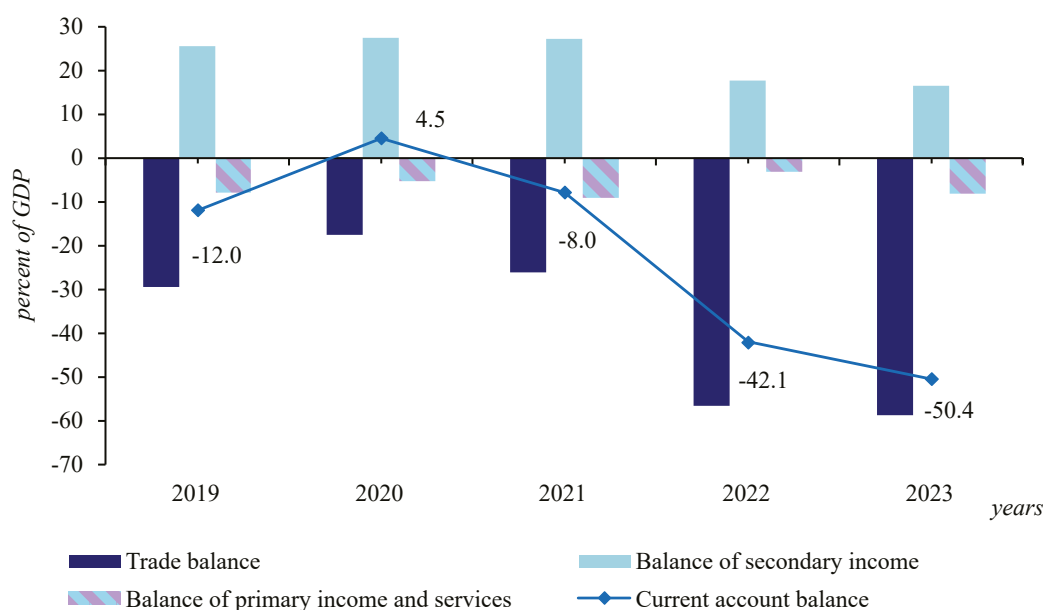
According to the preliminary data, in 2023, the current account deficit amounted to USD 7,040.2 million, or 50.4 percent to GDP (in 2022, the current account deficit amounted to 42.1 percent of GDP). A significant expansion of the trade deficit, along with deterioration in the balance of services and balance of primary income had a determining influence on the dynamics of this indicator.

¹ NBKR calculations were made based on the data taken from the official website of "Kyrgyz Stock Exchange" CJSC.

² Since 2023, the balance of payments of the Kyrgyz Republic is compiled in accordance with methods of the sixth edition of the IMF Balance of Payments and International Investment Position Manual (BPM6).

Chart 1.3.1.

Current Account



In 2023, the trade deficit increased by 18.6 percent compared to 2022 (from USD 6,918.7 up to 8,205.8 million).

Foreign trade

In the reporting year, export of goods (in FOB prices) grew by 46.6 percent mainly due to export of gold (non-monetary) in the amount of USD 1,284.3 million and amounted to USD 3,303.5 million¹. Exports excluding gold decreased by 9.9 percent and amounted to USD 2,019.1 million. In the reporting period, there was also an increase in the supplies of ore and precious metals concentrates, motor cars and vehicles, other machines for packaging or wrapping, coal, coke and briquettes and a number of other goods. At the same time, there was a drop in export of textile yarn, various types of fabrics, articles of apparel, fresh or frozen vegetables.

In the reporting year, there was a reduction in exports to the EAEU countries by 18.2 percent mostly owing to a decrease in export of clothes and fabrics.

In 2023, import of goods (in FOB prices) amounted to USD 11,509.3 million, having boosted by 25.5 percent compared to 2022 to a large extent at the expense of expansion in supplies of motor cars and vehicles, as well as parts of equipment for production machinery. Along with this, a decline in import of articles of apparel and footwear, fabrics, and locksmith equipment was noted.

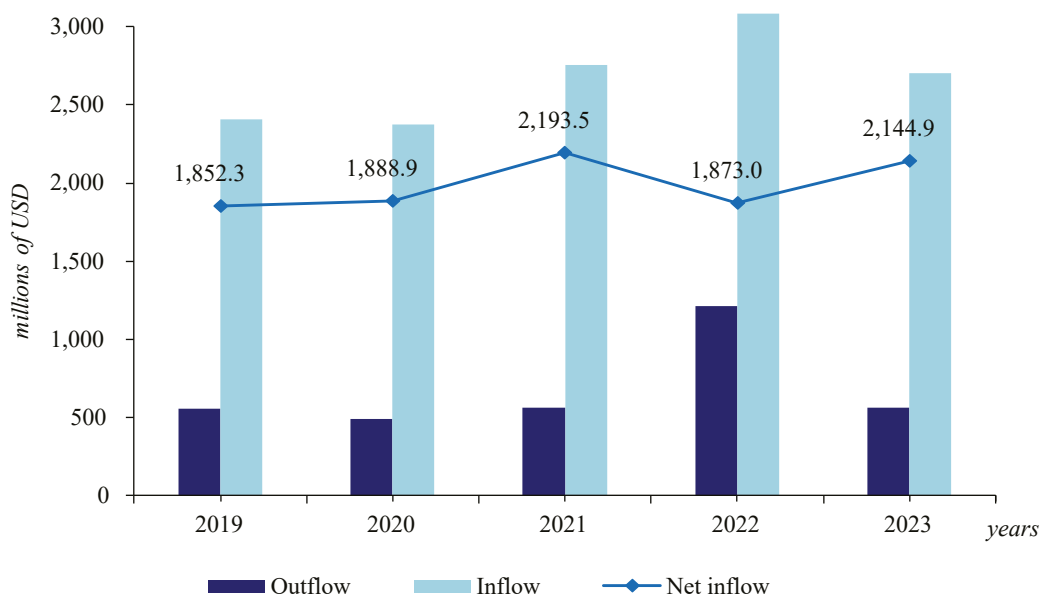
In the reporting year, import supplies from the EAEU countries slightly reduced by 4.0 percent, for the most part due to contraction in import of petroleum products.

Following the preliminary results of 2023, there was a surge in import of services by 88.0 percent and export – by 55.4 percent. As a result, the balance of services deficit increased to the amount of USD 651.2 million. High volume of received transportation services due to continued growth of goods imports to the country, as well as deterioration of the balance of other services were the primary factors of the current dynamics.

Net inflow on the secondary income balance surged by 7.2 percent compared to 2022 and amounted to USD 2,310.5 million. In the structure of the secondary income balance, significant volume of inflows was provided by the item “remittances of workers” predominantly because of individuals’ cross-border remittances using money transfer systems, bank mobile applications (bank cards) and e-wallets. At the end of 2023, net inflow of individuals’ cross-border remittances increased by 14.5 percent and amounted to USD 2,144.9 million.

Secondary income

¹ Including the National Bank’s additional estimates according to the methodology of the balance of payments.

Chart 1.3.2.**Dynamics of Individuals Cross-border Remittances***Primary income*

Following the results of the reporting year, the negative balance of the primary income account escalated by 82.6 percent and amounted to USD 493.7 million. It was formed under the influence of significant growth in the volume of payments to non-residents on investment income.

Capital account

According to the preliminary results of 2023, the capital account balance was positive in the amount of USD 220.6 million, having risen by 22.0 percent as compared to 2022.

Financial account

During the reporting period, net borrowing from the rest of the world, as presented in the financial account, totaled USD 385.1 million (at the end of 2022, USD 297.4 million). The financial account was primarily formed under the impact of the items “direct investments” and “other investments”. Net inflow of direct foreign investments amounted to USD 489.1 million (a decrease by 4.0 percent compared to 2022) due to net incurrence of liabilities through participation in the authorized capital by direct non-resident investors (mainly due to reinvested earnings).

The item “other investments” was formed with a positive balance in the amount of USD 94.8 million (at the end of 2022 – USD 211.8 million). This trend was conditioned by the excess of net acquisition of financial assets of the banks – residents of the Kyrgyz Republic abroad in the form of cash currency and deposits over the net incurrence of liabilities of all sectors on loans and borrowings.

Following the results of 2023, the balance of the item “errors and omissions” was formed positive in the amount of USD 6,514.8 million, due to the presence of statistical discrepancies associated with transactions registry and recording, as well as incomplete coverage of data.

Overall balance

The overall balance of payments was negative and amounted to USD 80.3 million (in 2022 – the positive balance amounted to USD 291.9 million).

At the end of the reporting year, gross international reserves amounted to USD 3,236.5 million, which corresponded to 2.8 months of coverage of the future imports of goods and services.

ACTIVITY
OF THE NATIONAL BANK
OF THE KYRGYZ REPUBLIC



CHAPTER 2. MONETARY POLICY

In 2023, inflationary development in the Kyrgyz Republic was formed under the influence of a number of factors, among which the impact of the external economic environment due to geopolitical changes worldwide was predetermining for the dynamics of inflation. In this regard, the external factor was among the main conditions for the National Bank to conduct the monetary policy in the reporting year.

Generally, external conditions were characterized by weak recovery of the world economy, multidirectional dynamics of world prices in the commodity markets and strengthening of regional trade.

The economy of the Kyrgyz Republic demonstrated rise of domestic demand driven by an increase in real wages and growth in inflow of individuals' cross-border remittances, which affected the population's incomes. In the reporting year, the tariff policy of the state was revised to result in increase of administered prices for certain goods and services. The banking sector was characterized by stable excess liquidity.

Under such conditions, the National Bank conducted appropriate monetary policy to reduce the inflation rate to the target within the range of 5-7 percent in the medium term.

Taking into account pro-inflationary risks in the economy of the Kyrgyz Republic and high inflation expectations of the population, the policy rate of the National Bank was kept unchanged at 13.00 percent during the reporting period. The National Bank actively conducted operations on sterilization of excess liquidity in the banking system to limit the monetary component of inflation.

The adopted monetary policy measures limited strengthening of the inflationary development in the Kyrgyz Republic thereby conditioning downward trend of the inflation rate. In December 2023, the annual inflation rate amounted to 7.3 percent, having decreased from 14.7 percent in December 2022. In the structure of inflation, there was a steady slowdown in the growth of prices for food products.

The National Bank continued to adhere to the floating exchange rate regime being in force in the country. In some periods of the reporting year, there was an excess of demand for foreign currency over supply thereof in the domestic foreign exchange market. Generally, the foreign exchange market remained stable. The exchange rate changed insignificantly – the US dollar-Kyrgyz som official exchange rate increased by 3.97 percent.

International reserves were managed taking into account the principles of liquidity and safety. In 2023, the volume of gross international reserves of the Kyrgyz Republic increased by USD 438.4 million and amounted to USD 3,236.5 million at the end of the year.

The communication policy remained an important element of the conducted monetary policy. The National Bank aimed to form rational inflation expectations of the public and economic entities through an active information policy.

2.1. Goal and Objectives of Monetary Policy

The National Bank's goal

The main goal of the National Bank's activity is to achieve and maintain price stability through appropriate monetary policy (MP).

The monetary policy target is defined as keeping the inflation rate within 5-7 percent in the medium term in the strategic document "The Main Directions of the Monetary Policy for the Medium Term"¹.

Due to the continued influence of external factors related to geopolitical situation worldwide, inflationary development in the Kyrgyz Republic strengthened and in 2023,

¹ Approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic dated December 13, 2017.

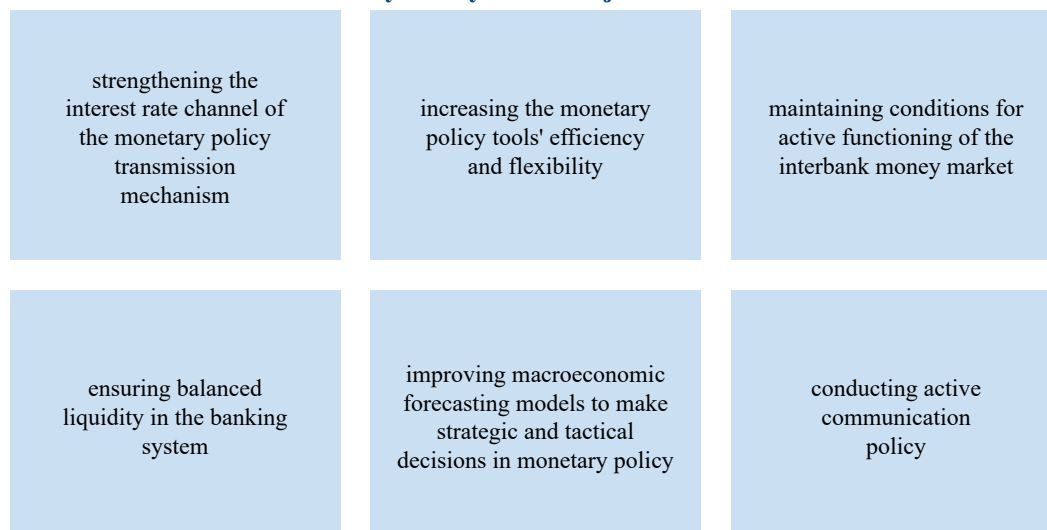
the monetary policy of the National Bank was focused on keeping the inflation rate around 10 percent¹.

The main objective of the monetary policy was to reduce inflationary pressure in the country, as well as actively regulate excess liquidity in the banking system in order to limit the monetary factor of inflation.

Particular attention was paid to strengthening operation of the interest rate channel of the monetary policy transmission mechanism², enhancing forecasting and analytical tools to make monetary decisions, and improving the communication channel of the monetary policy.

*Monetary policy
main objectives*

Monetary Policy Main Objectives in 2023



2.2. Monetary Policy Implementation

In the reporting period, the National Bank conducted monetary policy focused on keeping inflation within the targets declared for 2023, taking into account the existing pro-inflationary factors in the economy of the country.

Decisions on monetary policy were based on the forecast assessments of inflation factors and prospects of economic development in the Kyrgyz Republic and in the countries-trading partners.

The National Bank uses available monetary tools to execute its goals and objectives.

The policy rate of the National Bank (key rate) is the main monetary policy tool, and short-term interest rates of the money market are the operational target of monetary policy. During the reporting year, eight meetings of the Board on the policy rate were conducted, which resulted in decisions to keep its size unchanged at 13.00 percent.

Interest rate policy

Symmetrical interest rate corridor was set around the key rate in April 2023 in order to strengthen monetary signals for the money and financial markets. Thus, the interest rate on “overnight” deposits, being the lower limit of the corridor, was increased from 10.00 percent up to 11.00 percent. The interest rate on “overnight” credits, determining the upper limit of the corridor, was kept unchanged at 15.00 percent. Subsequently, the rates of the upper and lower limits of the interest rate corridor remained unchanged until the end of the reporting year.

Liquidity regulation

¹ Statement of the National Bank on Monetary Policy for 2023 (approved by the Resolution of the Management Board of the National Bank dated December 23, 2022).

² Monetary policy transmission mechanism is a transmission mechanism characterizing the process of impact of monetary policy decisions on price dynamics through channels of influence: interest rate, foreign exchange, credit and communication channels.

Tactical decisions of the monetary policy were made taking into account the emerging trends in development of money and foreign exchange markets, as well as availability of a high level of excess liquidity in the banking system. The average daily volume of excess reserves prior to conducting the National Bank's sterilization operations in 2023 increased by KGS 32.1 billion compared to 2022 and amounted to KGS 64.0 billion.

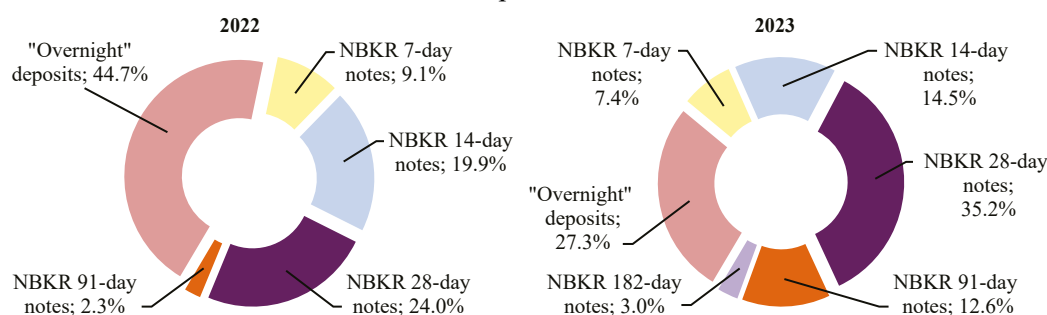
To limit the monetary component of inflation, the National Bank actively conducted operations on absorption of excess liquidity from the banking system through the open market operations (issue of the National Bank notes) and attraction of the commercial banks' available funds to "overnight" deposits in the National Bank. As a result, in the reporting year, the average daily volume of the National Bank sterilization operations amounted to KGS 64.4 billion (in 2022, KGS 31.8 billion).

In the structure of the National Bank sterilization operations, market participants' preferences were given in favor of the National Bank notes, the share thereof increased from 55.3 percent in 2022 up to 72.7 percent in 2023. In the reporting year, the average daily volume of excess liquidity withdrawal through the National Bank notes increased by KGS 29.2 billion compared to the previous year and amounted to KGS 46.8 billion. Short-term notes with the maturities of 7 and 28 days were in high demand among the market participants.

The share of excess liquidity placed by the banks on "overnight" deposits at the National Bank decreased from 44.7 percent in 2022 down to 27.3 percent in 2023. During the reporting year, the commercial banks placed their available funds on "overnight" deposits on a daily basis, approximately in the average amount of KGS 17.6 billion (in 2022, KGS 14.2 billion).

Chart 2.2.1.

Structure of National Bank Sterilization Operations



Lending policy

In 2023, the commercial banks' demand for short-term credit resources of the National Bank significantly decreased amid excess liquidity in the banking system. The gross volume of "overnight" credits of the National Bank issued to the banks to cover temporary gaps in liquidity amounted to KGS 844.5 million (in 2022, KGS 16.7 billion). Credit resources of the National Bank were not provided through other refinancing instruments.

Communication policy

The communication policy of the National Bank based on the principles of openness is also an integral element of effective monetary policy implementation.

The National Bank was actively involved in explaining the monetary decisions made and inflation forecasts for the medium-term period to the general public to reduce the high level of inflation expectations of the population and economic entities. The decisions made on the policy rate were regularly reflected in the National Bank's press releases and covered by means of briefings held for the mass media. At the same time, the Monetary Policy Report, which included a detailed review of the monetary policy measures and results, as well as current assessments of economic development in the medium term, was published on the official website of the National Bank 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-, 91-, and 182-day notes.

In 2023, the volume of notes supplied by the National Bank amounted to KGS 922.4 billion. At the same time, the volume of demand for notes amounted to KGS 977.4 billion, having increased by 83.1 percent (KGS 533.7 billion) as compared to 2022. The total sales of notes increased by 86.7 percent as compared to 2022 (KGS 457.5 billion) and amounted to KGS 854.1 billion.

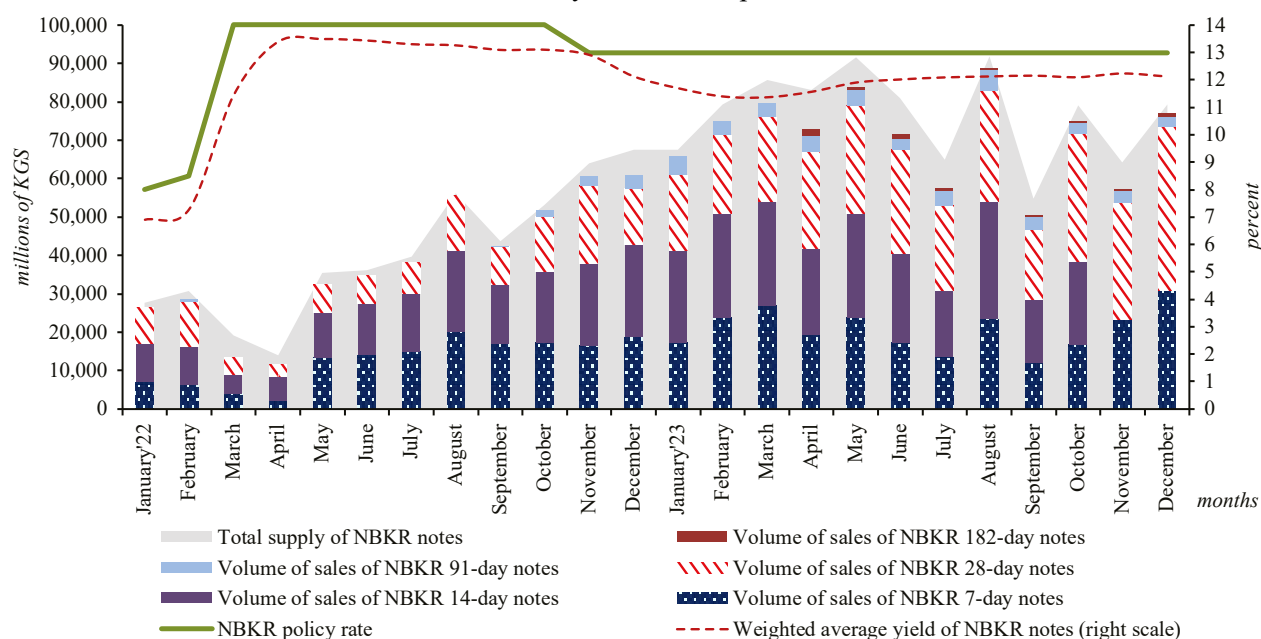
The largest volume of sales was accounted for the National Bank notes with a maturity of 28 days, the share thereof in the total volume amounted to 37.3 percent. The sales of notes with a maturity of 7 and 14 days amounted to 29.1 and 27.7 percent, respectively, 91 and 182 days – 5.1 and 0.8 percent, respectively.

Within the framework of conducted monetary policy, the National Bank changed the structure and volumes of notes supply, having suspended placement of 14-day notes since November 2023.

The National Bank notes

Chart 2.2.1.1.

Sales Volume of National Bank Notes 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 decreased by 0.1 percentage point as compared to 2022, down to 11.9 percent.

At the end of 2023, the volume of the National Bank notes in circulation significantly increased year-to-date (KGS 34.6 billion) and amounted to KGS 54.8 billion. The commercial banks (67.8 percent) were the main holders of notes at the end of the reporting period. The share of resident legal entities and individuals in the total volume of notes amounted to 25.3 percent, institutional investors – 6.9 percent.

In the reporting period, the National Bank conducted operations on purchase of 10- and 20-year ST-Bonds in the secondary market on outright terms without an obligation to resell in order to develop the secondary market of government securities. The total volume of these operations at their actual value amounted to KGS 5.0 billion.

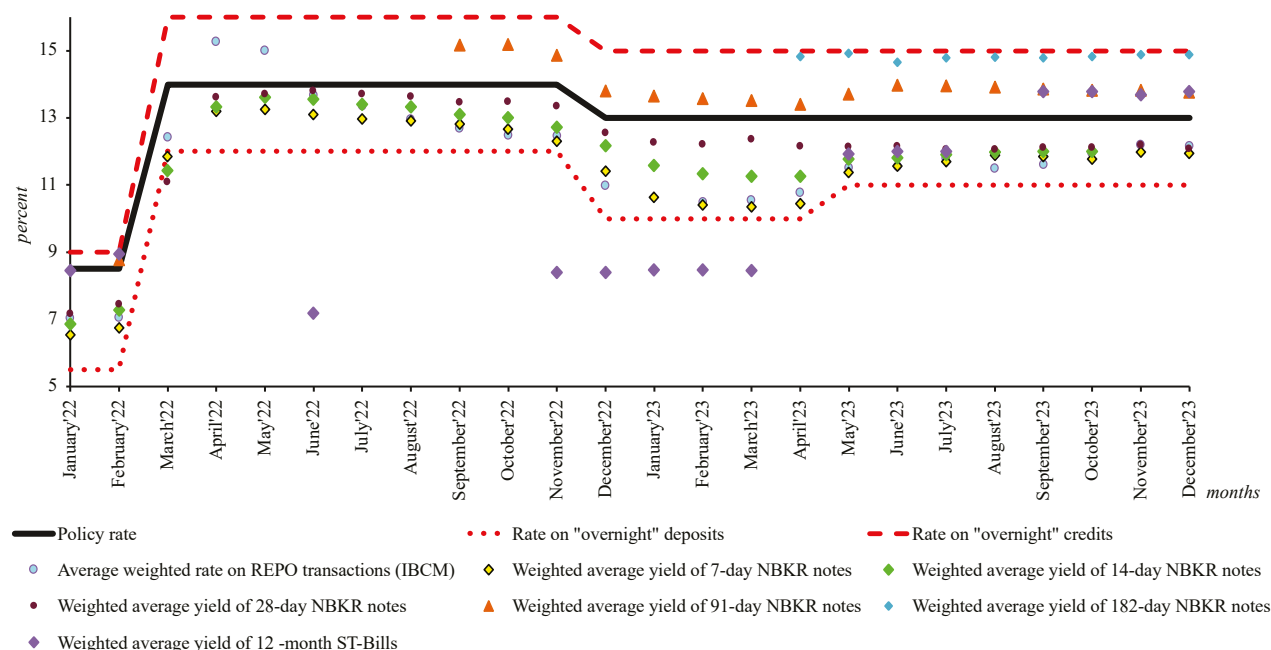
2.2.2. Operations in the Interbank Money Market

The National Bank continued taking measures focused on further improving the monetary policy transmission mechanism and strengthening its influence in the interbank money market.

In the reporting period, due to preservation of excess liquidity in the banking sector, short-term money market rates had downward dynamics and were still within the interest rate corridor set by the National Bank. The commercial banks placed their available funds in the national currency mainly on the short-term instruments at the National Bank.

Chart 2.2.2.1.

Dynamics of the Interest Rates in the Money Market (average for the period)

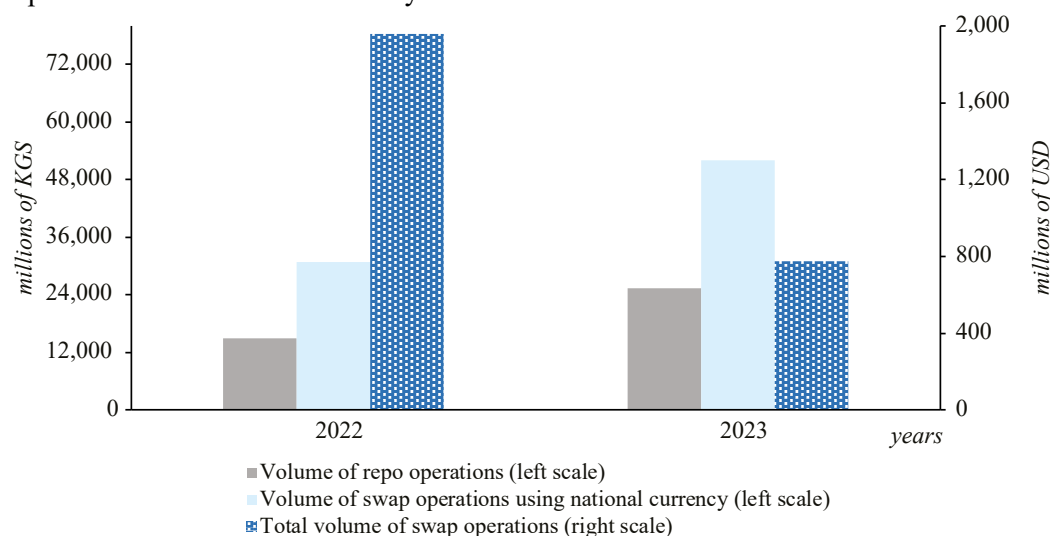


In 2023, there was an increase in activity in the interbank credit market due to the uneven distribution of excess liquidity in the banking system.

In the interbank market, the banks' activity was observed in the segments of repo and swap operations (mainly using the national currency), however operations on extending standard credits in the national and foreign currencies were not conducted.

During the reporting year, the total volume of repo operations increased by 70.3 percent compared to 2022 from KGS 14.9 billion up to KGS 25.4 billion. The weighted average interest rate on repo operations decreased by 0.6 percentage points, down to 11.5 percent, while the weighted average maturing was 4 days, the same as in 2022.

In the reporting period, the total volume of swap operations conducted by the commercial banks in the domestic market and with non-resident banks decreased by 60.5 percent compared to 2022 and amounted to USD 774.4 million. At the same time, the volume of swap operations with the national currency increased by 68.8 percent, up to KGS 52.0 billion. The National Bank did not conduct swap operations in the reporting period.

Chart 2.2.2.2.**Operations in the Interbank Money Market**

In 2023, the government securities market was represented by a wide range of securities with the maturities from 2 to 20 years. At the same time, longer-term ST-Bonds with the maturities of 7 and 10 years were in the greatest demand among the market participants. The short-term segment of the government securities was represented, as in previous periods, only by ST-Bills with a maturity of 12 months.

Government securities market

Under the conditions of implementation of measures of the Cabinet of Ministers of the Kyrgyz Republic on development of the stock market in the country, the government securities – 12-month ST-Bills and 2-year ST-Bonds – were presented on the trading platform of “Kyrgyz Stock Exchange” CJSC since May 2023. In December 2023, for the first time, funds in the amount of RUB 341.9 million were attracted on the trading platform of “KSE” CJSC through placement of 2-year ST-Bonds, which contributed to widening of investment instruments range.

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.

Refinancing instruments

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 on the repayment basis on collateral to the international organizations established by the Kyrgyz Republic jointly with other states;

- the credits of last resort, provided in exceptional cases to the commercial banks and non-banking financial-credit organizations attracting deposits, 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 the reporting period, the commercial banks used only “overnight” credits among permanent access monetary policy tools. The volume of extended “overnight” credits amounted to KGS 844.5 million (in 2022, KGS 16.7 billion).

2.2.4. Domestic Foreign Exchange Market Operations

During 2023, the situation in the domestic foreign exchange market was developing under the influence of traditional internal factors of seasonality, development trends in the world financial markets, foreign economic and geopolitical situation as a whole. In the reporting period, the National Bank managed to maintain relative stability in the domestic foreign exchange market amid increased demand for foreign currency.

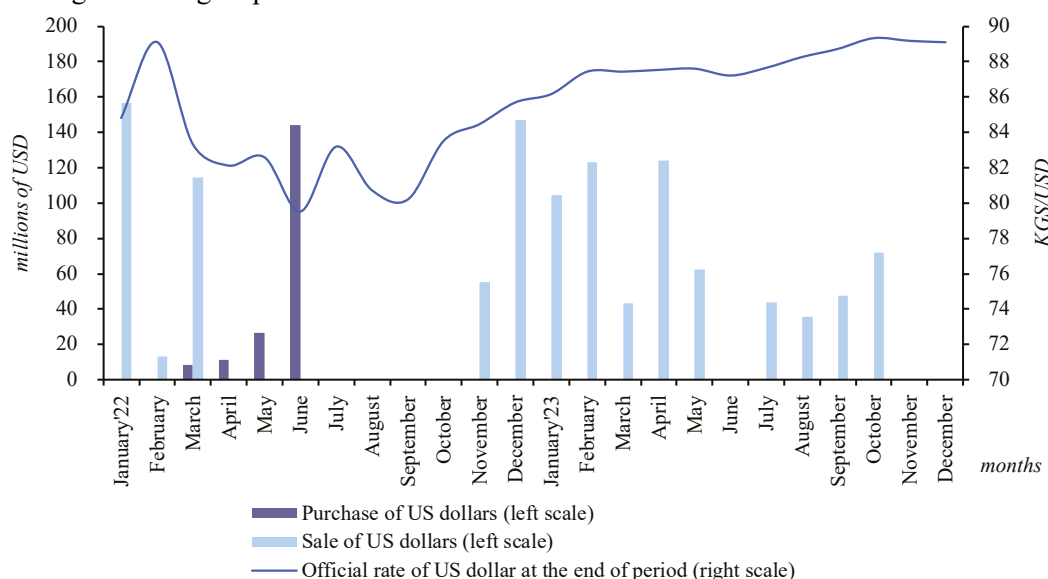
Foreign exchange interventions

In Q1, there was significant seasonal demand for foreign currency amid decrease in supply of foreign currency, which affected the volatility of the exchange rate. In Q1, the National Bank conducted six interventions on sale of foreign currency to the amount of USD 307.4 million to smooth sharp fluctuations of the exchange rate.

In Q2 of the reporting year, there was excess of demand for foreign currency over supply thereof due to the global trend of tightening the central banks' monetary policy in the developed countries. In Q2, three interventions on sale of foreign currency were conducted to the total amount of USD 149.3 million.

In Q3, the situation in the foreign exchange market was developing under the influence of the prospects for economic development of the countries-main trading partners under the conditions of geopolitical risks. In the reporting period, the National Bank conducted three interventions and sold USD 127.1 million.

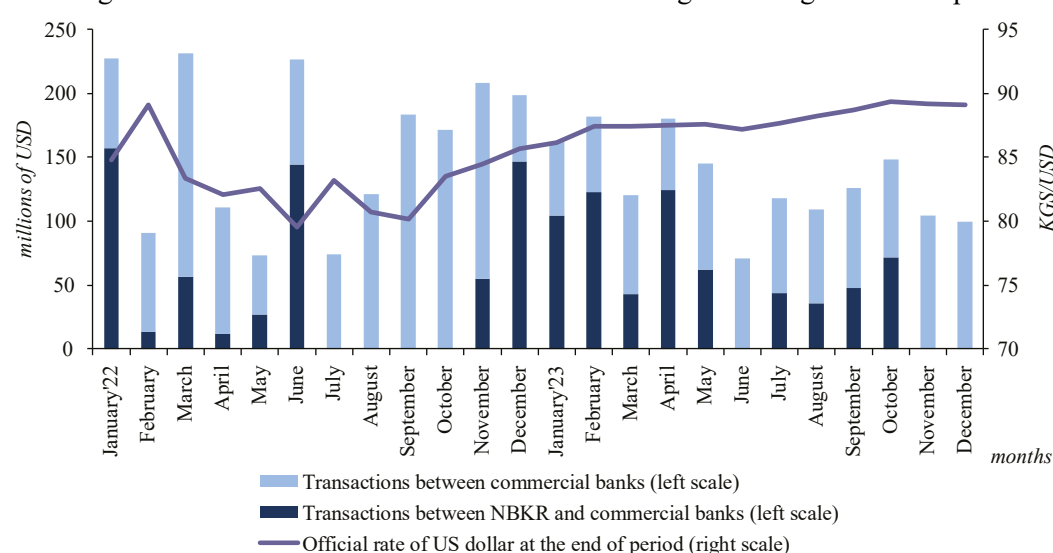
The beginning of Q4 was characterized by volatility of the exchange rate amid growth of economic activity in the country. In Q4, the National Bank conducted two interventions on sale of USD 71.9 million and one intervention on sale of euro in the amount of EUR 19.0 million due to strengthening of the national currencies of the countries – main trading partners, expectation of completion of stable increase in the interest rates in the international financial markets and decrease in demand for foreign currency from the participants of the domestic foreign exchange market.

Chart 2.2.4.1.**Foreign Exchange Operations of the National Bank**

In 2023, the National Bank conducted fourteen interventions on sale of US dollars in the amount of USD 655.7 million.

In order to ensure timely fulfillment of the Kyrgyz Republic obligations under the EAEU Treaty, the National Bank conducted foreign exchange operations on purchase of Russian rubles to the total amount of RUB 15.9 billion.

The official US dollar-Kyrgyz som exchange rate increased by 3.97 percent, from KGS 85.6800 up to KGS 89.0853 per USD from the beginning of 2023 till December 31.

Chart 2.2.4.2.**Exchange Rate Movement and Volume of Interbank Foreign Exchange Auction Operations**

The domestic foreign exchange market demonstrated growth in the total volume of operations on foreign currency purchase/sale by 69.7 percent, up to KGS 3,591.7 billion due to the growth of economic activity in 2023.

Total volume of operations in the foreign exchange market of the Kyrgyz Republic

2.2.5. Reserve Requirements

RR standards

Reserve requirements (RR) are among the main instruments of the National Bank's monetary policy and are used to regulate the general level of liquidity in the banking system and short-term interest rates.

Reserve requirements represent the requirements for the commercial banks and microfinance companies attracting deposits for the mandatory depositing funds in reserve assets under the conditions set by the National Bank.

The Board of the National Bank determines the ratio of reserve requirements and the procedure for their fulfillment depending on the monetary policy conditions.

Within the framework of implementing the National Bank's Action Plan on de-dollarization of the economy in the Kyrgyz Republic in October 2023, the reserve requirements ratio for the commercial banks' liabilities in foreign currency (excluding liabilities in Armenian drams, Belarusian rubles, Kazakh tenge, Chinese yuan Renminbi, Russian rubles) was increased from 14.0 to 15.0 percent. At the same time, the ratio of reserve requirements was kept unchanged at 4.0 percent for the commercial banks' liabilities in the national currency, in the currencies of the EAEU member-states and Chinese yuan. Moreover, the ratio of reserve requirements for the banks' liabilities on depersonalized metal accounts of the clients also remained the same – at zero level.

In accordance with the regulations set by the National Bank, the commercial banks are obliged on a daily basis to comply with the requirement to fulfill the minimum threshold level of the reserve requirements ratio established for the relevant period. The size of this requirement was kept unchanged at 70.0 percent during 2023.

Penalty is imposed for non-compliance with the reserve requirements and the minimum threshold level. In the reporting year, the number of commercial banks that violated the reserve requirements regulations decreased significantly compared to 2022 – from five to one bank against which a penalty was imposed.

2.3. Management of International Reserves

According to the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”, 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 2023, the Investment Committee held 25 meetings on international reserves management. Criteria, requirements and restrictions were set for counterparties, types of instruments, the size and maturity of investment to minimize the risks emerging in the course of international reserves management.

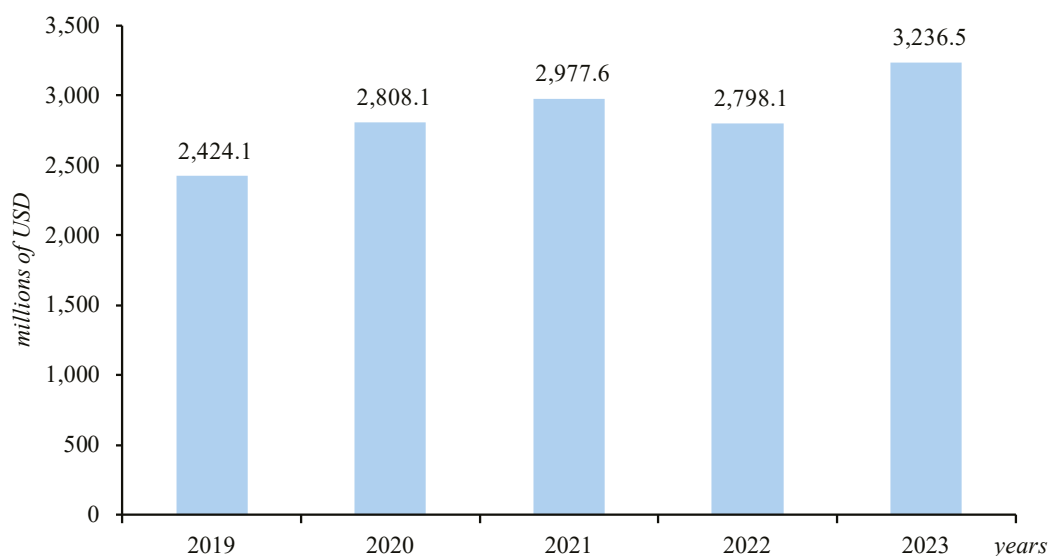
Management of international reserves was regulated by the Investment Policy and the Risk Management Policy in International Reserves Management.

At the end of 2023, gross international reserves amounted to USD 3,236.5 million, having increased by USD 438.4 million, or 15.7 percent over the year. The international reserves of the National Bank comprise the assets in gold, Special Drawing Rights (SDR) and the foreign currency portfolio.

Volume of international reserves

Chart 2.3.1.

Dynamics of Gross International Reserves



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 Cabinet of Ministers of the Kyrgyz Republic influenced the volume of gross international reserves during 2023.

Table 2.3.1.

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

	2022	2023
Currency portfolio	57.7	50.4
Gold	34.1	44.2
Special Drawing Right	8.2	5.4
Total	100.0	100.0

*Structure of
international reserves*

In 2023, the international reserves currency portfolio consisted of the following currencies: Australian dollars, British pounds sterling, US dollars, Euros, Canadian dollars, Chinese yuans, Russian rubles, Singapore dollars, Swiss francs, South Korean won, Japanese yen, as well as other currencies to service the operations of the Cabinet of Ministers of the Kyrgyz Republic.

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

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

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

*Working portfolio
placement*

Investment portfolio management

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, 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.

National Bank's operations with gold

According to the current legislation of the Kyrgyz Republic, the Cabinet of Ministers and the National Bank have the right of priority purchase of gold produced in the territory of the Kyrgyz Republic.

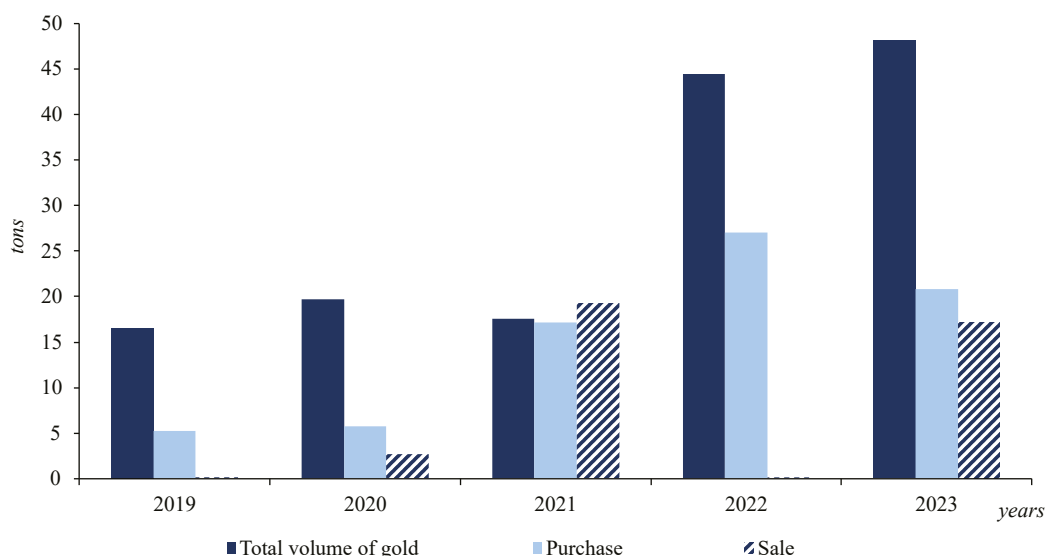
In the reporting year, the National Bank still participated in the domestic precious metals market and conducted operations on purchase of gold to replenish the National Bank's reserves and support the process of selling measuring bars to the population. These operations also contributed to the long-term economic growth of the Kyrgyz Republic.

The total volume of gold balances (monetary gold, non-monetary gold and gold reserves) in the National Bank as of December 31, 2023 increased by 3.62 tons compared to the same indicator as of December 31, 2022 and amounted to 48.04 tons.

At the end of 2023, the monetary gold balance in the structure of international reserves of the National Bank amounted to 21.57 tons (at the end of 2022, 16.39 tons), the balance of non-monetary gold and gold reserves in the National Bank amounted to 26.47 tons (at the end of 2022, 28.02 tons).

Chart 2.3.2.

National Bank's operations with gold



In 2023, purchase of gold by the National Bank in the domestic precious metals market amounted to 20.72 tons (in 2022, 26.99 tons). In 2023, gold sales amounted to 17.13 tons (in 2022, 0.13 tons). Moreover, the National Bank conducted operations on repurchase of refined gold measuring bars, the volume thereof amounted to 0.03 tons.

2.4. Monetary Policy Results

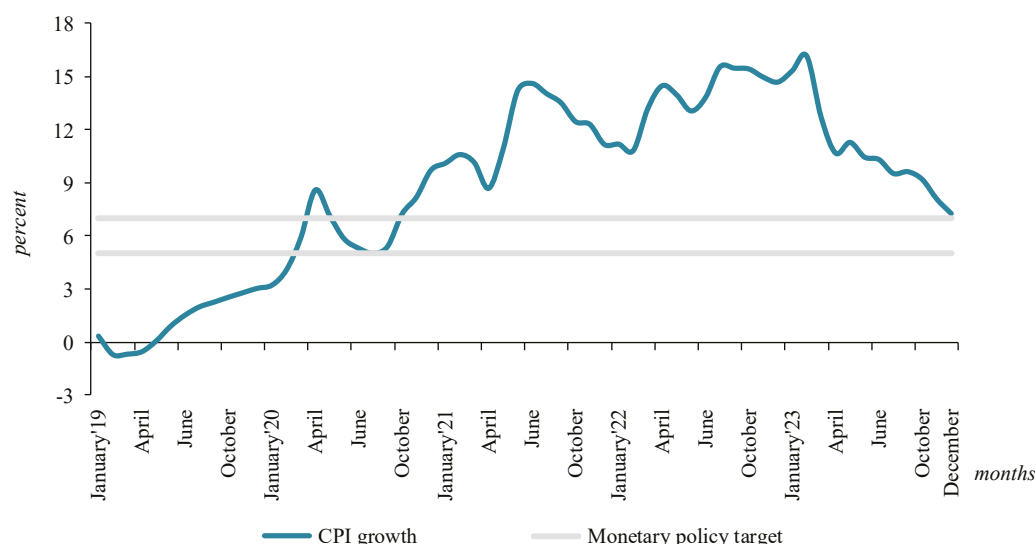
The monetary policy measures taken by the National Bank contributed to gradual decline in the inflation rate.

Inflation

According to the National Statistical Committee, in 2023, the consumer price index (CPI) in the Kyrgyz Republic (December 2023 to December 2022) increased by 7.3 percent in annual terms.

Chart 2.4.1.

Inflation Rate in the Kyrgyz Republic

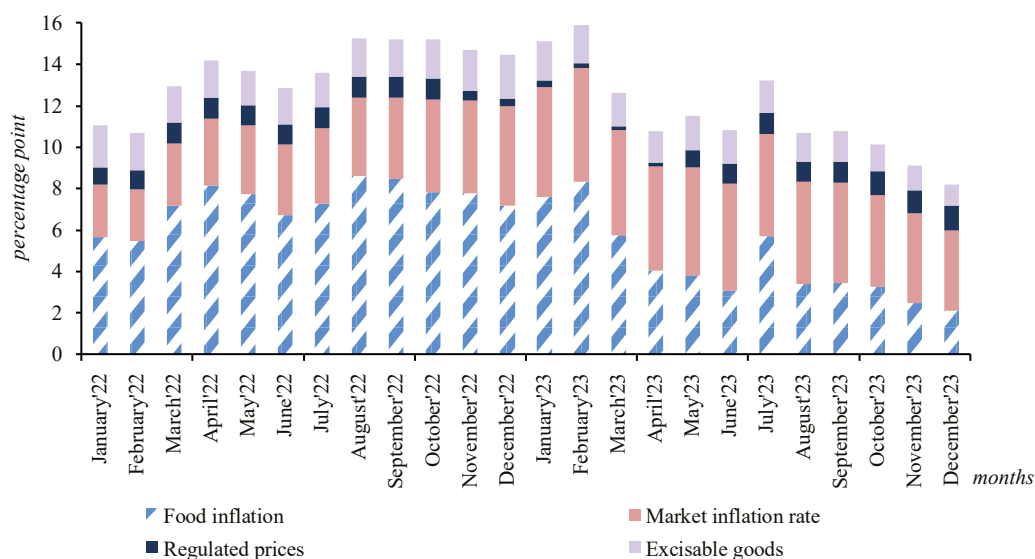


In the structure of inflation, there was stable slowdown in growth of prices for food products in annual terms – from 15.8 percent in December 2022 down to 3.4 percent in December of the reporting year. Contribution of food products to the overall CPI growth decreased by 5.7 percentage points compared to 2022 and constituted 1.5 percentage points. There was slowdown in price growth mainly for such goods as bakery products and cereals, meat, dairy products, and sugar. Decline in prices in the world food markets was the main factor of downward dynamics of prices for food products.

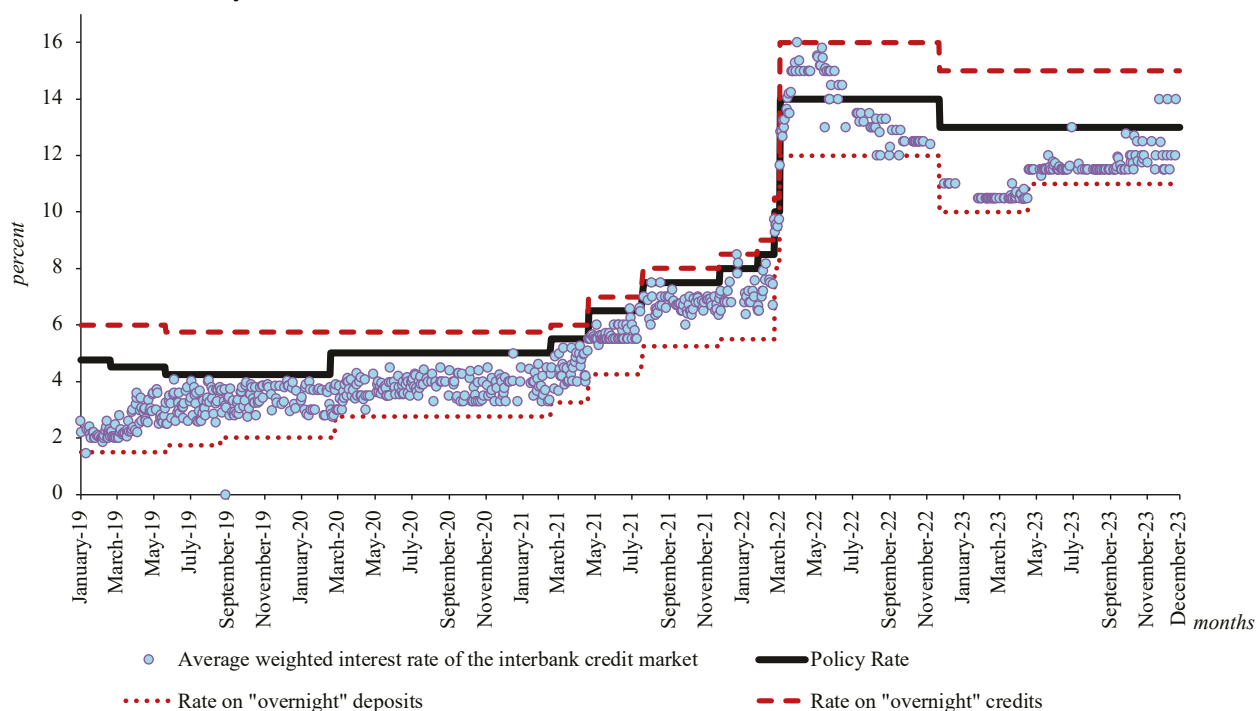
By the end of 2023, prices for non-food products increased by 12.2 percent in annual terms, contribution thereof to the overall CPI constituted 3.5 percentage points. In the structure of this commodity group, there was increase in prices primarily for the following categories: clothes and footwear; furnishings and household equipment; electricity, gas and other types of fuel.

Prices for alcoholic beverages and tobacco products increased by 11.3 percent in annual terms by the end of the reporting year, slowing down from 24.4 percent at the end of 2022. Excise rates were increased in the reporting year.

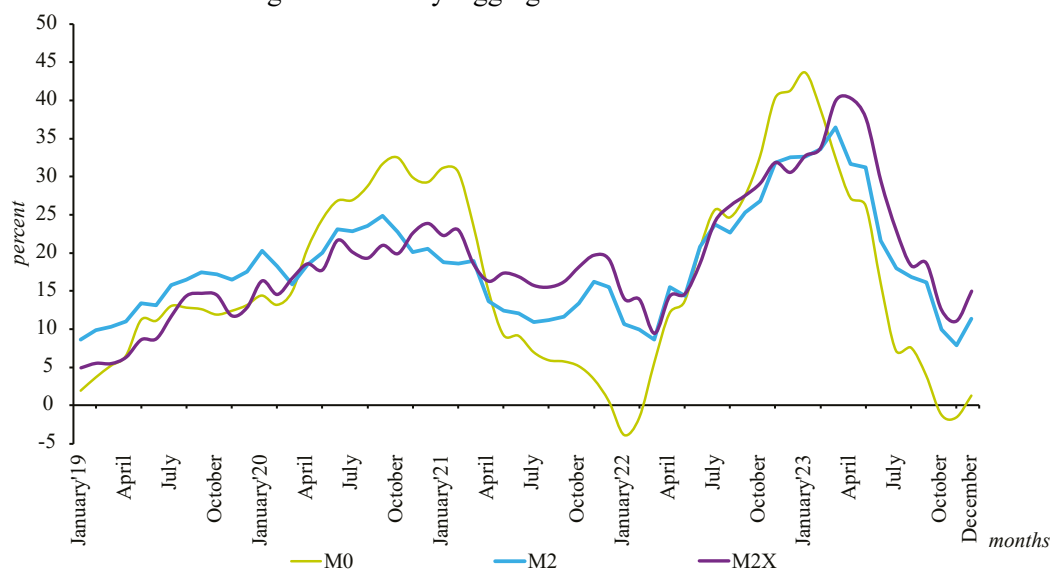
During 2023, there was rise in prices of health services, restaurants and hotels, as well as services on arrangement of cultural events. Thus, by the end of the reporting year, prices for the group “paid services” increased by 9.1 percent in annual terms.

Chart 2.4.2.**Contribution to CPI Growth****Money market**

Being the main monetary policy instrument, the National Bank's policy rate remained the key target for the resources value in the interbank money market. Short-term rates in the money market fluctuated within the interest rate corridor set by the National Bank mainly near the lower limit, which was due to excess liquidity in the banking system.

Chart 2.4.3.**Dynamics of Rates in the Interbank Credit Market****Monetary base**

In 2023, monetary indicators (monetary base and aggregates) demonstrated significant slowdown in growth rates compared to the indicators of 2022. At the end of the reporting period, the monetary base increased by 9.9 percent in the reporting year and amounted to KGS 249.9 billion. Balanced monetary operations of the National Bank and excess of the state budget revenues over its expenditure operations were the restraining factors of the monetary base growth.

Chart 2.4.4.**Annual Rates of Change in Monetary Aggregates**

At the end of 2023¹, M2X monetary aggregate (broad money supply including deposits in foreign currency) increased by 15.0 percent, up to KGS 510.3 billion. The increase in this indicator was primarily due to growth of deposits by 24.0 percent, as well as deposits in the national currency increased by 22.5 percent and deposits in foreign currency – by 26.3 percent. M0 indicator (money outside banks) increased by 1.3 percent in the reporting period. Broad money supply in the national currency (M2 monetary aggregate) increased by 11.4 percent, up to KGS 373.6 billion at the end of 2023.

¹ The above data on monetary aggregates may be adjusted when the commercial banks close the fiscal year.

CHAPTER 3. DEVELOPMENT AND REGULATION OF FINANCIAL-CREDIT ORGANIZATIONS

In 2023, the National Bank conducted activities aimed at maintaining stability in the banking and financial systems of the country and creating conditions to develop banking, payment, and microfinance services.

The National Bank took measures aimed at creating opportunities for rendering digital banking services, expanding services rendered on the principles of Islamic finance and minimizing banking risks. The joint measures of the National Bank along with the programs of the Cabinet of Ministers of the Kyrgyz Republic focused on supporting the real sector of economy contributed to growth of lending by the financial-credit organizations to the population and of the economic entities.

The Board of the National Bank made a decision to increase the minimum amount of the commercial banks' authorized and equity (regulatory) capital and the minimum amount of the NBFCOs' authorized capital in order to improve the stability, reliability and sustainability of the banking system, as well as to strengthen and maintain the capital base necessary to cover the risks of the banking system and to provide safe operation of the banks and the NBFCOs.

Thus, the requirements for the minimum amount of the authorized capital at the level of not less than KGS 1 billion were set for newly established commercial banks (including the capital requirement for the branches of foreign banks).

The following minimum sizes of the authorized capital were established for operating commercial banks (including the branches of foreign banks):

- since April 1, 2023 – KGS 600 million;
- since July 1, 2024 – KGS 800 million;
- since July 1, 2026 – KGS 1 billion.

The minimum amount of the authorized capital was set at KGS 2 billion with the term of formation until July 1, 2023 for operating systemically important commercial banks (including the branches of foreign banks).

Since July 1, 2023, the following requirements for the minimum amount of the authorized capital were set for newly opened NBFCOs:

- for MFCs not attracting deposits – not less than KGS 300 million and for those applying for the right to accept term deposits from the individuals and the legal entities – not less than KGS 600 million;
- for MCCs – not less than KGS 50 million;
- for the credit unions that do not have a license to attract deposits – not less than KGS 2 million and for those that have a license to attract deposits – not less than KGS 5 million;
- for HSCCs – not less than KGS 600 million;
- for the guarantee funds – not less than KGS 700 million.

The minimum amount of the authorized capital was set at not less than KGS 300 million for the specialized financial-credit organizations since 2025.

The requirements for gradual increasing the minimum amount of the authorized capital to the amounts set for newly opened NBFCOs were established for the NBFCOs operating during five years, from 2023 to 2027 inclusive.

In 2023, the total assets of the financial-credit organizations increased by 27.2 percent and amounted to KGS 660.6 billion. In 2023, the credit portfolio of the financial-credit organizations increased by 26.5 percent and amounted to KGS 297.5 billion, the portfolio on the principles of Islamic finance increased by 38 percent and amounted to KGS 7.3 billion. The number of borrowers of the financial-credit organizations increased by 25.0 percent and amounted to 1,419,479 people.

In 2023, the total deposit base of the financial-credit organizations increased by 27.5 percent and amounted to KGS 436.7 billion.

Improvement of the regulatory legal acts governing the activities of the financial-credit organizations was aimed at increasing the sustainability of the banking system, reducing the risks of the banks and the NBFCOs, further development of banking services digitalization, revision of the requirements for publication of the NBFCOs' financial statements, as well as compliance with the international standards and amendments in the legislation of the Kyrgyz Republic.

3.1. Development and Regulation of the Commercial Banks Operation

3.1.1. Overview of the Banking System Development¹

In the reporting year, the main indicators of the banking system continued to grow: assets, credit portfolio, deposits, and capital. Stable increase in the volume of deposits indicated 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 2023, 13 banks thereof had foreign capital. The authorized capital of banks increased from KGS 44.2 up to KGS 60.1 billion KGS. The share of foreign capital in the authorized capital of banks decreased by 4.2 percentage points and amounted to 20.2 percent.

The total assets of the banking system increased by 27.4 percent and amounted to KGS 614.3 billion by the end of the reporting year. The main share of the banks' assets to comprise loans, correspondent accounts and deposits in other banks amounted to 42.0 and 18.4 percent, respectively.

Banking system assets

Table 3.1.1.1.

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

Asset category	2022		2023	
	<i>billions of KGS</i>	<i>Share, percent</i>	<i>billions of KGS</i>	<i>Share, percent</i>
Loans and financial lease to clients	204.0	42.3	257.8	42.0
Correspondent accounts and deposits with other banks	99.8	20.7	112.8	18.4
Securities portfolio	52.5	10.9	70.2	11.4
Cash	56.9	11.8	78.0	12.7
Correspondent account with the NBKR	30.6	6.4	45.2	7.4
Fixed assets	18.9	3.9	22.7	3.7
Loans to financial and credit organizations	2.0	0.4	4.4	0.7
Securities purchased under repurchase (REPO) agreement	0.0	0.0	0.1	0.0
Investments and financial participation	0.7	0.1	0.8	0.1
Special LLP*	-23.1	-4.8	-22.4	-3.7
Other assets	39.9	8.3	44.7	7.3
Total	482.2	100.0	614.3	100.0

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

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

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 26.1 percent and amounted to KGS 236.0 billion or 38.4 percent of the total assets at the end of 2023.

The volume of performing assets and off-balance sheet liabilities accounted for 93.5 percent of the total assets or KGS 495.2 billion, and the share of non-performing assets and off-balance sheet liabilities amounted to 6.5 percent or KGS 34.4 billion.

Table 3.1.1.2.

Classification of Banks' Assets and Off-balance Sheet Liabilities
(percent)

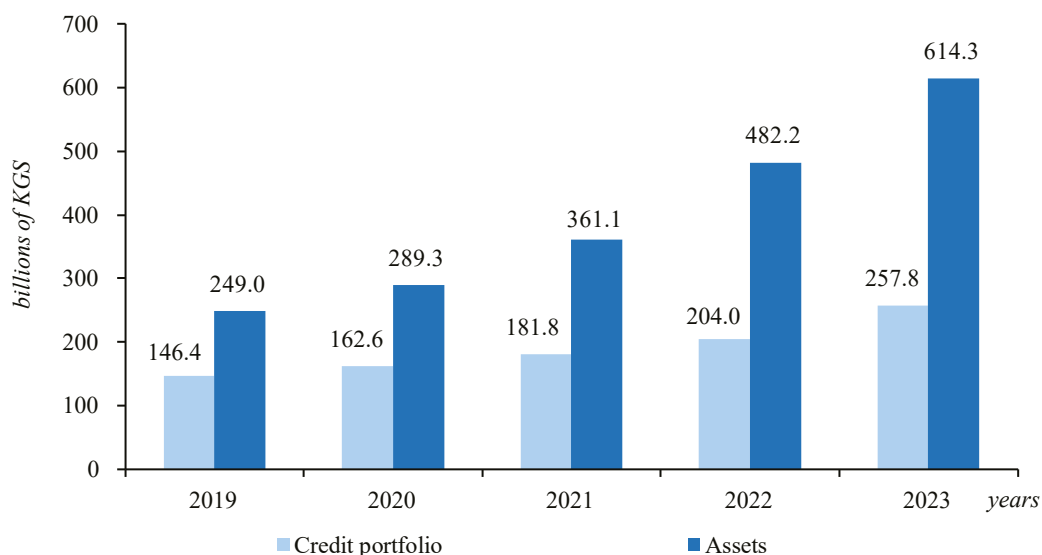
Classification category	Assets and off-balance liabilities	
	2022	2023
Total performing	91.1	93.5
including:		
Standard	71.0	71.4
Satisfactory	8.0	11.6
Under supervision	12.1	10.5
Total non-performing	8.9	6.5
including:		
Substandard	2.9	2.1
Doubtful	1.3	0.9
Losses	4.7	3.5
Total	100.0	100.0

Credit portfolio

The aggregate credit portfolio of the banks¹ increased by 26.3 percent and amounted to KGS 257.8 billion.

Chart 3.1.1.1.

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

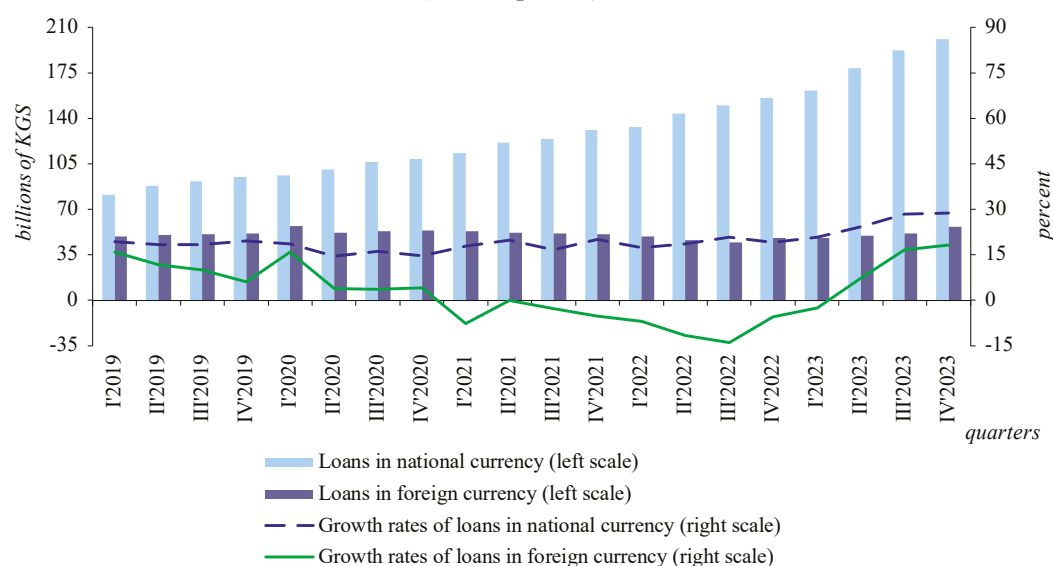


The credit portfolio increased due to the growth of lending in the national currency by 28.8 per cent and amounted to KGS 200.9 billion, the credit portfolio in foreign currency increased by 18.3 percent, up to KGS 56.8 billion.

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

Chart 3.1.1.2.

Volume of Banks' Credit Portfolio (end-of-period)



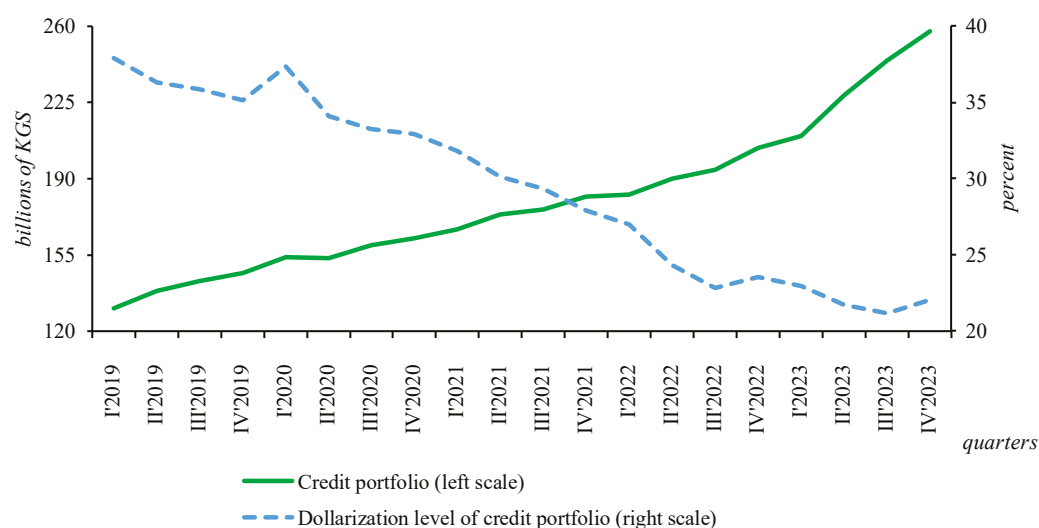
In the reporting year, the total volume of short-term loans of the commercial banks increased by 36.9 percent, and the volume of loans with maturity over one year increased by 24.6 percent, which conditioned reduction of the credit portfolio duration from 31.1 to 30.8 months. The number of borrowers increased by 32.2 percent and amounted to 762.2 thousand individuals and legal entities.

At the end of 2023, the level of dollarization of the portfolio decreased by 1.5 percentage points compared to 2022, down to 22.0 percent.

Level of credit portfolio dollarization

Chart 3.1.1.3.

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

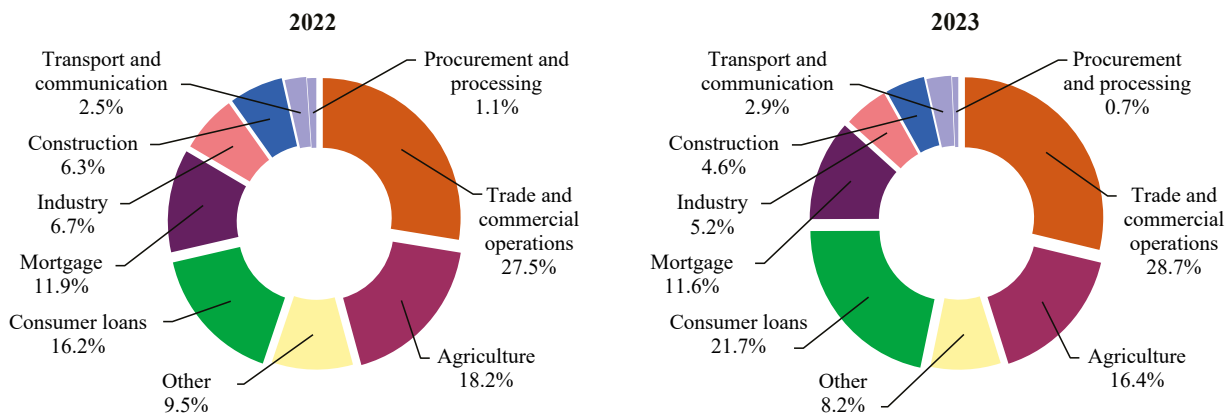


In the sectoral structure of the credit portfolio, there was growth in the share of trade and consumer loans amid an increase in the overall level of lending. The loans were mainly extended in such sectors as: KGS 74.0 billion – trade and commercial operations (an increase by 31.8 percent during the year); KGS 55.8 billion – consumer lending (an increase by 68.8 percent); KGS 42.2 billion – agriculture (an increase by 13.8 percent); KGS 30.0 billion – mortgage (an increase by 23.2 percent); KGS 13.4 billion – industry (a decrease by 2.0 percent); KGS 11.9 billion – construction (a decrease by 8.0 percent).

Sectoral structure of the credit portfolio

Chart 3.1.1.4.

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

*Regional structure of the credit portfolio*

In 2023, the volume of the banks' credit portfolio increased in all regions of the Kyrgyz Republic. In Bishkek, the credit portfolio increased by KGS 25.1 billion, in Osh city and Osh oblast – by KGS 7.6 billion, in Jalal-Abad oblast – by KGS 6.9 billion, in Issyk-Kul oblast – by KGS 3.9 billion, in Chui oblast – by KGS 3.9 billion, in Batken oblast – by KGS 3.0 billion, in Talas oblast – by KGS 1.7 billion, in Naryn oblast – by KGS 1.4 billion.

Table 3.1.1.3.

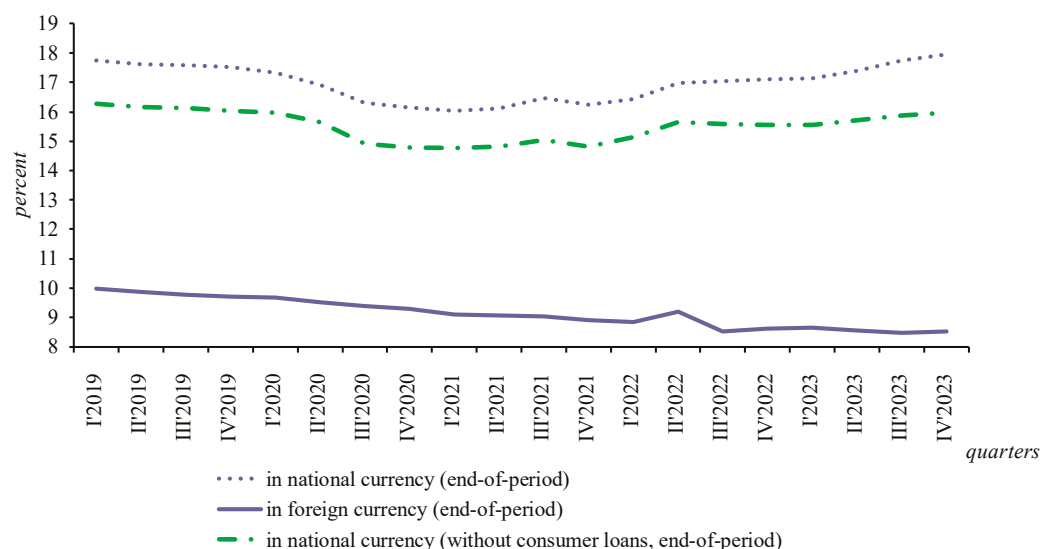
Regional Structure of Commercial Banks' Credit Portfolio (end-of-period)*

	2022		2023	
	billions of KGS	Share, percent	billions of KGS	Share, percent
Bishkek city	105.4	51.8	130.5	50.7
Osh city and Osh oblast	28.3	13.9	35.9	14.0
Jalal-Abad oblast	21.3	10.5	28.2	11.0
Chui oblast	15.3	7.5	19.2	7.5
Issyk-Kul oblast	12.9	6.3	16.8	6.5
Batken oblast	7.1	3.5	10.1	3.9
Naryn oblast	7.1	3.5	8.5	3.3
Talas oblast	6.2	3.0	7.9	3.1
Total	203.6	100.0	257.1	100.0

* The credit portfolio is presented including discount. Discount is the amount of excess of the loan balance over its amortized cost resulting from loan restructuring or extending a loan at a below market rate.

As at the end of the reporting year, the weighted average interest rate on the commercial banks' credit portfolio in the national currency increased by 0.9 percentage points and amounted to 18.0 percent, however those in foreign currency decreased by 0.1 percentage points and amounted to 8.5 percent.

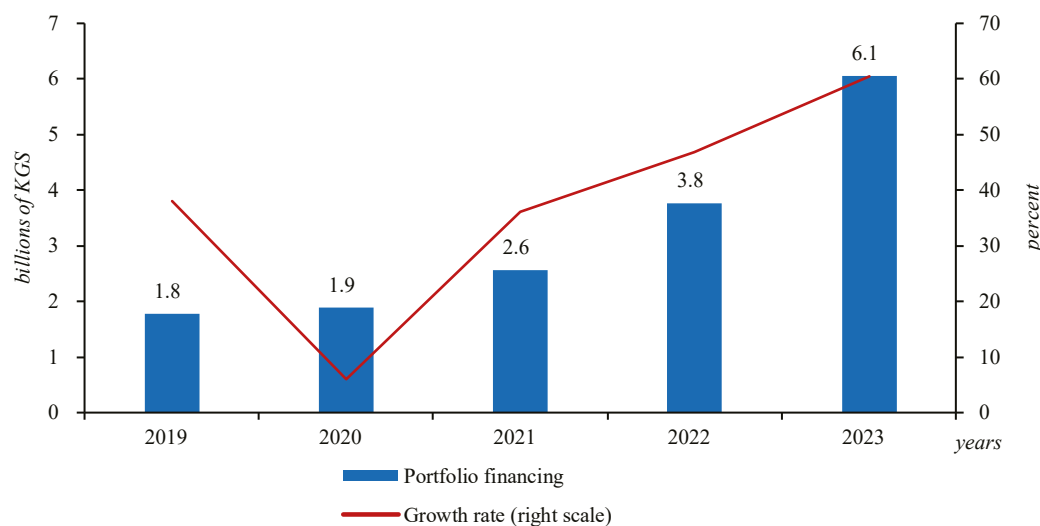
The weighted average interest rate on the credit portfolio (excluding consumer loans) in the national currency increased by 0.4 percentage points and amounted to 16.0 percent by the end of the year.

Chart 3.1.1.5.**Weighted Average Interest Rates of Commercial Banks' Credit Portfolio**

In the reporting period, five commercial banks in the Kyrgyz Republic rendered services on the principles of Islamic banking and finance in the national and/or foreign currency.

*Principles of
Islamic finance*

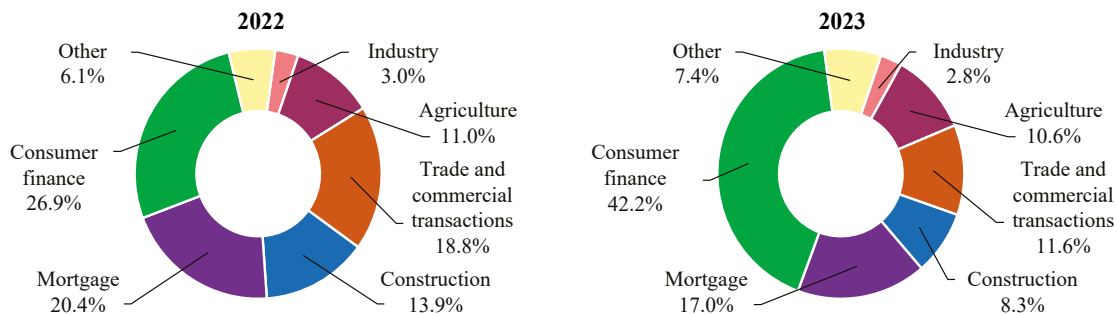
In 2023, the volume of finance on the Islamic principles increased by 60.4 percent compared to 2022 and amounted to KGS 6,052.1 million.

Chart 3.1.1.6.**Volumes of Financing under the Islamic Principles**

During the reporting period, the share of consumer finance on the Islamic principles in the banks' financing portfolio increased significantly up to 42.2 percent from 26.9 percent in 2022.

Chart 3.1.1.7.

Commercial Banks' Portfolio under the Principles of Islamic Finance by Economic Sectors (end-of-period)



Finance on the Islamic principles was primarily directed to the following sectors of economy: KGS 2.6 billion – consumer financing (an increase by 1.5 times during the year); KGS 1.0 billion – mortgage (an increase by 33.9 percent); KGS 0.7 billion – trade and commercial operations (a decrease by 0.4 percent); KGS 0.6 billion – agriculture (an increase by 54.8 percent); KGS 0.5 billion – construction (a decrease by 4.0 percent).

The share of non-performing loans in the credit portfolio of the banking system decreased by 3.6 percentage points compared to 2022 and amounted to 9.2 percent, or KGS 23.8 billion.

In the reporting period, the amount of allocations to LLP decreased by KGS 1.1 billion, which indicates improvement in the quality of the credit portfolio (a decrease in the volume of non-performing loans) and an increase in the banks' profit in the reporting period.

Table 3.1.1.4.

Classification of Commercial Banks' Loans
(percent)

Classification category	Loans	
	2022	2023
Total performing	87.2	90.8
including:		
Standard	53.4	53.2
Satisfactory	11.3	18.7
Under supervision	22.5	18.9
Total non-performing	12.8	9.2
including:		
Substandard	4.2	3.0
Doubtful	2.1	1.5
Losses	6.5	4.7
Total	100.0	100.0

Newly issued loans

The total volume of loans issued by the commercial banks during 2023 increased by 46.0 percent compared to 2022 and amounted to KGS 275.8 billion. The volume of newly issued loans in the national currency increased by 45.8 percent (up to KGS 229.5 billion) and those in foreign currency increased by 47.0 percent (up to KGS 46.3 billion).

The average value of the interest rate on newly issued loans in the national currency increased by 0.5 percentage points and amounted to 19.2 percent, the same in foreign currency increased by 0.3 percentage points, up to 8.5 percent.

At the end of 2023, the total volume of liabilities of the commercial banks increased by 26.9 percent, up to KGS 510.0 billion. The share of liabilities in foreign currency decreased by 0.3 percentage points compared to 2022 and amounted to 43.4 percent of total liabilities at the end of 2023.

Banking system liabilities

Table 3.1.1.5.

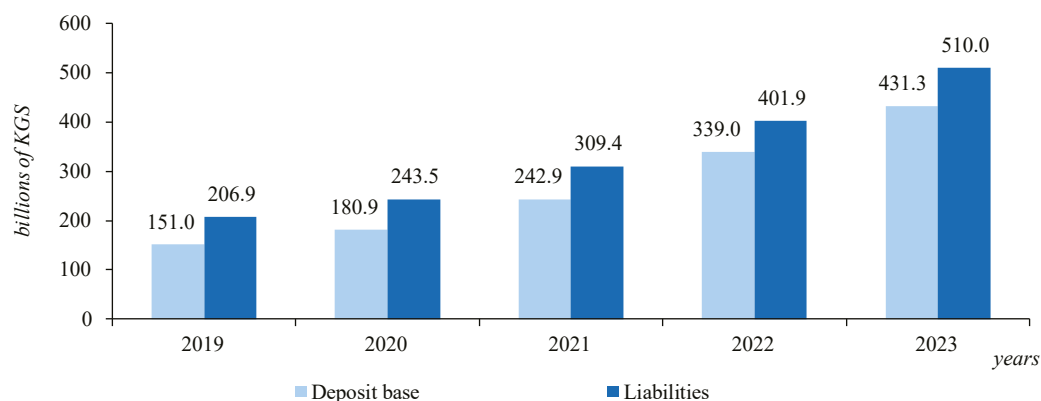
Structure of Commercial Banks' Liabilities (end-of-period)

Liability category	2022		2023	
	<i>billions of KGS</i>	Share, percent	<i>billions of KGS</i>	Share, percent
Term deposits	77.5	19.3	91.1	17.9
Settlement accounts	120.2	29.9	153.2	30.1
Demand deposits	68.5	17.0	85.8	16.8
Loans received	23.7	5.9	27.0	5.3
Government deposits	23.2	5.8	39.0	7.7
Deposits of non-residents	49.6	12.3	62.2	12.1
Liabilities to the NBKR	0.0	0.0	0.0	0.0
Government loans	5.3	1.3	7.8	1.5
Settlement accounts and deposits of banks	5.8	1.5	4.4	0.9
Securities sold under repurchase (repo) agreements	0.0	0.0	0.0	0.0
Other liabilities	28.1	7.0	39.5	7.7
Total	401.9	100.0	510.0	100.0

The share of the deposit base in the gross volume of liabilities increased by 0.3 percentage points compared to 2022 and amounted to 84.6 percent.

Chart 3.1.1.8.

Dynamics of Liabilities and Deposit Base

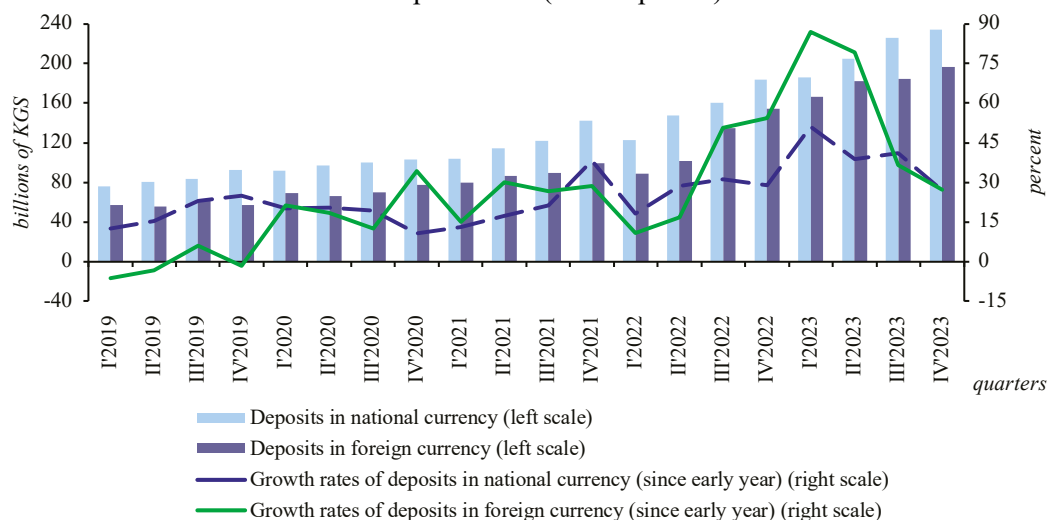


At the end of 2023, the total volume of the deposit base of the commercial banks' clients increased by 27.3 percent, up to KGS 431.3 billion. There was growth of deposits in the national (by 27.2 percent) and foreign currencies (by 27.3 percent). The number of depositors increased by 34.1 percent compared to the end of 2022 and amounted to 7.4 million individuals and legal entities by the end of the year.

Deposit base

Chart 3.1.1.9.

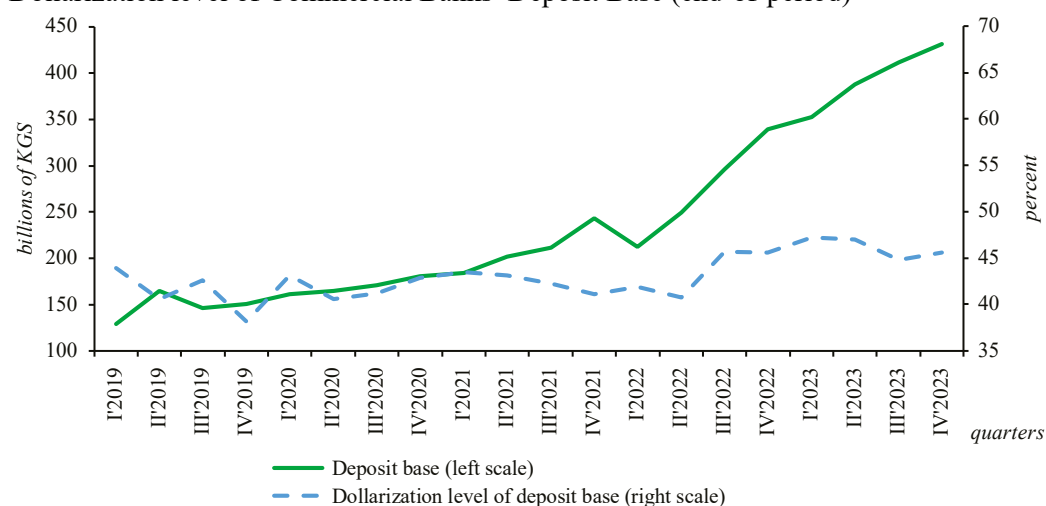
Volume of Commercial Banks' Deposit Base (end-of-period)

*Dollarization level of the deposit base*

The level of dollarization of the deposit base remained unchanged compared to 2022 and amounted to 45.6 percent.

Chart 3.1.1.10.

Dollarization level of Commercial Banks' Deposit Base (end-of-period)

*Structure of the deposit base*

The structure of deposits demonstrated an increase in the short-term deposits (up to one year) and a decrease in the long-term deposits (over a year). As a result, the duration of the deposit base decreased from 3.3 months in 2022 down to 3.2 months in the reporting year. At the same time, the duration of time deposits increased by 0.3 points, up to 12.3 months.

Deposit interest rates

As at the end of 2023, the weighted average interest rate on deposits in the national currency amounted to 5.5 percent (a decrease by 0.1 percentage point) and the same in foreign exchange – 0.7 percent (an increase by 0.1 percentage point).

During 2023, the volume of deposits¹ accepted by the banks amounted to KGS 2,921.5 billion, having increased by 93.0 percent compared to 2022. Deposits in the national currency increased by 91.7 percent, up to KGS 1,964.3 billion. Deposits in

¹ Hereinafter, funds on the settlement accounts were not considered in the volume of deposits attracted during the year.

foreign currency grew by 95.7 percent, up to KGS 957.3 billion. The main inflow of deposits was provided by the receipt of funds on the accounts of demand deposits.

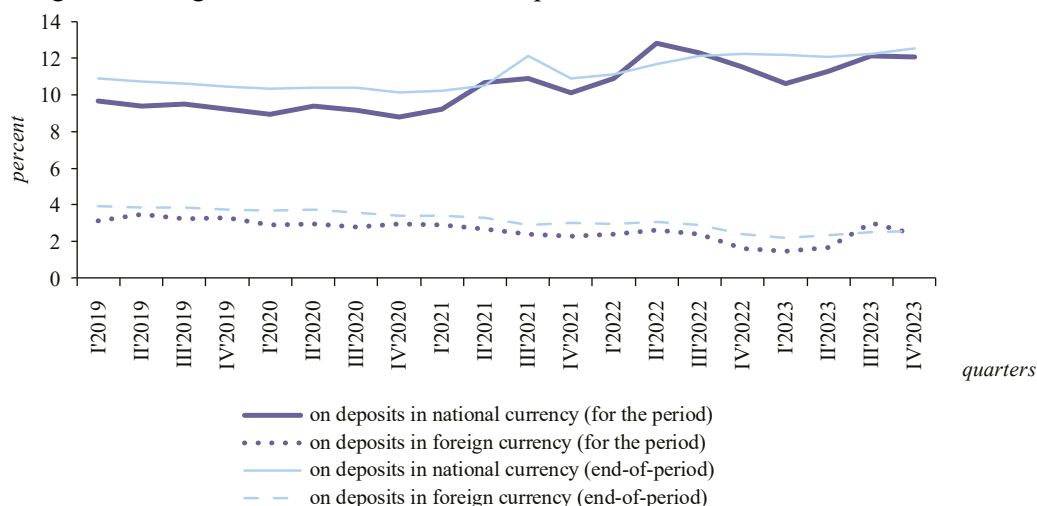
The average interest rate on attracted deposits in the national currency decreased by 0.1 percentage point compared to 2022 and constituted 1.3 percent, and the same in foreign currency remained unchanged and was kept at 0.2 percent.

The average interest rate on attracted term deposits in the national currency decreased by 0.3 percentage points compared to 2022, up to 11.5 percent, and the same in foreign currency decreased by 0.2 percentage points, up to 2.1 percent.

New deposits

Chart 3.1.1.11.

Weighted Average Interest Rates on Term Deposits of Banks



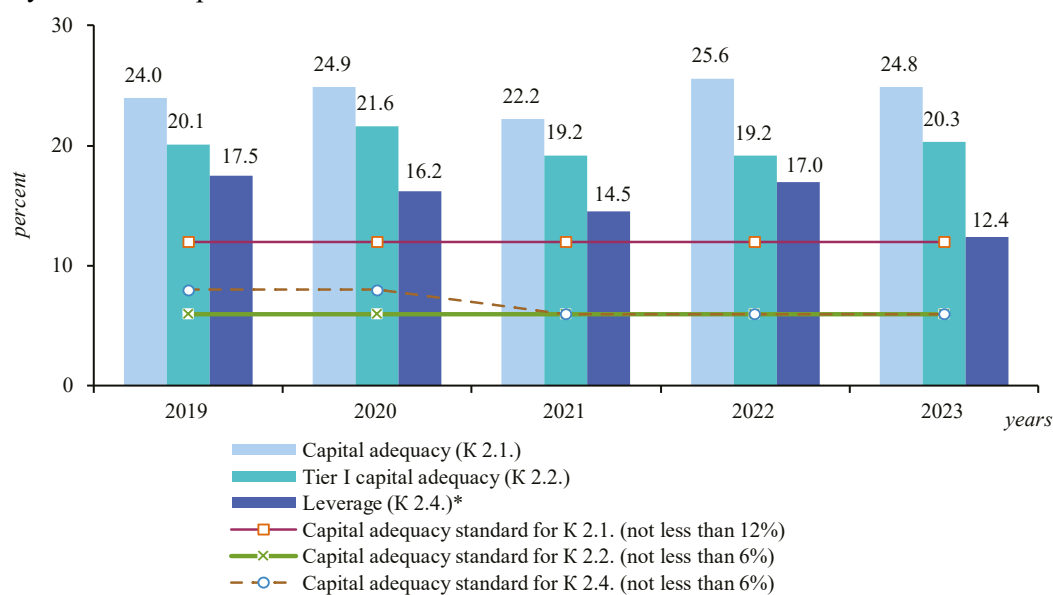
During 2023, the volume of net total capital¹ of the commercial banks increased by 30.2 percent and amounted to KGS 106.3 billion. The amount of paid-up authorized capital² increased by 35.9 percent, up to KGS 60.1 billion.

Capital of commercial banks

Capital adequacy indicators of the banking sector reflect its stability. The level of capital adequacy in the banking sector (K 2.1.) amounted to 24.8 percent at the end of 2023 and exceeded the established standard (at least 12 percent) by more than two times.

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.

Chart 3.1.1.12.**Dynamics of Capital-Based Indicators of Banks**

* until January 1, 2020, the term "Leverage (K 2.3)" was used for this indicator.

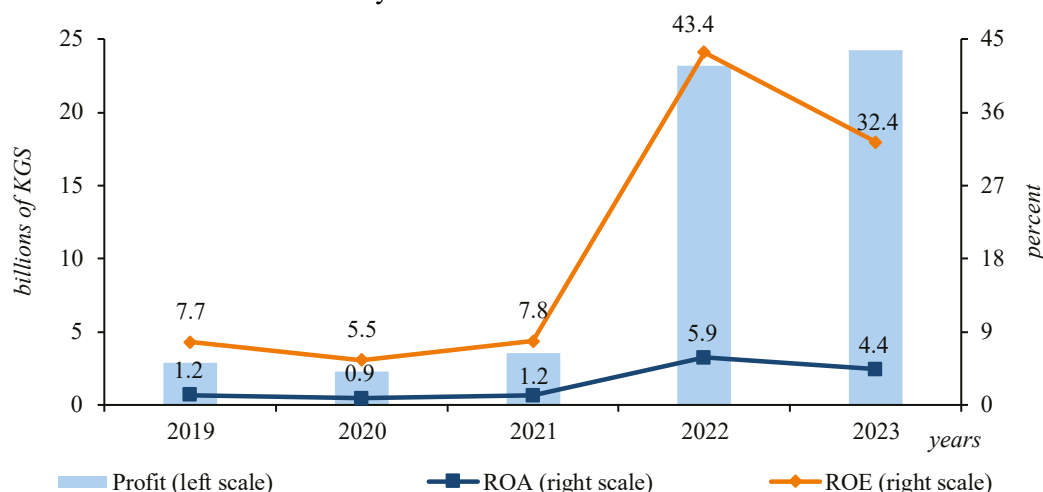
At the end of 2023, the preliminary net profit of the banking system increased by 4.6 percent compared to 2022 and amounted to KGS 24.2 billion.

Table 3.1.1.6.**Volume of Income and Expenses of Banks**
(billions of KGS)

Category	2022	2023
Total interest income	35.2	49.6
Total interest expenses	12.2	15.3
Net interest income	23.0	34.3
Allocations to LLP (loans)	5.1	-1.1
Net interest income after allocations to LLP	17.9	35.4
Total non-interest income	80.3	74.4
Total non-interest expenses	47.5	50.8
Total other operating and administrative expenses	22.8	31.0
Net operating income (loss)	27.9	28.0
Allocations to LLP (on other assets)	2.0	1.0
Net income (loss) before tax	25.9	27.0
Profit tax	2.7	2.8
Net income	23.2	24.2

Chart 3.1.1.13.

Indicators of Banks' Profitability



The commercial banks' return on assets (ROA) decreased from 5.9 percent in 2022 down to 4.4 percent in 2023, while the return on equity (ROE) decreased from 43.4 percent down to 32.4 percent.

The results of econometric and financial forecast modeling still reflect the availability of financial strength in the banking system based on the results of 2023.

The results of "reverse" stress testing show the banking sector can withstand a significant deterioration in the quality of the credit portfolio and macroeconomic shocks.

High level of capital adequacy in the banking system indicates that there is potential to further increase the level of financial intermediation and sustainability of the banking sector.

*Financial stability of
the banking system*

CONTENT

3.1.2. Licensing of the Commercial Banks

According to the Constitutional Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" the National Bank is an authorized body for licensing of banks (issuing permits), as well as under special regulatory regimes.

During 2023, one commercial bank was provided with a permit to conduct operations with refined measuring bars issued by the National Bank; one commercial bank was issued a permit to conduct operations with precious metals in the form of refined measuring bars of other issuers in cash and non-cash forms.

Finally, as of the end of 2023, 11 commercial banks out of 23 commercial banks have a permit to conduct operations with refined measuring bars issued by the National Bank; three commercial banks have a permit to conduct operations with precious metals in the form of refined standard and measuring bars of other issuers in cash and non-cash forms; four commercial banks have a permit to conduct operations with precious metals in the form of refined standard and measuring bars of other issuers in cash and non-cash forms; four commercial banks have a permit to conduct anonymized operations with precious metals in the form of refined standard and measuring bars of other issuers (in non-cash form).

According to the Law of the Kyrgyz Republic "On Banks and Banking Activity", commercial banks may open branches and separate subdivisions in the Kyrgyz Republic, as well as in the form of savings and field cash offices, in order to provide banking services.

*Branches, savings
offices and field
cash offices*

Table 3.1.2.1.

Information on branches and separate subdivisions of commercial banks

	Number of Branches		Number of Savings Offices		Number of Field Cash Offices	
	2022	2023	2022	2023	2022	2023
Bishkek city	78	81	253	263	34	33
Batken oblast	23	24	65	66	7	6
Jalal-Abad oblast	46	46	150	154	23	19
Issyk-Kul oblast	40	38	57	62	19	19
Naryn oblast	20	20	25	26	5	5
Osh oblast	59	58	184	184	39	33
Talas oblast	18	19	25	26	8	8
Chui oblast	34	34	71	81	32	28
Total	318	320	830	862	167	151

In 2023, the commercial banks opened 7 branches, 41 savings offices and 11 field cash offices in the republic, while 5 branches, 9 savings offices and 27 field cash offices were closed

3.1.3. Supervision of the Commercial Banks

In 2022, the National Bank supervised the commercial banks through the remote analysis and onsite inspections in compliance with the principles of risk-based oversight and taking into account the financial status, quality of corporate management, compliance with prudential standards, and other requirements established by law. Particular attention was paid to the issues of capitalization and sustainability of banks' activities.

At the end of the year, the total capital adequacy stood at 24.8 percent, with the prescribed standard of "not less than 12 percent", which reflects a stable functioning of the banking sector, as well as availability of the potential to further expand financial intermediation by the banking system.

Table 3.1.3.1.

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

	2022	2023
Net total capital, <i>billions of KGS</i>	81.6	106.3
Net risk assets, <i>billions of KGS</i>	287.6	382.3
Total capital adequacy ratio, <i>percent</i>	25.6	24.8
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>	12	6
Number of banks with capital adequacy ratio from 20 to 30 percent, <i>units</i>	7	11
Number of banks with capital adequacy ratio under 20 percent, <i>units</i>	4	6

Credit risk

Credit risk is among the main risks accompanying banking activities, which is assessed based on the classification of assets and off-balance sheet liabilities¹. In 2023, the ratio of special reserves for non-performing loans bearing the risk of defaulting to the credit portfolio made up 6.2 percent, having decreased by 2.4 percentage points year-to-date. Improvement of the borrowers' financial discipline and an increase in the volume of newly issued loans affected significantly the quality of the credit portfolio.

¹ Data are given in Section 3.1.1. "Overview of the Banking System Development", Table 3.1.1.2. "Classification of Banks' Assets and Off-Balance-Sheet Liabilities" and Table 3.1.1.4. "Classification of Commercial Banks' Loans".

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 2023, the foreign exchange assets of the banking system amounted to KGS 232.2 billion, or 37.7 percent of total assets. The liabilities of the commercial banks in foreign currency amounted to KGS 220.3 billion, or 43.4 percent of total liabilities in the banking system.

Currency risk

Table 3.1.3.2.

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

	2022	2023
Assets in foreign currency, <i>billions of KGS</i>	185.9	232.2
Share of foreign currency assets in total assets structure, <i>percent</i>	38.5	37.7
Liabilities in foreign currency, <i>billions of KGS</i>	174.0	220.3
Share of foreign currency liabilities in total liabilities structure, <i>percent</i>	43.7	43.4

Liquidity risk in the banking system is assessed 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 2023, the negative gap by maturities of the assets and liabilities was not changed significantly, and the risk of liabilities prevailing over assets in the aforementioned maturities can be compensated by positive gaps in long-term maturities.

Liquidity risk

Table 3.1.3.3.¹

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

(*billions of KGS*)

2022	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	246.6	21.8	17.8	30.8	190.9	508.0
Liabilities	273.5	15.0	24.9	38.6	45.9	397.9
Amount of excess assets over liabilities	-26.9	6.7	-7.0	-7.8	145.0	110.1
in percent of the total volume of assets	10.9	30.9	39.3	25.3	76.0	21.7

2023	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	300.4	40.8	25.0	51.4	220.4	637.9
Liabilities	350.2	15.4	26.5	45.7	66.0	503.8
Amount of excess assets over liabilities	-49.8	25.5	-1.5	5.6	154.3	134.1
in percent of the total volume of assets	16.6	62.4	6.2	11.0	70.0	21.0

At the end of 2023, the liquidity ratio of the banking system decreased by 5.4 percentage points, down to 77.4 percent, with the standard established for the commercial banks “not less than 45 percent”. A decrease was due to an increase in the total volume of the commercial banks’ credit portfolio. Additional “quick” liquidity ratio (K3.3) for daily management of the bank’s assets and liabilities was established for certain banks to prevent possible risks.

As part of interaction with the State Financial Intelligence Service under the Ministry of Finance of the Kyrgyz Republic, in 2023, there was regular exchange of information on compliance with the laws of the Kyrgyz Republic on counter-terrorism financing and anti-money laundering (CTF/AML) by the supervised organizations.

CTF/AML

¹ Data are given based on section 12 PRBR.

Inspections

In 2023, the National Bank conducted inspections of the commercial banks using risk-oriented supervision approaches. The inspections included an 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.

Information security risks of commercial banks were assessed for compliance the established requirements of the National Bank. The commercial banks were regularly informed about emerging threats and vulnerabilities based on the analysis of cyber threats and information from other cyber threat response centers as part of ensuring the information security of the financial market and countering cyberattacks in the financial sector.

The National Bank conducted regular monitoring and analysis of the situation in the foreign exchange market, as well as inspections for compliance with the requirements of the regulatory legal acts on CTF/AML, foreign exchange operations in cash to prevent speculative operations in the foreign exchange market. Enforcement measures were taken in respect of the commercial banks that committed violations of the regulatory legal acts of the National Bank based on the inspections results. In addition, purposeful use of credit funds on the government programs was audited jointly with other government agencies.

3.1.4. Enforcement Measures

In 2023, the enforcement measures in the form of prescriptive orders were mainly applied to reduce credit, operational, currency risks, and risks of terrorism financing and money laundering, as well as to eliminate the identified deficiencies and violations in the processes of managing the abovementioned risks. The enforcement measures within the framework of external supervision were mainly applied to strengthen the banks' internal control system for compliance by the commercial banks with economic regulations, cash discipline, technical strength and arrangement of video surveillance.

Individual banks were subjected to sanctions, as well as in the form of fines due to non-compliance with the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank regarding weaknesses in the internal control system and violations of the banking legislation of the Kyrgyz Republic, including the legislation on CTF/AML.

Enforcement measures were applied in respect of certain commercial banks in accordance with the laws of the Kyrgyz Republic 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.

In 2023, the Supervision Committee of the National Bank held 51 meetings, where 113 issues on regulation of the commercial banks' activities were discussed. The Supervision Committee made decisions on taking supervisory response measures and measures to impose restrictions on the activities of certain commercial banks, as well as on implementing fit and proper testing of the commercial banks' officials.

3.1.5. Supervision and Regulation Methodology of the Commercial Banks Activity

During 2023, improvement of the regulatory legal framework governing the banks activities, including those operating in accordance with the principles of Islamic banking and finance, was focused on reducing the banking risks, further development of the banking services digitalization, as well as bringing it in line with the international standards and amendments in the legislation of the Kyrgyz Republic.

New amounts of the authorized and equity (regulatory) capital for newly established and operating banks were set in order to increase stability, reliability and sustainability of the banking system, as well as to strengthen and maintain the capital necessary to cover the banks' risks.

As part of further work on implementation of the international standards of the Basel Committee on Banking Supervision, in particular, Basel II and III and harmonization of the legislation of the EAEU member states, decisions were taken to resume validity of the regulatory legal acts on disclosure of information on the activities of the commercial banks and calculation of the liquidity coverage ratio, the entry into force of which was suspended due to the situation resulting from COVID-19 pandemic.

Amendments were introduced in some regulatory legal acts on credit risk management in order to develop the lending system and encourage financial-credit organizations to use automated systems for issuing loans. In particular, the permissible thresholds for loans extended through the remote service channel and loans issued on the basis of loan rating, as well as loans to the individuals – agricultural producers were revised.

In addition, the Regulation “On Minimum Requirements for Credit Risk Management in Providing Project Financing by the Commercial Banks” was approved to expand access to finance and to ensure efficient credit risk management when the banks provide project financing. The Regulation determines the basic principles being the basis for project financing, as well as the procedure for providing this form of finance by the banks.

The requirements for classification of newly issued loans in foreign currency were strengthened within the framework of measures aimed at further reducing the volume of loans in US dollars.

The standards for loans restructuring in case of introduction of the state of emergency in the territory of the Kyrgyz Republic and/or other force majeure circumstances were relaxed.

Additional requirements for banks' operations with securities were established, as well as calculation of the maximum risk exposure on operations with affiliates and bank-related parties was revised to minimize liquidity risk in the banks' activities.

The Recommendations on identification, monitoring and disclosure of financial risks associated with sustainable financing factors (ESG-risks) were approved to take measures of the state programs on implementation of the principles of sustainable finance and development of green economy in the Kyrgyz Republic.

The National Bank provided an opportunity for the commercial banks to acquire and/or create the subsidiary affiliated companies with the activity related to development of the financial technologies for rendering banking services.

Due to amendments adopted in the legislation, amendments and additions were introduced in a number of the regulatory legal acts concerning:

- establishment of requirements for the banks to provide credit information to all existing credit bureaus;
- the borrower' right to submit an application to a financial-credit organization due to a state of emergency not to include data on the borrower's default in the negative credit information;
- establishment of standards for the financial-credit organizations to serve people with disabilities;
- increase in the size of the threshold amount for the exchange operations with foreign currency in cash, in the course of which the financial-credit organizations conduct due diligence of the clients;
- defining mechanism for the commercial banks to suspend or terminate business relations with the clients in the course of successive activities within the framework of the internal control program on counter-terrorism financing and anti-money laundering;

Economic regulations and requirements

Risk management

Bringing in compliance with amendments introduced to the country's legislation

- providing the banks with an opportunity to hold other real estate in the form of recreational facilities and tourism infrastructure for more than three years, taking into account the peculiarities established by the legislation;
- establishing requirements for application of the state language in rendering banking services to the clients in order to implement the Constitutional Law of the Kyrgyz Republic “On the State Language of the Kyrgyz Republic”.

Banking services digitalization

Amendments introduced in certain regulatory legal acts on the use of digital documents by the citizens of the Kyrgyz Republic when receiving services in the financial-credit organizations were approved in order to bring thereof in line with the Cabinet of Ministers’ resolution on the use of digital documents in the territory of the Kyrgyz Republic.

Principles of Islamic finance

In order to bring the regulatory legal acts of the National Bank in line with the international Shariah standards and to create an equal legal environment for the conventional banks and the banks operating in accordance with the principles of Islamic finance, amendments were approved in certain regulatory legal acts on the rules of operation with the bank payment cards, corporate governance, financial reporting, credit risk management, asset classification, loan loss provision and damages when conducting operations in accordance with the principles of Islamic finance.

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

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

Assets of NBFCOs

At the end of 2023, the total assets of NBFCOs¹ increased by KGS 9.1 billion or 24.4 percent compared to 2022 and amounted to KGS 46.3 billion. Assets in foreign currency amounted to KGS 1.8 billion or 3.8 percent of total assets (KGS 2.5 billion or 6.6 percent at the end of 2022).

Table 3.2.1.1.

Structure of NBFCOs Assets (end-of-period)

Asset category	2022		2023	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans and financial lease to clients	30,234.7	81.2	38,580.9	83.2
Correspondent accounts and deposits in other banks	2,878.8	7.7	2,730.4	5.9
Other assets	1,976.5	5.3	2,407.9	5.2
Fixed assets	1,039.0	2.8	1,246.2	2.7
Loans to financial and credit organizations	936.8	2.5	1,091.6	2.4
Investments and financial participation	695.2	1.9	757.0	1.6
Cash	256.2	0.7	304.6	0.7
Securities portfolio	160.8	0.4	180.9	0.4
Financial leasing	-	-	6.4	0.0
Special LLP*	-943.3	-2.5	-992.5	-2.1
Total	37,234.7	100.0	46,313.5	100.0

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

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

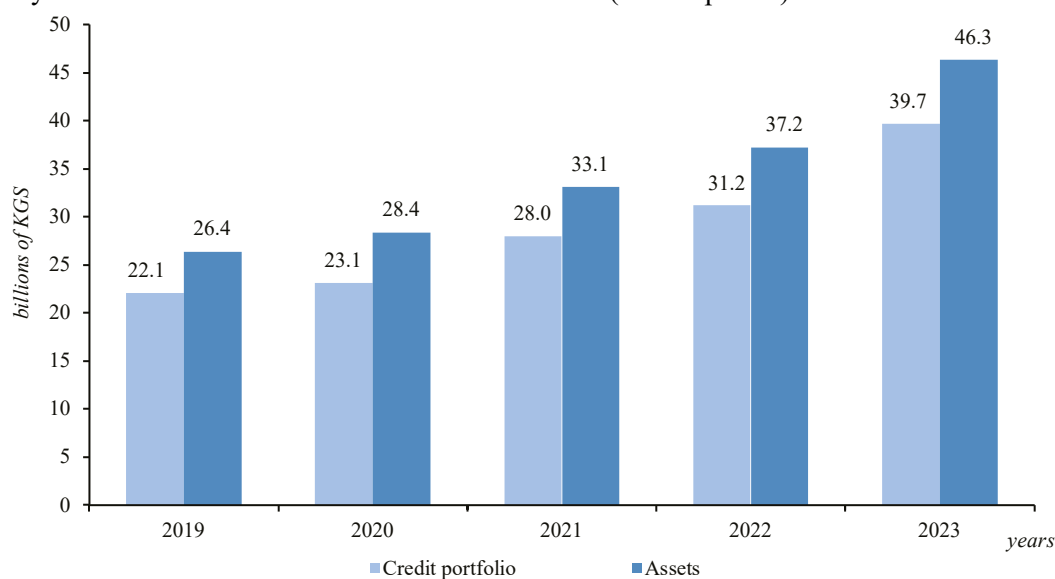
The NBFCOs¹ credit portfolio increased by KGS 8.5 billion or 27.3 percent compared to 2022 and amounted to KGS 39.7² billion. The portfolio issued in accordance with the principles of Islamic finance (PIF) amounted to KGS 1.3 billion or 3.2 percent of the NBFCOs credit portfolio (KGS 1.5 billion or 4.9 percent at the end of 2022). The NBFCOs credit portfolio in foreign currency amounted to KGS 1.1 billion or 2.8 percent of the NBFCOs credit portfolio (KGS 840.8 million or 2.7 percent at the end of 2022).

At the end of 2023, the share of the NBFCOs credit portfolio in respect to the NBFCOs total assets amounted to 85.7 percent (83.7 percent in 2022).

NBFCOs credit portfolio

Chart 3.2.1.1.

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



In 2023, there was an increase in the volume of NBFCOs credit portfolio mainly in Bishkek city by KGS 2,093.1 million, in Osh oblast by KGS 1,539.3 million, in Chui oblast by KGS 1,499.8 million and in Jalal-Abad oblast by KGS 1,393.6 million.

Table 3.2.1.2.

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

Regions	2022		2023	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Bishkek city	7,801.3	25.0	9,894.4	24.9
Osh city and Osh oblast	6,512.7	20.9	8,052.0	20.3
Chui oblast	5,291.5	17.0	6,791.3	17.1
Jalal-Abad oblast	3,937.1	12.6	5,330.6	13.4
Issyk-Kul oblast	3,144.4	10.1	3,903.4	9.8
Batken oblast	1,755.0	5.6	2,245.7	5.7
Naryn oblast	1,707.4	5.5	2,122.2	5.3
Talas oblast	1,020.4	3.3	1,332.9	3.4
Outside Kyrgyzstan	1.8	0.0	0.0	0.0
Total	31,171.5	100.0	39,672.5	100.0

* Without considering financial leasing.

¹ Without considering the credit portfolio of the SFCOs.

² Without considering financial leasing.

In the reporting year, there was an increase in lending by the NBFCO. Such categories as consumer loans (by KGS 3,080.9 million), agriculture (by KGS 1,797.8 million) and services (by KGS 1,222.8 million) demonstrated the largest increase in the volume of loans.

Table 3.2.1.3.

Credit Portfolio of NBFCOs by Categories (end-of-period)

Categories	2022		2023	
	<i>millions of KGS</i>	<i>Share, percent</i>	<i>millions of KGS</i>	<i>Share, percent</i>
Consumer loans	12,448.0	39.9	15,529.0	39.1
Agriculture	6,754.1	21.7	8,551.9	21.6
Trade and commercial operations	3,834.5	12.3	4,893.1	12.3
Services	2,629.2	8.4	3,852.0	9.7
Construction and mortgage	3,521.0	11.3	3,829.1	9.7
FCO loans	936.8	3.0	1,091.6	2.8
Transport	430.7	1.4	661.0	1.7
Industry	254.6	0.8	335.3	0.8
Procurement and processing	4.1	0.0	3.4	0.0
Other loans	358.3	1.1	926.1	2.3
Total loans	31,171.5	100.0	39,672.5	100.0

Principles of Islamic finance

In the reporting period, nine non-banking financial-credit organizations provided services in the Kyrgyz Republic in accordance with the principles of Islamic finance in the national currency.

In 2023, the volume of finance by the NBFCOs in accordance with the Islamic principles amounted to KGS 1,253.8 million. Finance in accordance with the Islamic principles was primarily directed to: consumers – KGS 1,060.5 million; agriculture – KGS 28.9 million; industry – KGS 10.5 million; trade and commercial operations – KGS 8.0 million; construction and mortgage – KGS 5.4 million; other categories – KGS 140.4 million.

Interest rate on the NBFCOs loans

At the end of the reporting year, the weighted average interest rates on the credit portfolio were as follows:

- for the loans of microfinance organizations – 32 percent, an increase by 2 percentage points compared to 2022;
- for the loans of credit unions – 24.9 percent, a decrease by 0.2 percentage points compared to 2022.

In the reporting year, the share of non-performing loans in the NBFCOs credit portfolio decreased from 4.5 down to 3.9 percent due to improvement in the quality of the NBFCOs credit portfolio.

Таблица 3.2.1.4.NBFCOs Credit Portfolio Quality¹ (end-of-period)

Loan classification category	2022		2023	
	millions of KGS	percent	millions of KGS	percent
Total performing	29,756.0	95.5	38,127.6	96.1
Total non-performing	1,415.5	4.5	1,544.9	3.9
<i>including:</i>				
<i>Substandard</i>	518.7	1.7	615.5	1.6
<i>Doubtful</i>	201.7	0.6	211.9	0.5
<i>Losses</i>	695.1	2.2	717.6	1.8
Total credit portfolio	31,171.5	100.0	39,672.5	100.0

At the end of 2023, the number of NBFCOs borrowers increased by 58,548 borrowers or 13.2 percent compared to 2022 and amounted to 502,749 persons (145 of them are legal entities). The share of women in the total number of borrowers-individuals was 57.5 percent, the share of men – 42.5 percent.

At the end of the reporting year, the NBFCOs² liabilities increased by KGS 5.7 billion or 34.3 percent and amounted to KGS 22.3 billion.

*NBFCOs liabilities***Table 3.2.1.5.**

Structure of NBFCOs Liabilities (end-of-period)

Liability category	2022		2023	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans received, including:	9,989.2	60.0	12,524.1	56.0
<i>from international financial and credit organizations</i>	6,214.7	37.4	4,521.1	20.2
<i>from banks of Kyrgyz Republic</i>	203.7	1.2	3,474.0	15.5
<i>from other financial and credit organizations of Kyrgyz Republic</i>	2,205.9	13.3	2,670.7	12.0
<i>from international financial organizations and donors</i>	1,168.1	7.0	1,521.1	6.8
<i>from the Government of Kyrgyz Republic</i>	196.8	1.2	337.3	1.5
Term deposits	3,393.9	20.4	5,397.5	24.2
Subordinated debts	102.1	0.6	99.9	0.4
Other liabilities	3,150.0	18.9	4,325.2	19.4
Total	16,635.3	100.0	22,346.7	100.0

At the end of 2023, attracted deposits of the NBFCOs increased by KGS 2.0 billion or 59.0 percent compared to 2022 and amounted to KGS 5.4 billion.

In 2023, the NBFCOs³ aggregate capital increased from KGS 20.9 billion up to KGS 24.3 billion.

NBFCOs capital

¹ Without considering financial leasing.

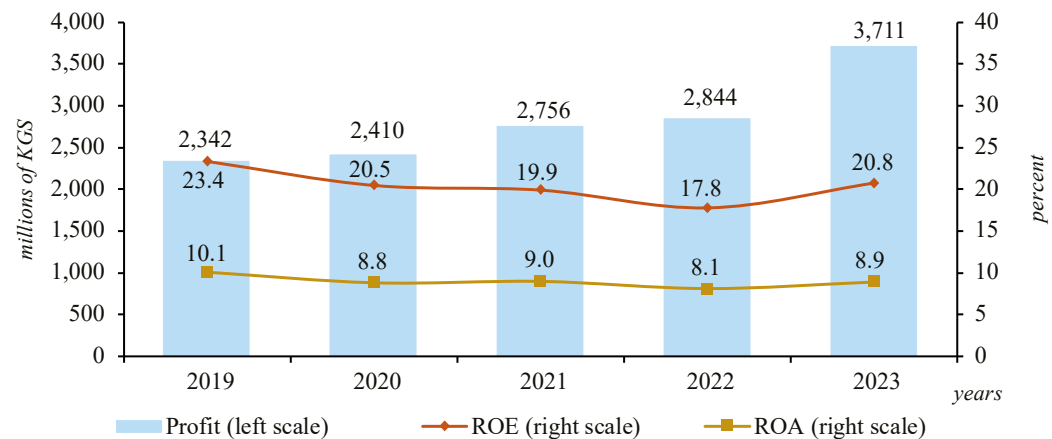
² Without considering the liabilities of credit bureaus, guarantee fund and exchange bureaus.

³ Without considering the liabilities of credit bureaus, guarantee fund and exchange bureaus.

Table 3.2.1.6.**Structure of NBFCO Incomes and Expenses**
(millions of KGS)

Category	2022	2023
Total income	8,450.9	10,988.7
Total expenses	2,171.9	2,984.3
Net income	6,279.1	8,004.4
Allocations to LLP	355.4	380.2
Net income after allocations to LLP	5,923.7	7,624.2
Total other income	948.3	993.7
Total other expenses	216.9	3,309.8
Total other operating and administrative expenses	3,474.1	1,173.3
Net operating income	3,181.0	4,134.8
Allocations to LLP (on other assets)	11.9	0.4
Net income before tax	3,169.0	4,134.5
Profit tax	324.7	423.7
Net profit (loss)	2,844.4	3,710.7

At the end of 2023, the NBFCOs net profit increased by KGS 866.4 million or 30.5 percent compared to 2022 and amounted to KGS 3.7 billion (KGS 499.0 million resulted from the PIF use).

Chart 3.2.1.2.**Dynamics of NBFCO Net Profit and Profitability Indicators**

In 2022, return on assets (ROA) of the non-banking financial-credit organizations increased from 8.1 percent up to 8.9 percent, the NBFCOs return on equity (ROE) increased from 17.8 percent up to 20.8 percent.

Guarantee fund

In 2023, one guarantee fund continued to operate in the Kyrgyz Republic, at the end of the reporting year, its assets increased by KGS 5.8 million or 0.1 percent and amounted to KGS 7.3 billion.

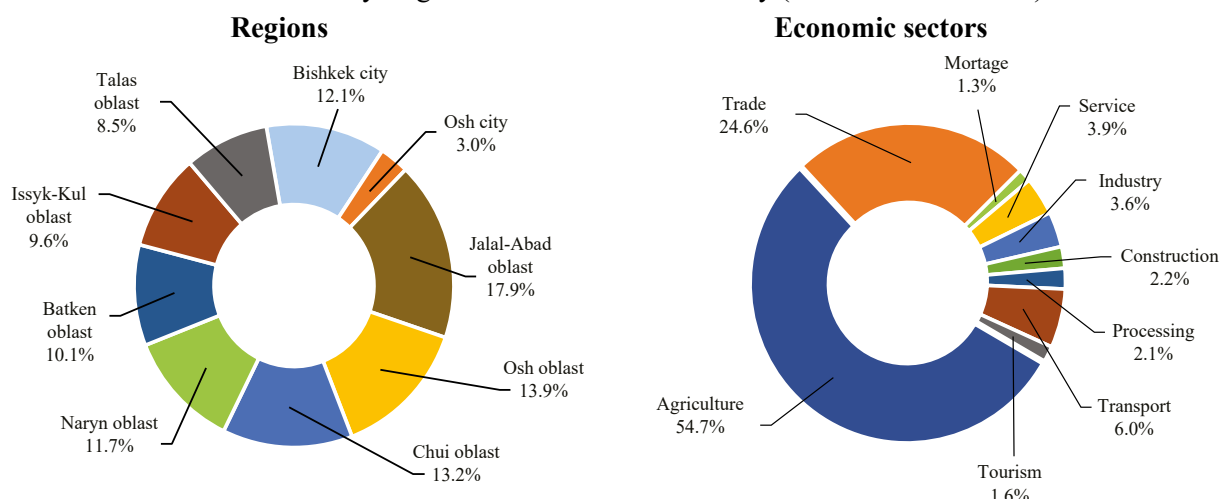
The liabilities of the guarantee fund decreased by KGS 19.7 million or 8.5 per cent compared to 2022 and amounted to KGS 211.1 million.

The capital of the guarantee fund increased by KGS 25.5 million or 0.4 percent. At the end of 2023, the net profit increased by KGS 48.0 million or 12.3 percent compared to the end of 2022 and amounted to KGS 436.5 million.

During 2023, 4,736 guarantees were issued in the total amount of KGS 2.8 billion, and 8,166 guarantees in the total amount of KGS 8.1 billion were issued for the whole period of the guarantee fund's activity.

Chart 3.2.1.3.

Number of Issued Guarantees by Regions and Sectors of Economy (as of the end of 2023)



3.2.2. Licensing of Non-Banking Financial-Credit Organizations

The activities of specialized financial-credit organizations (SFCOs), microfinance companies (MFCs), credit unions (CUs), exchange bureaus, credit bureaus and housing and savings credit companies (HSCCs) are conducted on the basis of the license issued by the National Bank. The microcredit companies (MCCs), microcredit agencies (MCAs) and guarantee funds (GFs) operate on the basis of a certificate of accounting registration.

At the end of 2023, the system of non-banking financial-credit organizations and other legal entities subject to licensing and regulation by the National Bank included one SFCO, 81 CUs, 121 microfinance organizations (including 9 MFCs, 78 MCCs, and 34 MCAs), 609 exchange bureaus, two credit bureaus, and one guarantee fund.

In the reporting year, the National Bank issued five certificates of accounting registration of the MCCs and 237 licenses to the exchange bureaus (including the exchange bureaus with expired previous license).

14 National Bank's certificates of MCC accounting registration, three licenses of the CUs, one license of the HSCCI, and 92 licenses of the exchange bureaus (70 licenses thereof due to validity expiration) were cancelled due to termination of activities.

Table 3.2.2.1.

Dynamics in the Number of NBFCOs

Title	2019	2020	2021	2022	2023
SFCO	1	1	1	1	1
Microfinance organization (MFC, MCC and MCA)	137	134	133	130	121
Credit unions	95	92	88	84	81
Exchange bureaus	401	387	379	467	609
Credit bureaus	2	2	2	2	2
Guarantee fund	1	1	1	1	1
Housing and savings loan companies	—	—	1	1	—
Total	637	617	605	686	815

3.2.3. Supervision over Non-Banking Financial-Credit Organizations

In the reporting year, the National Bank strengthen the work on identifying the problems in the NBFCOs' activities at the early stages of their occurrence and taking preventive measures on supervisory response in order to ensure the sustainability and stability of non-banking financial-credit organizations, as well as to increase the availability of microfinance services and reduce credit risks.

In 2023, the National Bank conducted the following inspections to assess the activities of NBFCOs for compliance with the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank, including the issues on protection of the financial services consumers' rights:

- 145 inspections of the exchange bureaus' activities;
- 23 inspections of the CUs' activities;
- 16 inspections of the MFOs' activities;
- two inspections of the GFs' activities;
- one inspection of the SFCO's activity;
- one inspection of the HSCC's activity;
- one inspection of the credit bureau activity.

The National Bank continued to identify and suppress unlicensed activities in the field of foreign currency exchange in cash. 110 individuals who exchanged foreign currency without the relevant license of the National Bank were prosecuted and a fine in the total amount of KGS 1,925.0 thousand was imposed in favor of the republican budget based on the results of joint activities with the Ministry of Internal Affairs of the Kyrgyz Republic and the State Tax Service under the Ministry of Finance of the Kyrgyz Republic.

3.2.4. Enforcement Measures

In 2023, based on the results of inspections and external oversight over the activities of the NBFCOs and other legal entities supervised by the National Bank, the enforcement measures were applied in the following forms due to revealed violations of the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank:

- 424 instructions to the exchange bureaus;
- 226 instructions to the CUs;
- 205 instructions to the MFOs;
- 20 instructions to the SFCOs;
- 10 instructions of the HSCCs;
- eight instructions to the CBs;
- five instructions to the GFs.

At the same time, fines were imposed on 31 exchange bureaus, seven microfinance organizations and one credit bureau in accordance with the Code of the Kyrgyz Republic on Administrative Offences, licenses of 71 exchange bureaus were temporarily suspended and licenses of three exchange bureaus were revoked.

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

Resolutions of the Board of the National Bank on licensing and regulating the activities of non-banking and specialized financial-credit organizations were adopted as part of improving the regulatory legal framework governing the activities of non-banking financial-credit organizations, as well as bringing it in line with the legislation of the Kyrgyz Republic.

*Regulatory legal
acts improvement*

The Board of the National Bank adopted amendments to the Regulation “On the Requirements for Formation, Publication and Submission of Non-banking Financial-credit Organizations’ Financial Statements to the National Bank of the Kyrgyz Republic”, which stipulate, depending on the type of non-banking financial-credit organizations, different requirements for publication of their quarterly and annual financial statements in the mass media, on the official websites of the NBFCOs and in the Public Depository of Financial Statements.

A number of decisions were adopted to bring the regulatory legal acts of the National Bank, including those on the principles of Islamic banking and finance, in line with the amendments to the legislation on the issues of credit information exchange, servicing people with disabilities, use of the state language in providing banking services to the clients of non-banking financial-credit organizations, and counter-terrorism financing and anti-money laundering.

Bringing regulatory legal acts in line with the laws

In the reporting year, new requirements were established to the minimum authorized capital of the credit bureaus, the list of officials and qualification requirements for them and the persons wishing to acquire, in the aggregate, 10 percent and more of shares in the credit bureau, and an opportunity was provided for non-banking financial-credit organizations to render service to the clients using documents in digital format obtained from the state information systems.

Amendments were introduced in certain regulatory legal acts of the National Bank on issues related to classification of newly issued loans in foreign currency depending on the share of borrowers’ foreign exchange income, and the current requirements of the National Bank for NBFCOs were eased during the period of the state of emergency regime.

3.3. Protection of Consumers’ Rights

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

The National Bank pays special attention to receiving citizens and considering their applications. In 2023, the National Bank considered 927 applications of the banking services consumers (in 2022 – 948). 666 applications thereof were reviewed on the activities of the commercial banks (in 2022 – 670), 184 applications – on the activities of non-banking financial-credit organizations (in 2022 – 226), and 77 applications – on other issues (in 2022 – 52).

Consideration of applications of the financial services consumers

Consulting and legal assistance, with arrangement of personal appointments was provided to more than 1,100 citizens-the consumers of banking services.

The citizens’ applications concerned the issues of clarifying the terms and conditions of loan restructuring, respect of the borrowers’ rights in early repayment of loans, maintenance of bank accounts, deposits, money transfer services, verification of contractual terms and conditions for compliance with the legal requirements, and other issues.

Measures to strengthen the requirements for the financial-credit organizations to comply with the consumers’ rights are taken on the basis of continuous monitoring and analysis of the regulatory legal acts.

Measures to enhance consumers’ rights protection

In the reporting year, activity was primarily focused on improvement of legislation in the sphere of effective exchange of credit information, namely, in addition to the existing requirements for storage of positive credit information by the credit bureaus for seven years and negative information – for five years, the Law of the Kyrgyz Republic “On Exchange of Credit Information” was supplemented with additions on the terms of storage of credit information resulted from emergency situation and (or) state of emergency for three years.

The National Bank together with the financial-credit organizations took measures focused on ensuring accessibility of banking services to the people with disabilities, including access to infrastructure, in accordance with the Law of the Kyrgyz Republic “On the Rights and Guarantees of People with Disabilities”. The financial-credit organizations were recommended to pay special attention to the issues of interaction and assistance to the clients with disabilities when providing them with banking services. The requirements of the regulatory legal acts of the National Bank were updated in terms of taking measures to adapt provision of the banking services to the needs of persons with disabilities by creating conditions for their access to the buildings and premises of the bank, their unimpeded use of banking services, as well as training of bank personnel in interaction with the people with disabilities.

In December 2023, a training seminar on servicing people with disabilities was held on the basis of the training center of the Association of Legal Entities “Union of Banks of Kyrgyzstan” in order to raise awareness of the financial-credit organizations’ employees about the rights of people with disabilities and to ensure accessibility of banking services for people with disabilities.

CHAPTER 4. PAYMENT SYSTEM

In 2023, the National Bank continued to take measures to improve the regulatory legal framework, strengthen oversight of the payment system, monitor uninterrupted payments, as well as to develop new digital payment technologies in order to ensure efficiency, safety and reliability of the payment system.

The State Program on Increasing the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2023-2027 (hereinafter – the State Program on Increasing Non-Cash Payments and Settlements) was approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic and the National Bank dated December 29, 2023 in order to increase the share of non-cash payments and settlements, develop and expand the use of innovative and digital financial services, achieve transparency of money circulation and reduce black market in the Kyrgyz Republic.

The National Bank approved the “Main Guidelines for Development of the Payment System in the Kyrgyz Republic for 2023-2027” for the participants of the payment system.

Measures were taken to create favorable conditions for wide introduction of the innovative banking and payment products. The development concepts of the Faster Payments System and Open Banking in the Kyrgyz Republic were elaborated with assistance of the international experts.

Measures aimed at increasing the issue of contactless bank payment cards “Elcard”, improving the service and expanding the range of services provided through the mobile applications “Elcard Mobile” and “Elcard Trade”, the contactless smartphone payment system “Elcard Pay” (analogue of GooglePay/ApplePay) were taken within the framework of developing the national payment system “Elcard”.

In the reporting period, the National Bank continued to expand population’s access to the banking and payment services using digital payment technologies, as well as in the remote regions of the country. At the end of 2023, the total number of banking equipment amounted to 2,260 ATMs, 23,009 POS-terminals, 2,775 payment terminals of the banks and 13,051 payment terminals of the payment organizations. 370 POS-terminals have been installed in the branches of the State Enterprise “Kyrgyz Pochtasy” (hereinafter – SE “Kyrgyz Pochtasy”) to provide the population of 1,087 villages in the regions of the country with the opportunity to withdraw funds from the bank payment cards and pay for some services. More than 38.9 thousand unified QR-codes were installed at merchants throughout the country for wider coverage of payments acceptance by the market participants, which contributed to an increase in payments, taxes and penalties paid to the budget of the country in non-cash form.

Cash is still the main instrument for retail payments amid an increase in the share of non-cash payments and development of the national payment system. In 2023, work was continued to constantly satisfy the needs of the country’s economy in required denominations of banknotes and coins of 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 payments 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, 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

Payment system

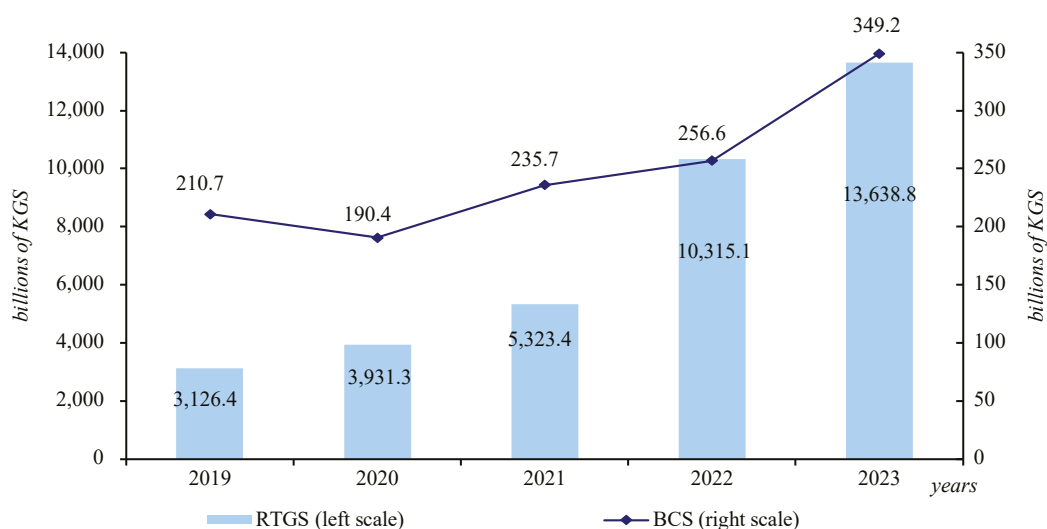
Republic, the Deposit Protection Agency of the Kyrgyz Republic, the Social Fund of the Kyrgyz Republic, the State Accumulative Pension Fund, “Central Depository” CJSC and “Interbank Processing Center” (“IPC”) CJSC were the participants in the interbank payment systems (RTGS, BCS).

In the reporting period, 10.8 million payments were made via the interbank payment systems in the amount of KGS 14.0 trillion. The number and volume of payments increased by 23.1 and 32.3 percent, respectively, compared to 2022.

In the reporting period, the volume of payments via the RTGS and SPC increased by 32.2 and 36.1 percent, respectively.

Chart 4.1.1.1.

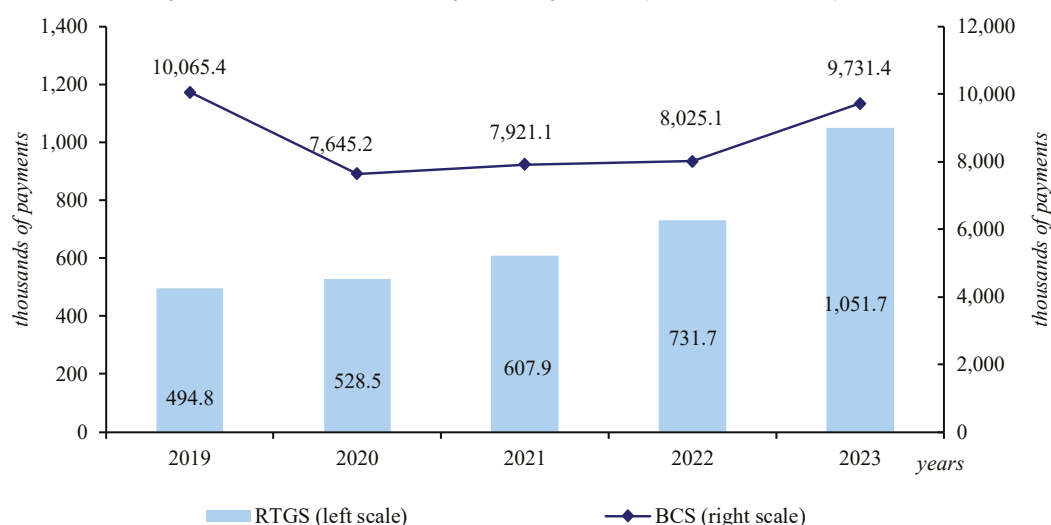
Volume of Payments via Interbank Payment Systems (RTGS and BCS)



The number of payments in the RTGS and SPC increased by 43.7 percent and 21.3 percent, respectively, compared to 2022.

Chart 4.1.1.2.

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



*“Elcard”
National payment
system*

The total number of issued bank payment cards amounted to 6.9 million pieces, having increased by 32.7 percent over the year, among them the number of cards of the

“Elcard” national system amounted to 3.5 million. The issue of bank payment cards “Elcard” increased by 16.7 percent compared to 2022.

Chart 4.1.1.3.

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

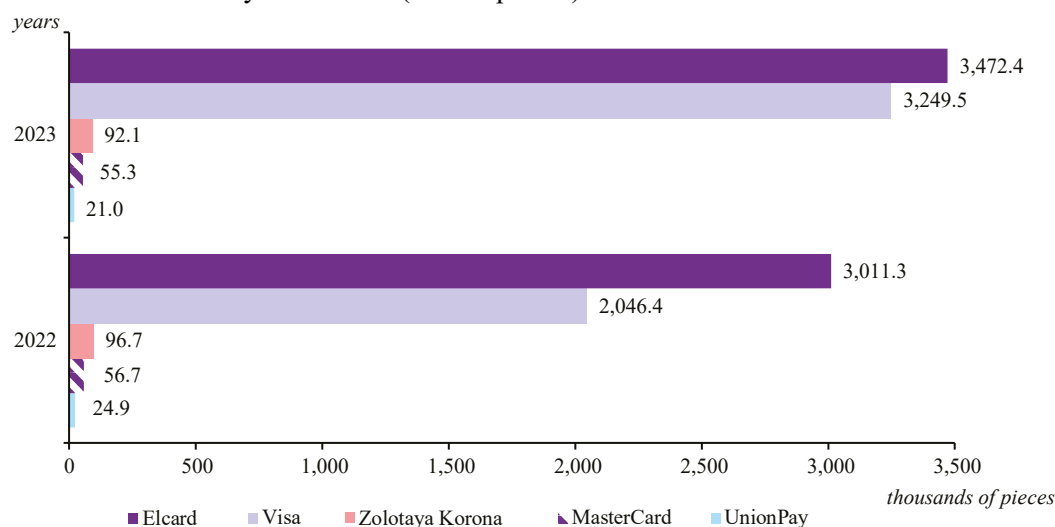
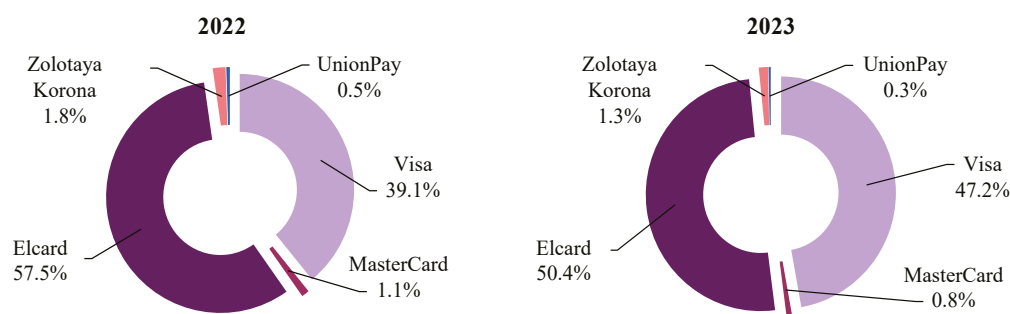


Chart 4.1.1.4.

Ratio of Number of Bank Payment Cards



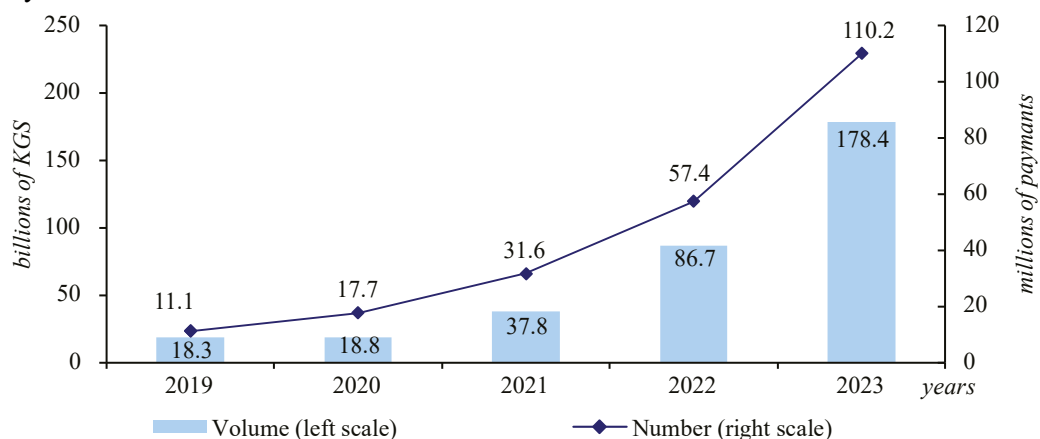
In the reporting year, more than 204.2 million operations to the amount of KGS 826.2 billion were conducted with the use of bank payment cards. The number of operations increased by 59.2 percent, and the volume of operations increased by 57.5 percent compared to 2022.

In 2023, the number of the merchants' operations with the use of the bank payment cards increased by 92.0 percent compared to 2022, and the volume of operations increased by 2.1 times.

Operations with the use of bank payment cards

Chart 4.1.1.5.

Dynamics of Growth in the Volume of Transactions of Merchants



Card acceptance and servicing infrastructure

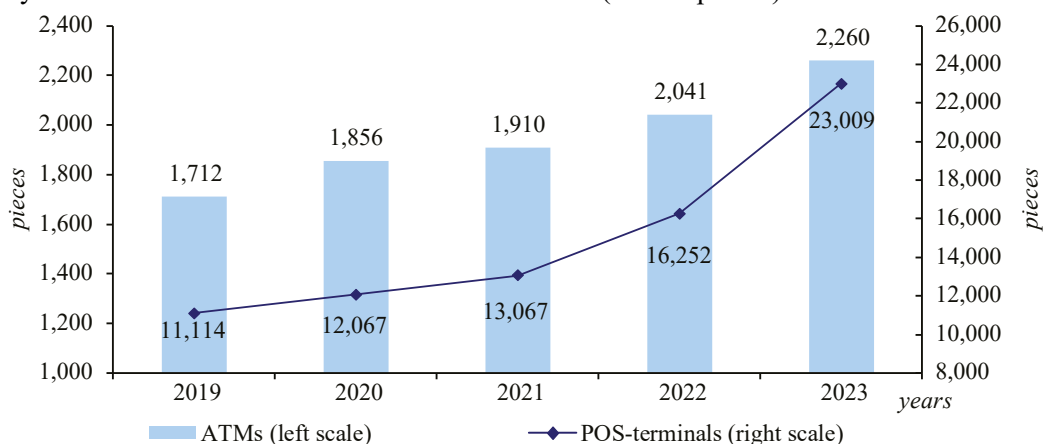
As of the end of 2023, the bank payment cards were accepted for servicing in 2,260 ATMs and 23,009 POS-terminals (among them 20,477 POS-terminals were installed at merchants and 2,532 POS-terminals were installed in the branches and savings offices of the commercial banks) throughout the territory of the Kyrgyz Republic.

A breakdown by systems shows that:

- the cards of the national payment system “Elcard” were accepted for servicing by all 2,260 ATMs and 23,009 POS-terminals;
- the cards of the international system “Zolotaya Korona” were accepted in 277 ATMs and 4,436 POS-terminals;
- the cards of the international systems Visa and MasterCard were accepted in 812 ATMs and 8,341 POS-terminals;
- the cards of the international system UnionPay were accepted in 443 ATMs and 4,538 POS-terminals.

Chart 4.1.1.6.

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



E-money

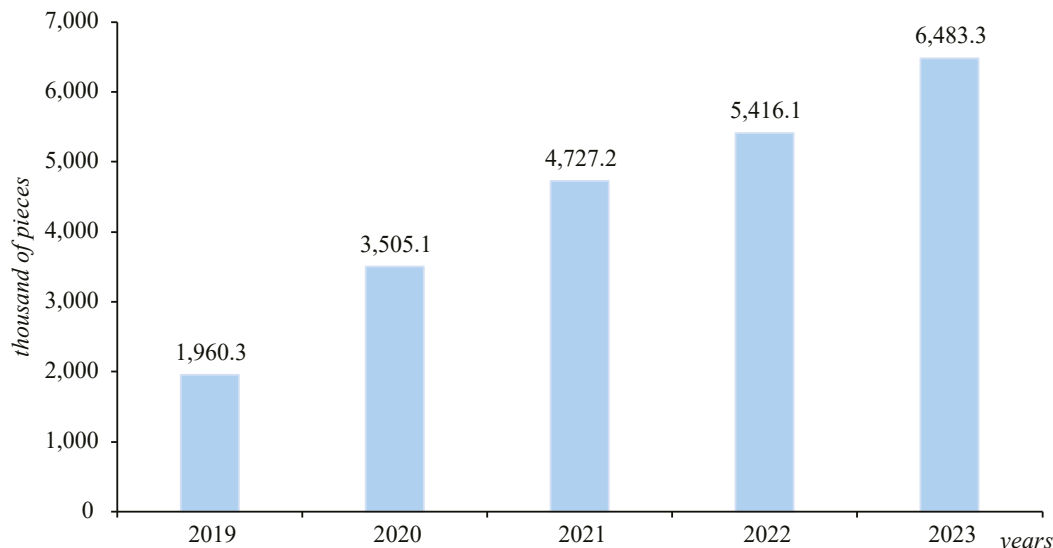
In 2023, e-money in the Kyrgyz Republic remained one of the most accessible and convenient payment methods to condition stable growth of indicators in the number of e-wallets and in the number and volume of operations.

The number of e-wallets increased by 19.7 percent compared to 2022 and amounted to 6.5 million wallets.

Ten commercial banks have a license to issue e-money. Meanwhile, in 2023, six commercial banks were the issuers of e-money and there were ten¹ operating local e-money settlement systems.

Chart 4.1.1.7.

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



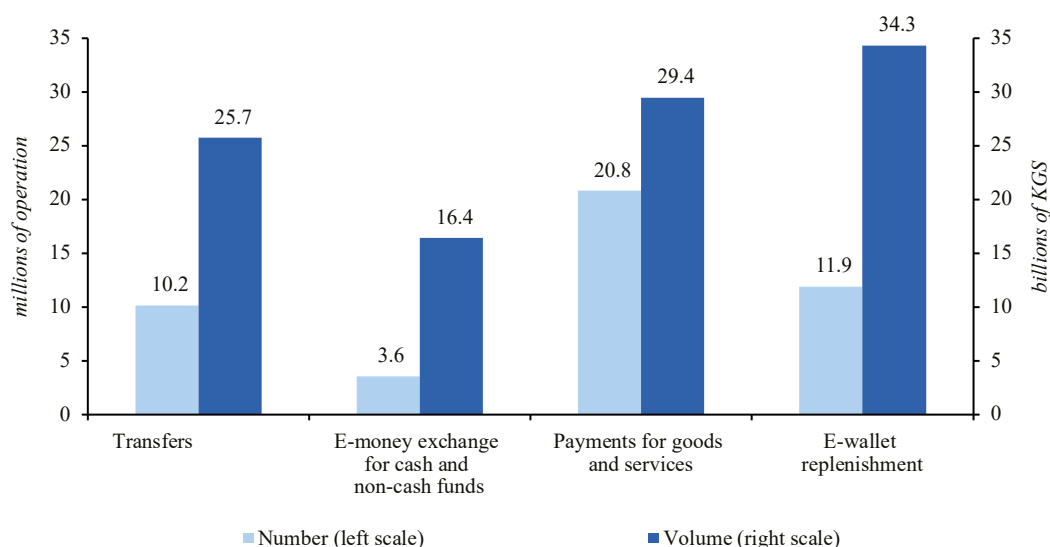
Indicators on e-money turnover for 2023 compared to 2022 were as follows:

- The number and volume of money transfer operations between e-wallets increased by 58.9 and 14.6 percent, respectively (10.2 million operations were conducted to the amount of KGS 25.7 billion);
- The volume of operations on e-money exchange (redemption) for cash and non-cash funds decreased by 19.6 percent and amounted to KGS 16.4 billion, the number of operations decreased by 28.0 percent and totaled 3.6 million operations;
- The volume of operations for goods and services payment with e-money increased by 41.2 percent and amounted to KGS 29.4 billion, meanwhile the number of operations increased by 35.7 percent and totaled 20.8 million operations;
- The number and volume of e-wallet replenishment (distribution) operations increased by 32.5 percent and 0.04 percent, respectively, and totaled 11.9 million operations to the amount of KGS 34.3 billion.

¹ “Elsom”, “Mobile Money”, “Companion E-Wallet”, e-wallets “Ilbirs”, “Balance”, “Umai Wallets”, “O!Money”, “Pocket KG”, “Cash2u” and “Namba Pay”.

Chart 4.1.1.8.

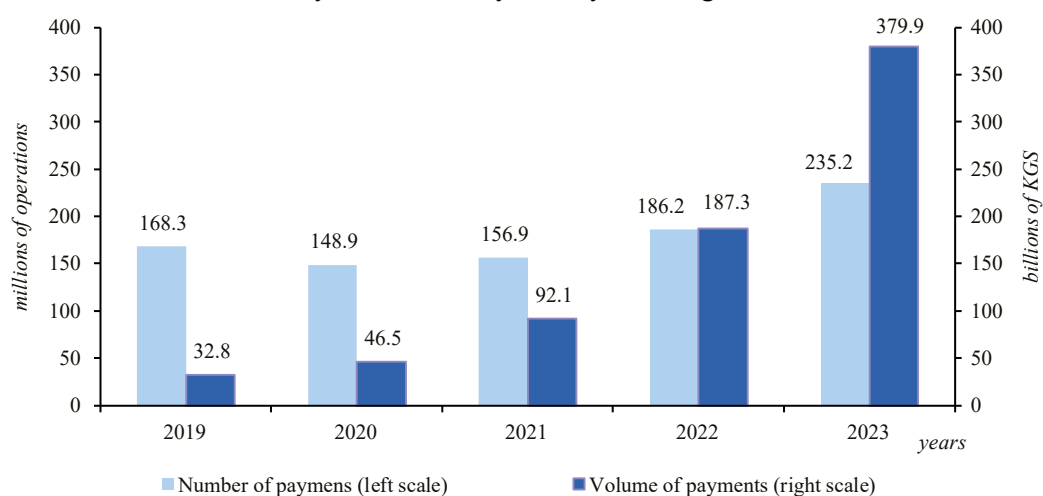
Number and Volume of Transactions via E-wallets in 2023



In 2023, the volume of payments made via the payment organizations of the Kyrgyz Republic increased by two times compared to 2022 and amounted to KGS 379.9 billion. The number of payments made by the payment organizations increased by 49.0 million operations, or by 26.3 percent, and totaled 235.2 million operations.

Chart 4.1.1.9.

Number and Volume of Payments Made by the Payment Organizations



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

Implementation of the State Program on Increasing the Share of Non-cash Payments and Settlements

At the end of 2023, as part of measures taken to increase the share of non-cash payments, the following results have been obtained:

- pensions were paid to 598.6 thousand people through the accounts in the commercial banks (78.0 percent of the total number of pensioners), in 2022, 548.5 thousand people received pensions through the accounts in the commercial banks (74.0 percent of the total number of pensioners);
- social benefits were paid to 331.8 thousand people through the bank payment cards (98.9 percent of the total number of recipients), in 2022, social benefits were paid to 360.7 thousand people (97.4 percent of the total number of recipients).

The total number of social benefits recipients decreased by 28.9 thousand people compared to 2022, meanwhile, the number of citizens receiving social benefits through the bank payment cards increased by 1.5 percent;

- POS-terminals were installed in 170 out of 255 state healthcare organizations to pay for medical services, meanwhile, in 2022, POS-terminals were installed in 65 out of 107 state healthcare organizations;
- 558 cards of the “budget-holder” were used in the state-funded organizations to conduct 13,586 operations in the total amount of KGS 326.6 million, meanwhile, in 2022, 1,145 cards of the “budget-holder” were used to conduct 9,935 operations in the total amount of KGS 3,282.3 million;
- POS-terminals were installed in 370 out of 827 post offices of the State Enterprise “Kyrgyz Pochtasy” to pay pensions, social benefits and wages to the cardholders, as well as to make payments for utilities, pay taxes and make other payments, in 2022, POS-terminals were installed in 387 out of 916 post offices of the State Enterprise “Kyrgyz Pochtasy”;
- more than 38.9 thousand unified QR-codes were installed at merchants for wide coverage of payments acceptance by the market participants throughout the country, in 2022, 3.4 thousand QR-codes were installed.

In order to increase the share of non-cash payments and settlements measures to equip the state and municipal institutions with banking equipment were still taken according to the Resolution of the Cabinet of Ministers of the Kyrgyz Republic and the National Bank “On Acceptance of Payments for State and Municipal Services in Non-cash Form” dated December 16, 2022. 468 institutions accepted payments for state and municipal services in non-cash form, 263 institutions accepted payment in cash through their cash offices out of 731 state and municipal institutions providing paid services.

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

In 2023, the National Bank issued five licenses to conduct activities of a payment system operator¹ and five licenses to conduct activities of a payment organization². At the end of the reporting period, 30 legal entities had licenses of the National Bank: 29 licenses to conduct activities of a payment organization and 28 licenses to conduct activities of a payment system operator. Among them, 28 legal entities were registered in Bishkek city, and two – in Osh oblast.

In the reporting year, four operators of the international money transfer system and three operators/issuers of the e-money international systems were registered in the National Bank. Registration of one operator of the local (interbranch) money transfer system was canceled. Thus, 35 registered operators of the money transfer systems, among them 17 international, 18 local (interbranch), 12 operators/issuers of the e-money international systems, seven international settlement systems using bank payment cards and two interaction operators³ implemented their activity at the end of 2023.

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 payment system participants and generation of the clearing files for the final settlement of payments using two-dimensional barcode symbols and payment references (QR-code).

4.1.3.2. Supervision over Payment Systems Operators and Payment Organizations

The National Bank regularly supervises the activities of the payment system operators and the payment organizations in accordance with the annual inspection plan. Particular attention was paid to ensuring smooth operation of the payment systems, protection of the payment services consumers' rights, CTF/AMP, and security of the information systems, the hardware and software complexes.

14 inspections of activities of the payment system operators and the payment organizations were conducted in the reporting year, including three comprehensive inspections, 11 targeted inspections, as well as three inspections under a special regulatory regime, and five preliminary (pre-licensing) inspections.

4.1.3.3. Enforcement Measures

In 2023, enforcement measures were applied to the legal entities holding licenses of a payment system operator and/or payment organization in accordance with the banking legislation in the course of external supervision and inspections: seven penalties were imposed on six legal entities, 14 instructions were sent to eight payment system operators/payment organizations to eliminate detected violations.

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

In 2023, improvement of the regulatory legal acts governing activities of the payment system operators and the payment organizations was aimed at risk mitigation, development of the payment services, as well as bringing in line with amendments in the legislation of the Kyrgyz Republic.

The Regulation "On Requirements for Formation, Publication and Submission of the Payment System Operators'/Payment Organizations' Financial Statements to the National Bank of the Kyrgyz Republic" was approved in order to determine the components, content and basic rules of publication and submission of the financial statements by the payment system operators/payment organizations.

The requirements for information security of the payment system operators and in the payment organizations were developed to minimize the vulnerability of the information systems of the payment system operators /payment organizations.

The Regulation "On Minimum Requirements to the Settlement Bank" was approved within the framework of improvement of the regulatory legal acts in terms of ensuring the guarantee of timely final settlements on retail domestic and cross-border payments.

Amendments concerning the requirements to the members of the executive management body of an applicant/licensee, to the documents required to confirm the sources of funds origin, to the information on the applicants' affiliates and related entities were approved in the Regulation "On Licensing of Payment Organizations and Payment System Operators".

Amendments were introduced in the State Classifier of Payment Turnover in order to harmonize and systematize information on non-cash payments related to the turnover of virtual assets, as well as to bring in line with the approved Budget Classification of the Kyrgyz Republic.

The terms to install ATMs and payment terminals to accept new banknotes of the national currency being put into circulation were determined for the commercial banks and the payment organizations in order to ensure unimpeded access of the population to financial services.

Amendments were introduced in the Rules for money transfers through money transfer systems in the Kyrgyz Republic. The requirements for registration cancellation in relation to the operators of the local money transfer systems were also established.

Within the framework of bringing the regulatory legal acts of the National Bank in line with:

- amendments were introduced in the provisions “On Non-cash Settlements in the Kyrgyz Republic” and “On Regulation of Payment System Operators’ and Payment Organizations’ Activity” by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic “On Amendments to the Resolution of the Cabinet of Ministers of the Kyrgyz Republic “On Some Issues in the Sphere of Gambling Activities in the Kyrgyz Republic” dated August 1, 2022 in terms of determining the procedure for payments and settlements in foreign currency;
- amendments were introduced in certain regulatory legal acts by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic “On Amendments to Some Decisions of the Government of the Kyrgyz Republic in order to Introduce the Use of Digital Documents in the Kyrgyz Republic” dated November 18, 2022 in terms of bank payment cards, e-money, as well as regulation, licensing and inspections of the payment system operators and the payment organizations to provide the possibility of using digital documents received via the State Portal of e-Services or the mobile application “Tunduk”.

4.1.4. Payment System Oversight

Oversight of the payment system of the Kyrgyz Republic, in accordance with the international practice, includes measures such as monitoring, evaluation and adoption of measures aimed at payment system improvement. Payment systems, which are of high importance for the financial system of the country and can be a potential driver for the spread of systemic risk, were identified as part of oversight procedure. In 2023, the RTGS and the BCS remained systemically important payment systems, and the RTGS, the BCS and the system of settlements with bank payment cards “Elcard” remained the national payment systems.

Payment systems importance and accessibility

According to the monitoring results, systemically important payment systems operated under normal conditions and the system accessibility ratio¹ remained high and was 99.9 percent.

In 2023, the accessibility ratio of the national system of settlements with bank payment cards “Elcard” was 99.7 percent, being higher than a planned accessibility ratio in the national systems of 98.0 percent.

In the reporting period, the level of financial risks in the national payment systems was minimal due to the liquidity management mechanisms provided for in the systems and sufficient liquid funds on the participants’ correspondent accounts in the National Bank.

Smooth operation of the retail payment systems such as the systems of settlements with the bank payment cards, money transfers without opening a bank account, e-money settlements, the systems for payments acceptance in favor of the third parties, and others, which process a large number of small and regular payments of the population are the important factors of the financial sector stability in the country. In 2023, these systems operated in a stable manner.

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.

4.1.5. Development of Digital Payment Technologies

In 2023, the National Bank implemented a series of measures within the framework of the National Development Program of the Kyrgyz Republic until 2026 and the medium-term strategic documents of the National Bank to develop the digital payment technologies. Measures were continued to expand the payment infrastructure and improve access of the population to payment services through introduction of the new digital payment technologies and instruments.

In order to improve the payment infrastructure in the country, the National Bank approved the Concept of the Faster Payments System in the Kyrgyz Republic, which enables the individuals and the legal entities to transfer funds from the bank accounts in real time using a single identifier, regardless of the commercial bank where the sender's or recipient's accounts were opened.

Development of two-dimensional barcode symbols (QR-code)

In the reporting period, work was continued to develop a single payment space and ensure wider coverage for acceptance of payments for goods and services with the use of two-dimensional barcode symbols (QR-code) for the population at merchants. For this purpose, amendments were introduced in the Rules of making payments and transfers with the use of QR-code, according to which the commercial banks, payment system operators/payment organizations were recommended to conduct full-scale installation of QR-codes to accept payments and settlements in non-cash form at merchants of the republic thereby providing weekly quantitative and qualitative increase.

The National Bank conducted training sessions throughout the country, as well as conducted a large-scale awareness campaign together with the commercial banks and the payment system operators/payment organizations in order to improve financial literacy of the population on payment for goods and services in non-cash form with the use of QR-codes. On-site monitoring of the merchants for availability of installed QR-codes to accept payment for goods and services in non-cash form was conducted throughout the country together with the Antimonopoly Regulation Service under the Ministry of Economy and Commerce of the Kyrgyz Republic and the State Tax Service under the Ministry of Finance of the Kyrgyz Republic.

At the end of 2023, more than 38.9 thousand unified QR-codes were installed at merchants across the country, the number of unified QR-codes increased by 11 times compared to 2022. Generally, 3.1 million payments to the amount of more than KGS 3.3 billion were made by means of QR codes since project launching (since May 2022).

Functioning of national payment systems

In the reporting period, there was positive dynamics in development of the innovative payment instruments of the national payment system "Elcard" operated by "IPC" CJSC. As of the end of 2023, the total number of bank payment cards "Elcard NFC" in circulation increased by almost two times compared to the same period of 2022 and amounted to approximately 750 thousand. At the same time, more than 37 million payments to the amount of more than KGS 62.9 billion were made through the mobile application "Elcard Mobile", the indicators increased by 55.8 percent and 88.4 percent, respectively, compared to 2022. More than 17 thousand payments to the amount of KGS 23.5 million were made through the mobile application "Elcard Trade", the indicators increased by two times and by 24.3 percent, respectively, compared to 2022. More than 78 thousand payments for the amount of more than KGS 53 million were made through the service "Elcard Pay". During the reporting period, 3.7 million P2P-transfers were made to the amount of more than KGS 29.3 billion as part of the national payment system "Elcard" integration with other national payment systems of the EAEU countries.

Digital Som Concept

The Digital Som project group was established as part of the Digital Som project, conducted in accordance with the Digital Som Concept approved by the Resolution of the Board of the National Bank No.2022-II-14/32-3-(IIC) dated May 25, 2022.

A draft Concept of Open Banking Development in the Kyrgyz Republic was developed in order to create and increase innovative potential in the banking sector and

improve access of the clients to the banking and payment services. Measures were taken in this direction with the working group on coordinated development of the national payment systems in the EAEU countries.

Three entities supervised by the National Bank were issued temporary licenses to conduct a limited list of banking operations under the special regulatory regime within the framework of the National Bank's authority to create a special regulatory regime to test innovative services/technologies (regulatory sandbox). Testing conducted by two supervised entities was recognized successful.

Special regulatory regimes

In 2023, the National Bank participated in the work of the Interagency Commission on Counter-Terrorism Financing and Anti-Money Laundering and took part in the sectoral risk assessment of virtual assets and virtual asset service providers. The assessment results are reflected in the final Report on the assessment of terrorism financing and money laundering risks in the sector of virtual assets and virtual asset service providers, which is published on the official website of the State Financial Intelligence Service under the Ministry of Finance of the Kyrgyz Republic.

Virtual assets regulation

The regular Progress Report of the Kyrgyz Republic, including compliance with FATF Recommendation 15, were reviewed at the 39th Plenary Meeting of the Eurasian Group on Counter-terrorism Financing and Anti-money Laundering, based on the results thereof the rating was raised from the level of "partial compliance" to the level of "significant compliance" compared to the reviewed report in 2022.

4.2. Cash Circulation

4.2.1. Operations in Cash

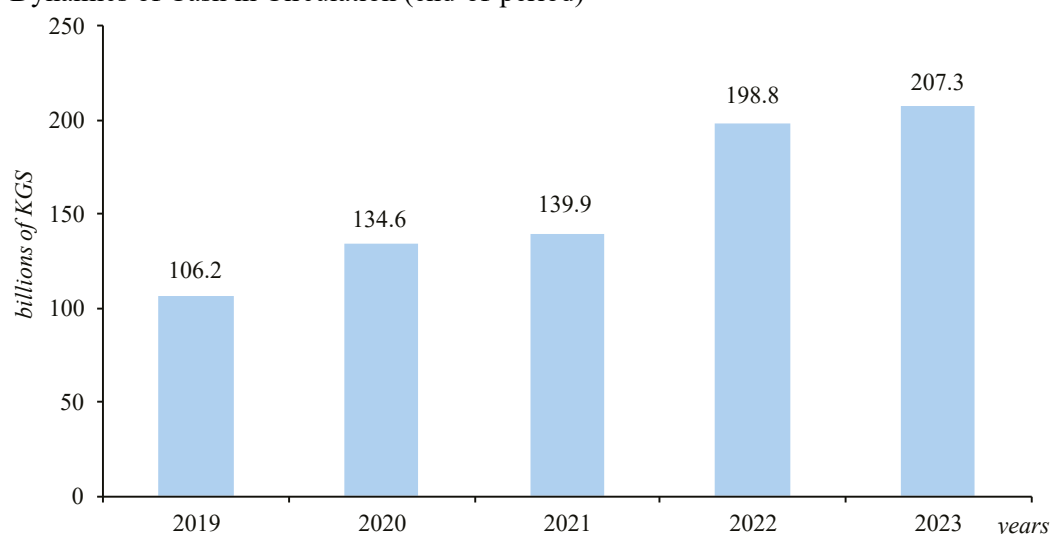
The National Bank implements monitoring of cash in circulation through the commercial banks in order to meet the needs of the economy in cash in the national currency on timely basis.

In 2023, 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.

In 2023, the total amount of cash in circulation increased by 4.2 percent compared to the previous year and amounted to KGS 207.3 billion.

Chart 4.2.1.

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



The cash turnover was represented by 470.5 million sheets of banknotes and 611.6 million pieces of coins. The share of banknotes accounted for 98.8 percent and the share of coins – 1.2 percent of the total amount of cash in circulation in 2023. The share of banknotes and coins in circulation is presented in Table 4.2.1.

Table 4.2.1.

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

Denomination in Kyrgyz Soms	below 5	10	20	50	100	200	500	1,000	2,000	5,000	Total
2022	0.4	0.5	0.4	0.5	1.3	3.0	8.2	33.8	8.0	43.9	100.0
2023	0.3	0.9	0.4	0.5	1.1	3.0	8.3	33.2	6.9	45.4	100.0

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

In the reporting year, receipt of cash in cash departments of the commercial banks increased by 22.3 percent compared to 2022 and totaled KGS 4,585.5 billion. Payment of cash from the cash departments of the commercial banks increased by 20.7 percent and amounted to KGS 4,598.9 billion.

Table 4.2.2.

Movement of Cash via Cash Departments of Commercial Banks by Regions

	Receipt, billions of KGS		Disbursement, billions of KGS		Recoverability, percent	
	2022	2023	2022	2023	2022	2023
Total	3,748.2	4,585.5	3,811.3	4,598.9	98.3	99.7
Bishkek city	2,122.1	2,482.1	2,136.1	2,453.9	99.3	101.1
Osh city	405.8	504.7	415.2	509.2	97.7	99.1
Batken oblast	147.2	205.9	147.0	205.7	100.1	100.1
Jalal-Abad oblast	346.1	410.8	369.7	430.2	93.6	95.5
Issyk-Kul oblast	174.8	211.9	181.9	219.3	96.1	96.6
Naryn oblast	78.9	96.7	83.2	101.6	94.8	95.2
Osh oblast	132.7	165.7	132.6	165.6	100.1	100.1
Talas oblast	75.7	96.8	81.2	103.6	93.2	93.4
Chui oblast	264.9	410.9	264.4	409.8	100.2	100.3

*Issuance of new
series of banknotes*

In the reporting year, banknotes of the new, fifth series of the national currency in denominations of 200, 500 and 1,000 Som of 2023 issue were put into circulation. This series of banknotes is dedicated to the 30th anniversary of the national currency of the Kyrgyz Republic and reflects the national currency evolution: from simple coupons containing a minimum set of security elements to the banknotes with a high level of protection against counterfeiting.

The fifth series of banknotes of the Kyrgyz Republic national currency:

- was awarded a special prize in the category “Recognition for the innovative and comprehensive approach of the National Bank to the banknotes issue” at the International Mint & Print Conference devoted to the banknote printing and coinage held in Dubai, UAE;
- won the regional competition “Banknote of the Year” in the nomination “Best New Banknote Series 2023” at the International High Security Printing Asia Conference held in Colombo, Sri Lanka.

*Combat against
counterfeiting*

The National Bank, in prompt 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. In 2023, the number of detected counterfeit banknotes totaled 22 pieces to the amount of KGS 37.5 (in 2022, 31 counterfeit banknotes to the total amount of KGS 9.5 thousand were detected). The level of counterfeiting

amounted to 0.05 counterfeits per one million genuine banknotes being classified as a minimum 1st level¹. Law enforcement agencies initiated criminal cases and conducted criminal-intelligence operations for each fact of counterfeiting.

The public and the banking system were informed about the security features, the procedure for exchange of unfit and damaged banknotes and coins of the national currency, the employees of the cash departments from the financial-credit organizations were trained to determine the security features of banknotes and coins within the framework of the informational and educational campaign “Som is the face of Kyrgyzstan”.

4.2.2. Commemorative Collection Coins

In 2023, the National Bank continued issuing commemorative collection coins. Silver collection coins “30 years of the Constitution of the Kyrgyz Republic”, “30 years of Som” and “Tai-tuyak” of the series “Historical Events”, as well as “Beshikke Saluu” of the series “Kyrgyz Customs and Ceremonies” were put into circulation in the reporting year to commemorate important historical events and to popularize cultural values and revive national customs of the Kyrgyz people.

The collection coin “Asian Games” of the series “Sport”, being put into circulation in 2022 in honor of the XIX Asian Games, won the third prize at the international competition “Coin Constellation” in the nomination “Souvenir Coin” held in November 2023 among 23 participants from 18 countries.

Figure 4.2.2.1.

Copper-nickel collection coin “30 years of the Constitution of the Kyrgyz Republic”



Figure 4.2.2.2.

Silver collection coin “30 years of Som”



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

Figure 4.2.2.3.

Silver collection coin “Tai-tuyak”

**Figure 4.2.2.4.**

Silver collection coin “Beshikke Saluu”

**Figure 4.2.2.5.**

Silver collection coin “Asian Games”



4.3. Refined Gold Measuring Bars

Selling of refined gold measuring bars

The National Bank continued selling refined gold measuring bars in order to develop the precious metals market and expand operations with bank precious metals in the domestic market of the Kyrgyz Republic.

In the reporting year, 35.9 kg of refined gold measuring bars with the fineness of 999.9 and the weight of 1 g, 2 g, 5 g, 10 g, 31.1035 grams (or one troy ounce), and 100 grams were sold to the amount of KGS 206.5 million (in 2022, 125.2 kg – to the amount of KGS 746.3 million). In the reporting period, 28.9 kg of refined gold measuring bars were re-purchased to the amount of KGS 163.3 million (in 2022, 44.6 kg – to the amount of KGS 245.7 million).

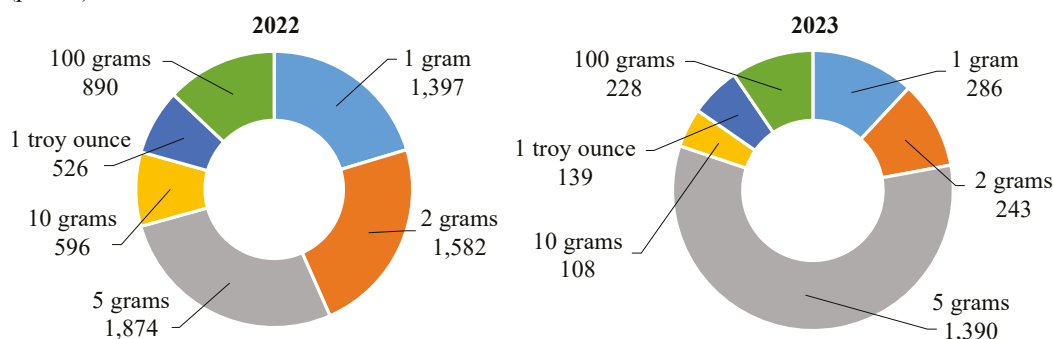
Table 4.3.1.

Information about Sold and Re-purchased Refined Gold Measuring Bars
(thousands of KGS)

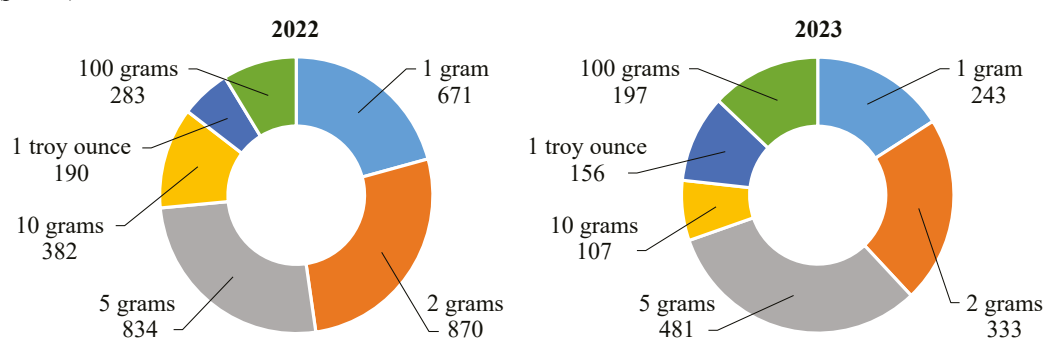
Weight	Sale		Re-purchase	
	2022	2023	2022	2023
1 gram	10,988.0	1,978.5	4,822.4	1,659.9
2 grams	22,959.0	3,054.8	11,541.5	4,137.3
5 grams	61,277.5	41,564.4	26,026.5	14,165.9
10 grams	35,786.6	6,184.3	22,261.4	6,175.8
1 troy ounce	100,116.7	24,683.0	34,062.1	27,640.7
100 grams	515,160.9	128,996.1	147,013.0	109,481.0
Total:	746,288.7	206,461.1	245,726.9	163,260.6

Chart 4.3.1.

Number of Sold Refined Gold Measuring Bars
(pieces)

**Chart 4.3.2.**

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



The National Bank continued the work on replenishing the stock of refined gold measuring bars produced from domestic raw materials. According to the Law of the Kyrgyz Republic “On Precious Metals and Precious Stones”, during the reporting year, refined gold was purchased from the local gold producing companies for the national currency.

In the reporting period, stable work was conducted on selling the refined gold measuring bars with the weight of 1, 2, 5, 10, 31.1035 grams (or one troy ounce) and 100 grams issued by the National Bank at the trading facility of “Kyrgyz Stock Exchange” CJSC, where 38.1035 grams of refined gold measuring bars were sold.

*Selling of refined
standard gold bars*

The National Bank continued to sell the refined standard gold bars manufactured by “Kyrgyzaltyn” OJSC weighing from 10,900 to 13,400 grams with the content of chemically pure base metal not less than 99.95 percent of the bar ligature weight in the domestic market of the Kyrgyz Republic in order to develop the precious metals market, as well as to provide the jewelry industry with raw materials and expand operations with precious metals. Refined gold bars with a total weight of 24,492.2 grams were sold in 2023.

Selling of these refined standard gold bars at the trading facility of “Kyrgyz Stock Exchange” CJSC was initiated on May 26, 2023.

CHAPTER 5. INTERNATIONAL COOPERATION AND PUBLIC RELATIONS

5.1. International Cooperation

In 2023, the National Bank continued cooperation with the central (national), state and commercial banks of the foreign countries, integration institutions and international organizations.

The National Bank, as the office of the Governor from the Kyrgyz Republic in the International Monetary Fund (IMF), implements coordination and close cooperation of the Kyrgyz Republic with the IMF in priority areas.

Consultations for the Kyrgyz Republic for 2022 according to Article IV of the IMF's Articles of Agreement were completed in January 2023.

In April and October 2023, the National Bank participated in the Spring and Annual Meetings of the IMF Governors and the World Bank Group.

In November 2023, the IMF Mission visited the Kyrgyz Republic as part of the annual authorities' consultations with the IMF staff according to Article IV of the IMF's Articles of Agreement. At the same time, in order to prepare for these consultations, preliminary discussions of the macroeconomic situation in the country were held during the visit of the IMF representatives in July 2023.

Moreover, the National Bank cooperated with the IMF within the framework of various areas of technical support, including the issues of monetary policy improvement and supervisory functions.

The National Bank participated in the 24th and 25th meetings of the Advisory Council on Foreign Exchange Policy of the Central (National) Banks of the EAEU Member States in May and September of the reporting year. The issues of the monetary policy implementation in the EAEU member states, formation of the common financial market, as well as other current issues of integration cooperation were considered during this meeting.

The activities were still conducted as part of the action plan to implement the Strategic Directions for Developing Eurasian Economic Integration until 2025 at various platforms of the EAEU. In particular, the representatives of the National Bank participated in the activities of the Advisory Committee on Macroeconomic Policy, the Advisory Committee on Statistics, the Advisory Committee on Financial Markets, the Advisory Council on Protection of the Consumers' Rights, and other advisory bodies of the EAEU.

The Advisory Committee on Macroeconomic Policy regularly discussed the basic guidelines for the macroeconomic policy of the EAEU member states until 2035, the macroeconomic situation in the EAEU member states and took measures to improve the system of macroeconomic indicators that determine the sustainability of economic development of the EAEU member states.

The Advisory Committee on Statistics continued to implement the Strategic Directions for Developing Eurasian Economic Integration until 2025 and to execute the Action Plan for 2023 on implementation of the Program for Integration Development in the field of EAEU Statistics for 2021-2025.

Within the framework of the Advisory Committee on Financial Markets, the National Bank conducted activities on harmonisation of the legislation of the EAEU member states provided for by the working plan for implementation of the Concept for Creation of the EAEU Common Financial Market.

The National Bank was actively involved in considering the issues related to the procedure for transferring the amounts of import customs, special, anti-dumping, and countervailing duties, for formation of the Eurasian rating system, and implementation

Cooperation with international financial organizations

Cooperation with integration associations

of the Declaration on further development of economic processes within the EAEU until 2030 and for the period until 2045 “Eurasian Economic Way”.

Work within the framework of the Eurasian Council of the Central (National) Banks (ECB), the Interstate Bank (ISB), and the Shanghai Cooperation Organization (SCO) on financial and banking activities was continued in the reporting period.

The National Bank participated in the 48th meeting of the ECB where the following issues were discussed: the banking sector development prospects, main directions of the monetary policy, development of the numismatic market, and interaction in the sphere of combating counterfeiting in the states of the central (national) banks – the ECB members.

The 49th meeting of the ECB was organised by the National Bank in Bishkek in November 2023. The meeting was attended by the representatives of the central (national) banks of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Russian Federation, the Republic of Tajikistan, as well as the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan. The issues of the banking sector financial stability in the region and development of the national payment systems were discussed at the meeting. The participants of the meeting shared their experience in the current approaches to supervision of the microfinance organizations and in the field of the central banks' communication policy.

The representatives of the National Bank participated in the regular meetings of the ISB Council, where the results of the work and current activities of the ISB were considered, as well as the issues related to development of operations in the financial markets of the ISB member states.

The National Bank participated in the regional meeting of the national (central) banks of the Central Asia countries and Azerbaijan on the issues of development and exchange of experience on payment systems interaction. A protocol on establishment of a working platform to discuss the issues of payment systems development and interaction of payment infrastructures of the national (central) banks of the Central Asia countries and Azerbaijan was signed as a result of the meeting.

Within the framework of interaction with the SCO, the National Bank participated in the meeting of the Ministers of Finance and the Governors of the central (national) banks of the SCO member states, where the issue of post-COVID situation to mitigate and eliminate financial consequences in the SCO countries was discussed. In addition, the National Bank on a regular basis takes part in the expert meetings on implementation of the Road map for gradual increase in the share of the national currencies in mutual settlements among the SCO member states. In December, the parties presented an analysis of the current state of mutual settlements in the national currencies and legislation of the SCO member states on foreign exchange regulation at the final meeting of the expert group.

Bilateral and technical cooperation

In the reporting year, the National Bank was involved in the work of bilateral intergovernmental commissions as part of interaction with the central (national) banks of Hungary, the State of Kuwait, the Kingdom of Saudi Arabia, the United Arab Emirates, Pakistan, the Republic of Kazakhstan, and the Republic of Uzbekistan.

The National Bank cooperated with the central (national) banks of the EAEU, the National Bank of Georgia, the National Bank of Georgia, the Deutsche Bundesbank, the Narodowy Bank Polski, the Central Bank of the Republic of Türkiye, the Swiss National Bank, as well as with the Asian Development Bank, the World Bank, the Swiss State Secretariat for Economic Affairs (SECO), the European Bank for Reconstruction and Development, the Islamic Development Bank (IDB), and the IMF to exchange experience and receive technical assistance.

In July, a delegation comprising a group of deputies of the Committee on Budget, Economic and Fiscal Policy of the Jogorku Kenesh, the representatives of the National Bank and the state banks of the Kyrgyz Republic made a working visit to Switzerland, during which a number of bilateral meetings were held with the administration of the

Swiss National Bank, the SECO and the Swiss State Secretariat for International Finance (SIF). The parties discussed the issues of improving bilateral cooperation in the banking and financial spheres in the course of these meetings.

Approval procedure with the Reserve Bank of India (central bank) on the entry into force of the document “Terms of Engagement between the National Bank of the Kyrgyz Republic and the Reserve Bank of India” to establish cooperation in the field of payment system was completed in September.

In October, the ceremony of signing the Memorandum of Understanding between the National Bank and China Construction Bank (CCB) was held to strengthen cooperation in the banking sector during the world summit on international cooperation within the framework of the Initiative “One Belt – One Road” in the city of Beijing, People’s Republic of China.

In December, a Memorandum of Cooperation was signed with the National Bank of Georgia to exchange information and experience within the framework of implementation of the Digital Som project.

As part of the technical assistance on risk assessment of the virtual asset service providers with the support of the Central Asia Rule of Law Program, the Council of Europe conducted training sessions entitled “Beneficial ownership and transparency of legal entities” for the organizations supervised by the National Bank.

The SECO provided assistance in implementing the project on financial sector development in the Kyrgyz Republic, aimed, among other things, at increasing the stability of the banking system and improving the tools for supervising financial-credit organizations.

During the year, further measures were taken on implementation of the IDB technical assistance focused on improving the regulatory legal framework for banking supervision, as well as the specialists’ capacity building in the field of the principles of Islamic finance. Financing was provided under Islamic principles on favorable terms for agricultural development, and activities were conducted to raise public awareness of the principle of Islamic finance in all regions of the country within the framework of the subcomponent “Access to Finance” of the IDB project on irrigated agriculture development in the Issyk-Kul and Naryn oblasts.

For the 2023 year, the National Bank, as part of the implementation of the professional training program for the personnel of the central (national) banks of the EAEU member states, held for the representatives of the National Bank of the Republic of Belarus, the National Bank of the Republic of Kazakhstan, the Central Bank of the Russian Federation, and the Interstate Bank:

- Seminars on the following topics: “Current issues of cash circulation”, “Ensuring cyber security in the credit and financial sector”, “Regulation and supervision of non-banking and specialized financial-credit organizations”;
- Online internship entitled “Participation of the central (national) bank in the management of the subsidiary (affiliated) organizations”;
- Webinar on “Liquidity management in the banking sector”.

Professional development program of the EAEU central (national) banks

5.2. Public Relations and Improvement of the Population Financial Literacy

The work on informing the public about the National Bank’s activities based on the principles of openness, transparency, and accessibility was continued in the reporting year.

In accordance with the media plan for 2023, 269 publications on the banking issues were prepared and more than 200 applications of media representatives related to the National Bank’s activities were considered. More than 180 public statements of the National Bank’s representatives were organized in media. The statements were devoted to the current issues of implementation of the National Bank’s monetary policy, the

Public relations

situation in the foreign exchange market, digital transformation of the banking services, protection of the financial services consumers' rights, financial literacy improvement, the 30th anniversary of the national currency introduction in the Kyrgyz Republic, and other issues.

According to the monitoring of the media space, more than 10 thousand publications in media were devoted to the National Bank's activities.

The National Bank regularly conducted press conferences and briefings on the National Bank's policy rate, monetary policy, issue of new banknotes and collection coins, and on the "World Savings Day".

"The National Bank Reports" rubric was daily aired on the republican and regional TV channels with infographics on the exchange rates and the cost of gold measuring bars, and a series of TV shows on financial literacy "Finsabat" were also broadcasted on these TV channels.

Information was provided to the public in the remote regions through the regional offices and the Batken Representative Office of the National Bank. 72 informational and analytical materials related to the National Bank's activities were published in the regional mass media. Videomaterials "Finsabat" aimed at improving financial literacy of the population were broadcasted on the regional TV channels.

138 letters were sent on the issues related to the activities of the National Bank within the framework of interaction with the legislative body – the Jogorku Kenesh of the Kyrgyz Republic. Seminars for the deputies of the Jogorku Kenesh of the Kyrgyz Republic were held, where information was provided on the activities and implementation of the National Bank's main functions and objectives, such as monetary policy, development and regulation of the financial-credit organizations, as well as ensuring the efficiency, safety and reliability of the payment system of the republic.

In January, members of the temporary parliamentary commission of the Jogorku Kenesh and the Chairman of the Cabinet of Ministers of the Kyrgyz Republic made a working visit to the National Bank, during which information on gold operations conducted by the National Bank was provided.

In 2023, public information activities were focused on the issue of the 30th anniversary of the national currency. Special informational and educational events, training seminars, as well as a competition among mass media for the best coverage of the topic "Som is the face of Kyrgyzstan" were organized. A number of articles were published, audio and video materials were produced, and live broadcasts were organized on radio and TV channels.

The International Conference "From Challenges to New Opportunities" was held in Bishkek in May 2023 to mark the 30th anniversary of the national currency introduction. The conference was attended by the deputies of the Jogorku Kenesh of the Kyrgyz Republic, the representatives of the Cabinet of Ministers of the Kyrgyz Republic, the heads of central (national) banks of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Russian Federation, Northern Macedonia, the Republic of Uzbekistan and Switzerland, as well as the representatives of international organizations, ministries, departments and financial sector of the Kyrgyz Republic. The international conference became a platform for joint discussions of digital transformation and prospects for financial technology development, discussion of new paradigms of sustainable economic development, including monetary policy issues.

In June 2023, a solemn meeting devoted to the 30th anniversary of the national currency introduction was held with involvement of the President of the Kyrgyz Republic, the deputies of the Jogorku Kenesh, the members of the Cabinet of Ministers, the representatives of the Administration of the President of the Kyrgyz Republic, the heads of financial-credit organizations, international organizations and other partners of the National Bank.

*Interaction with
the Jogorku Kenesh
of the Kyrgyz
Republic*

*30th anniversary of
the national currency*

The official website of the National Bank www.nbkr.kg serves as an important tool to inform the public and provide prompt access to information on the National Bank's activities. Information on the National Bank's decisions was posted on the official website, statistical data on banking and monetary statistics were regularly updated, and analytical materials of the National Bank were published in the form of reports on the monetary policy, on the financial sector stability, a review of the payment system status and other periodic publications of the National Bank.

*Official website of
the National Bank*



*Public Information
Service activity*

In 2023, the public information services activity was continued in the central office, the regional departments and the Batken Representative Office of the National Bank. 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 year, the public information services of the National Bank received more than 3.7 thousand oral and more than 1.9 thousand written applications on different issues of the National Bank's activities. More than 3.5 thousand applications of the financial services consumers related to the activities of the FCOs were received through the official pages of the National Bank in social networks and the instant message systems (messaging).

During the reporting year, the residents and guests of Bishkek and Osh cities could have a look at the museum expositions, where materials on the historical development of monetary circulation were presented. Schoolchildren, students, representatives of foreign and neighboring countries, government agencies and the mass media participated in the excursions. During the excursions, the visitors were presented the designs and samples of banknotes and coins reflecting the stages of the national currency development and formation, the banknotes found on the territory of Kyrgyzstan, a collection of commemorative gold, silver and copper-nickel coins made using different manufacturing technologies and design, as well as numismatic and souvenir products issued by the National Bank. During the reporting year, 208 excursions were conducted (in 2022 – 92), the total number of visitors amounted to about three thousand people (in 2022 – 1.4 thousand people).

*Numismatic museums
in Bishkek and Osh*

Numismatic exhibitions were organized in all oblasts of the republic and in Bishkek as part of the events dedicated to the 30th anniversary of the national currency introduction in the Kyrgyz Republic. Thematic numismatic exhibitions were held in the regional departments of the National Bank, in the universities of the republic, in the museums of Talas, Naryn, Batken and Karakol cities, as well as in the city hall of culture and drama theatre of Jalal-Abad city, in the historical and architectural complex “Sulaiman-Too” of Osh city, in the National History Museum and the National Philharmonic Hall named after T. Satylganov in Bishkek city. The main topic of the exhibition was the history of formation and development of the national currency in the period from 1993 to 2023. Historical materials about the outstanding personalities depicted on the banknotes of the national currency: Togolok Moldo, Kurmanjan Datka, Toktogul Satylganov, Alykul Osmonov, Sayakbay Karalaev, Yusuf Balasaguni, Suymenkul Chokmorov were presented on the information stands. The visitors of the exhibitions were presented the collection coins dedicated to the historical events, monuments of architecture and culture, national sports, national ceremonies and customs, representatives of fauna and flora, as well as other numismatic values in the form of commemorative banknotes, a set of circulation coins and gold bars. The visitors could purchase collection numismatic coins after viewing the exhibition.

Given that social media are becoming the main sources and channels for disseminating information, the National Bank remained active user in the social networks. Information messages related to the National Bank's activities were adapted and posted on its official pages, taking into account the users' requests and expectations.

*National Bank in
the social networks*

Improvement of the financial literacy

Video content, infographics, information cards and other visual products being distributed via social media using special tools were created in the state and official languages. Pages in the social networks were also the platforms for providing prompt feedback to the public and conducting explanatory work through 40 live broadcasts on topical issues related to the activities of the National Bank.

The National Bank continued working to improve the financial literacy of the population within the framework of implementation of the Strategy for Financial Inclusion for 2022-2026 approved by the order of the Cabinet of Ministers of the Kyrgyz Republic No. 119-p dated March 16, 2022, as well as other state strategic programs.

Information on the measures focused on improving financial literacy, educational and other materials were posted on the financial literacy website of the National Bank – www.finsabat.kg and the social media pages.

The main focus of the publications was aimed at explaining the current topics related to the products on the principles of Islamic finance, increasing the attractiveness of government securities, savings, loans, investments, financial security, protection of the financial services consumers' rights and electronic financial services.

“Finsabat” financial literacy TV programs on such topics as “What is financial literacy?”, “Savings and deposits”, “Investing”, “Risks and financial security”, “Electronic digital financial services”, “QR-code-based payment”, “Financial behavior”, “Counterfeiting”, “Financial pyramids”, “How to talk to a child about financial literacy topics?”, “How to Save in Gold and in National Currency?”, “How inflation and economic growth of the country are interconnected?”, “How to open your own business?”, “Lending to small and medium-sized business”, were broadcasted on the national and regional TV channels and posted on the National Bank’s social media pages.

Experts of the National Bank regularly held lectures and consultations, took part in the interviews, explaining through mass media such topics as “About inflation and the situation in the foreign exchange market”, “Why is it dangerous to change currencies with the entities without a license of the National Bank?”, “On types of savings”, “On signs of financial pyramids”, “On assistance to victims of the Batken events”, “What is a credit information bureau?”, “On payments with the use of QR-code”, “On money transfers”, “On savings culture”, “On children’s deposits”, “What is SWIFT?” and others.

The annual information and education campaigns “Global Money Week” and “World Savings Day” were held with involvement of the state and international organizations, commercial banks and microfinance organizations. Lectures on financial literacy, information visits to the financial institutions, competitions, trainings and other events designed and adapted for children of all ages, youth and adults were held as part of these campaigns. Over 650 events were held in the country as part of the “Global Money Week”. There was launching of online financial literacy game “Topto” developed jointly with the German Sparkassenstiftung for International Cooperation. Direct coverage of the population totaled about 35,000 people.

A seminar on financial literacy was held in June for the teachers of the principal subject “Human and Society” on the developed unified financial literacy course within the framework of implementation of the National Strategy for Financial Inclusion of the Kyrgyz Republic for 2022-2026. The topics such as financial goals and planning, loans and work with the credit organizations, savings and deposits were discussed during the seminar.

The national seminar on introduction of financial literacy competences into the educational standards was held together with Aflatoun International in August. The event was attended by the representatives of the Ministry of Education and Science of the Kyrgyz Republic, the Ministry of Labor, Social Security and Migration of the Kyrgyz Republic, the international and non-governmental organizations interested in promoting initiatives in the field of social and financial education of children and youth.

In November, an additional seminar was held for the central staff of the Ministry of Education and Science of the Kyrgyz Republic and the Ministry of Labor, Social Security and Migration of the Kyrgyz Republic, following which the participants decided to develop a forward-looking plan on integration of the competencies of Aflatoun International programs into the educational standard of the subject “Human and Society”.

During 2023, as part of implementation of the Memorandum of Cooperation with the Program Office of the Organization for Security and Cooperation in Europe in Bishkek (OSCE), 50 one-day seminars were held in Chui, Talas, Naryn and Issyk-Kul oblasts, attended by 1,208 participants, however the share of women constituted more than 70 percent. In addition, in October, two-day training sessions on financial literacy were held for the employees of the entrepreneurship support center in Osh, Batken, Jalal-Abad, Issyk-Kul and Talas oblasts, as well as for the representatives of the territorial departments on labor, social security and migration in Issyk-Kul and Talas oblasts being attended by 45 participants, including 20 women. The participants were provided with information on family budgets, savings, lending and investment issues during the seminars and the training sessions.

Special lectures on financial literacy were organized for the schoolchildren, the students of colleges and universities, the employees of the Public Association of Parents of Children with Autism “Hand in Hand” as part of the events devoted to the 30th anniversary of the national currency introduction. During the above-mentioned lectures, the participants were provided with information on the activities of the National Bank to improve financial literacy of the population of Kyrgyzstan, as well as on personal finance management, savings and financial security.

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

6.1. Activity of the Board of the National Bank of the Kyrgyz Republic in 2023

The Board of the National Bank of the Kyrgyz Republic is the supreme governing body, which approves the main directions in the National Bank's activity. Powers of the Board are defined by the Constitutional Law "On the National Bank of the Kyrgyz Republic".

The Management Board defines the monetary policy, the policy in the area of the commercial banks, NBFCOs, the payment system operators, and the payment organizations supervision; the main directions of development in the banking sector, the NBFCOs sector, and the payment system; as well as establishes the procedure for issue of new samples and denominations of banknotes and coins and the procedure for redeeming the banknotes and coins; approves the regulatory legal acts, the annual report, and takes decisions on the issues placed under the National Bank's jurisdiction.

The Board of the National Bank activity was carried out in accordance with the approved annual and quarterly action plans. In 2023, the Management Board held 132 meetings with 552 considered issues and 214 adopted resolutions.

*Consideration
of monetary
policy issues*

During 2023, eight scheduled meetings of the Board were held on the issue of the National Bank policy rate, following the results thereof the decisions on the key rate were made taking into account a comprehensive analysis and forecasts of the main inflation factors, as well as the prospects for development of the external and internal economic environment.

The Board considered on a quarterly basis the Monetary Policy Report including a broad overview of the current situation in the external environment and in the economy of the Kyrgyz Republic, measures and results of the monetary policy, as well as forecast assessments of the economic development in the Kyrgyz Republic, which was published on the official website of the National Bank.

In April 2023, the Board approved the Action Plan of the National Bank on de-dollarization of the economy and made appropriate decisions on its implementation in order to reduce dollarization of the economy in the Kyrgyz Republic and further strengthen confidence in the national currency.

In December 2023, the Board of the National Bank adopted the Statement of the National Bank on monetary policy for 2024 and approved the schedule of the Board meetings for 2024 on the policy rate.

The Board 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.

*Consideration of
issues of banking
and non-banking
organizations
supervision*

In the reporting year, the Board of the National Bank adopted the resolutions focused on improving the lending system and encouraging the use of automated systems for extending loans; developing the financial instruments; introducing the international standards on calculation the liquidity coverage ratio and disclosure of information on the commercial banks' activities; and expanding the criteria to admit simultaneous participation in the special regulatory regime for the participants of banking operations and services testing procedure. In addition, the requirements for classification of newly granted loans in foreign exchange and publication of the financial statements of non-banking financial-credit organizations were revised.

The Board of the National Bank approved the Regulation "On Regulatory Bank Reporting" (RBR), which presents a new structure of the RBR, in order to improve the

methods of risk-based oversight (RBO). Introduction of a new comprehensive updated automated system for the RBR collection will allow the National Bank to obtain more detailed and specific information, including data on the principles of Islamic finance, for effective implementation of measures to supervise and regulate the commercial banks' activities.

In the reporting period, a number of decisions were taken to bring the regulatory legal acts of the National Bank in line with the amendments introduced in the legislation on the issues of credit information exchange; rendering services by the financial-credit organizations to the people with disabilities; and counter-terrorism financing and anti-money laundering.

The Board of the National Bank adopted the resolutions regulating the issues related to corporate governance, financial reporting, credit risk management, and use of bank payment cards in order to bring the requirements of certain regulatory legal acts of the National Bank on the principles of Islamic finance in line with the legislation and the international standards.

Amendments to the regulatory legal acts of the National Bank were approved with regard to the use of digital documents by the citizens of the Kyrgyz Republic when receiving services from the financial-credit organizations in order to bring in line with the resolution of the Cabinet of Ministers of the Kyrgyz Republic on the use of digital documents in the territory of the Kyrgyz Republic.

The Board of the National Bank adopted amendments to the “Main development trends of the microfinance sector for 2022-2025” aimed at reducing the interest rates on loans issued by the microfinance sector, expanding access to financial resources for the female entrepreneurs, and ensuring accessibility of banking services for people with disabilities.

The Board of approved a number of regulatory legal acts related to ensuring barrier-free access of the population to financial services; establishing requirements for information security of the payment system operators and the payment organizations and their financial reporting; regulating payments and settlements in foreign currency; establishing requirements for the settlement banks and amendments to the rules of money transfers within the framework of improving the regulatory legal acts on the payment system.

Relevant amendments were introduced in the State Classifier of Payment Turnover to marshal information on the payment turnover.

In 2023, the Concept of Faster Payments System development in the Kyrgyz Republic was approved by the Resolutions of the Board of the National Bank, as well as amendments were introduced in the Rules for payments and transfers using two-dimensional barcode symbols (QR-code), in order to develop digital payment technologies and ensure inter-system integration of various payment systems.

*Consideration
of payment
system issues*

6.2. Improvement of Banking Legislation and Performance of Financial Adviser's Duty

During 2023, in accordance with Article 38 of the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” the National Bank, acting as an adviser to the President of the Kyrgyz Republic, the Jogorku Kenesh of the Kyrgyz Republic, and the Cabinet of Ministers of the Kyrgyz Republic, provided analytical information on the main directions of the monetary policy of the National Bank and the trends in economic development; on the state of the banking and payment systems, the system of non-banking financial-credit organizations; on the situation in the foreign exchange market of the Kyrgyz Republic.

The National Bank provided opinions on the draft laws and other regulatory legal acts affecting financial and banking issues, the area of payment systems development, budget and tax policy, and the sphere of the National Bank authority.

In the reporting period, in performing the duties of a financial adviser the National Bank sent more than 400 letters to the Administration of the President of the Kyrgyz Republic, the Jogorku Kenesh of the Kyrgyz Republic, and the Cabinet of Ministers of the Kyrgyz Republic.

Participation in development and implementation of state programs

During 2023, the National Bank participated in the development and implementation of a number of state strategies, concepts, programs and plans, including:

- The Action Plan of the Cabinet of Ministers of the Kyrgyz Republic for 2023;
- The Action Plan of the Cabinet of Ministers of the Kyrgyz Republic to Implement the Business Development Program of the Kyrgyz Republic until 2026;
- The Measures Plan of the Cabinet of Ministers of the Kyrgyz Republic to Restrain Growth of Prices for Socially Important Food Products for 2024;
- The Action Plan to Implement the Concept of the Islamic Economic Platform Development in the Kyrgyz Republic for 2023-2027;
- The State Program to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic for 2023-2027.

Examination of draft laws

The National Bank participated in development, promotion and consideration of more than 40 draft laws, including:

- “On Approval of the Digital Code of the Kyrgyz Republic”;
- “On Settlements in the National Currency of the Kyrgyz Republic”;
- “On the Accounts Chamber of the Kyrgyz Republic”;
- “On Price Formation”;
- “On Cyber Security of the Kyrgyz Republic”;
- “On the Right of Access to Information”;
- “On Transfer of Profit of the National Bank of the Kyrgyz Republic”;
- “On Rebuilding and Protection of Citizens’ Savings in the Kyrgyz Republic”;
- “On the Rights and Guarantees of People with Disabilities”;
- “On Ratification of International Agreements and Documents Signed and Adopted under the Memorandum of Understanding on the Debt Service Regime of the Kyrgyz Republic dated September 10, 2021”;
- “On Writing-off Public Budget Loans Issued to the Business Entities of Batken Oblast Affected by the Conflict on the Kyrgyz-Tajik Border on April 28-30, 2021”;
- “On the Republican Budget for 2024 and the Planning Period of 2025-2026”;
- “On Voluntary Legalization and Amnesty of Individuals’ Assets”;
- “On Amendments to the Tax Code of the Kyrgyz Republic”;
- “On Amendments to Some Legislative Acts of the Kyrgyz Republic (to the Tax Code of the Kyrgyz Republic and the Law of the Kyrgyz Republic “On Counter-Terrorism Financing and Anti-Money Laundering”);”;
- “On Amendments to Some Legislative Acts of the Kyrgyz Republic (to the Civil Code of the Kyrgyz Republic, the Laws of the Kyrgyz Republic “On State Property Privatization in the Kyrgyz Republic”, “On Joint-Stock Companies” and “On the State Development Bank of the Kyrgyz Republic”);”;
- “On Amendments to the Criminal Code of the Kyrgyz Republic”;
- “On Amendments to Certain Legislative Acts due to Bringing them in Compliance with Banking Legislation”;
- “On Amendments to the Law of the Kyrgyz Republic “On Exchange of Credit Information”;
- “On Amendments to the Law of the Kyrgyz Republic “On Guarantee Funds in the Kyrgyz Republic”;

- “On Amendments to the Law of the Kyrgyz Republic “On Microfinance Organizations in the Kyrgyz Republic”;
- “On Amendments to the Law of the Kyrgyz Republic “On Protection of Bank Deposits”;
- “On Amendments to the Law of the Kyrgyz Republic “On the Republican Budget of the Kyrgyz Republic for 2023 and the Planning Period of 2024-2025”;
- “On Amendments to the Law of the Kyrgyz Republic “On Bankruptcy (Insolvency)”;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic on Registration (Re-registration) of Legal Entities and Invalidation of the Law of the Kyrgyz Republic “On State Registration of Legal Entities, Branches (Representative Offices)”;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Law of the Kyrgyz Republic “On Restriction of Usury Activities in the Kyrgyz Republic”, the Civil Code of the Kyrgyz Republic, the Code of the Kyrgyz Republic on Offenses)”;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic “On Sustainable Development of Issyk-Kul Ecological and Economic System”, “On Pledge”);
- “On Amendments to the Law of the Kyrgyz Republic “On Gambling in the Kyrgyz Republic”;
- “On Amendments to the Law of the Kyrgyz Republic “On Pledge”;
- “On Amendments to the Law of the Kyrgyz Republic “On Cooperatives”;
- “On Amendments to the Law of the Kyrgyz Republic “On Renewable Energy Sources”.

In 2023, the National Bank also examined and prepared proposals for more than 25 draft resolutions and orders of the Cabinet of Ministers of the Kyrgyz Republic and acts of the President of the Kyrgyz Republic, including:

- “On the report of the Chairman of the National Bank of the Kyrgyz Republic on the activity of the National Bank of the Kyrgyz Republic for 2022”;
- “On issues of activity of “State Development Bank of the Kyrgyz Republic” OJSC”;
- “On the Joint Statement of the Cabinet of Ministers of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic about the main directions of economic policy for 2023”;
- “On approval of the project “Commodity loan and grant to develop agricultural products for the producers of Batken oblast”;
- “On measures to implement the requirements of Article 146 of the Tax Code of the Kyrgyz Republic”;
- “On approval of the Cluster Policy Concept in the Kyrgyz Republic for 2023-2033”;
- “On introduction of temporary ban (moratorium) on inspections of business entities until December 31, 2023”;
- “On approval of the Statistical Program for 2024”;
- “On granting special status to the ecologically clean city of Asman”;
- “On procedure for filing a special declaration”;
- “On measures to improve the position of the Kyrgyz Republic in the international ratings”;
- “On de-dollarization of the economy”;
- “On approval of the Migration Policy Concept of the Kyrgyz Republic for 2021-2030”;
- “Agricultural finance – 12”;

*Consideration
of draft decrees,
resolutions
and orders*

- “On the project “Concessional lending and leasing of domestically produced automotive and commercial vehicles”;
- “On approval of financing mechanisms for construction, capital repairs, and reconstruction facilities and repayment of the state bodies’ accounts payable by issuing state securities”;
- “On insurance of property and civil liability by the state, municipal enterprises and business entities with the state share in the capital of 50 percent or more, as well as by their subsidiaries in “State Insurance Organization” OJSC.
- “On amendments to some decisions of the Cabinet of Ministers of the Kyrgyz Republic on gambling in the Kyrgyz Republic”;
- “On amendments to the Resolution of the Government of the Kyrgyz Republic “On approval of the Strategy of public debt management in the Kyrgyz Republic for 2022-2024” No. 357 dated July 1, 2022”;
- “On amendments to the Resolution of the Government of the Kyrgyz Republic “On organizational issues related to draft formation for state budget revenues” No. 604 dated August 26, 2015”;
- “On recognizing the Law of the Kyrgyz Republic “On Rebuilding and Protection of Citizens’ Savings in the Kyrgyz Republic” as null and void;
- “On recognizing some decrees of the President of the Kyrgyz Republic as null and void”;
- “On recognizing some orders of the President of the Kyrgyz Republic as null and void”;
- “On recognizing some decisions of the President and the Cabinet of Ministers of the Kyrgyz Republic as null and void”;
- “On recognizing some resolutions of the Government of the Kyrgyz Republic as null and void”;
- “On recognizing some orders of the Government of the Kyrgyz Republic as null and void”;
- “On recognizing some orders of the Prime Minister of the Kyrgyz Republic as null and void”.

Examination of draft international agreements

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

- The Agreement between the Cabinet of Ministers of the Kyrgyz Republic and the Government of the Republic of Bulgaria on economic cooperation;
- The Agreement “On standardized license in the banking and insurance service sectors within the Eurasian Economic Union”;
- The Agreement “On e-commerce in the Eurasian Economic Union”;
- The Agreement “On free trade between the Eurasian Economic Union and its member states, on the one hand, and the Islamic Republic of Iran, on the other hand”;
- The Agreement “On enhanced partnership and cooperation between the European Union and its member-states, on the one hand, and the Kyrgyz Republic, on the other hand”;
- The Agreement “On partnership in the e-economy among the members of the Organization of Turkic States”;
- The Agreement “On establishing the investment fund of the Organization of Turkic States”;
- The Agreement “On mutual recognition of bank guarantees for state (municipal) procurement” within the framework of the Eurasian Economic Union;
- the Memorandum of Understanding on economic cooperation between the Cabinet of Ministers of the Kyrgyz Republic and the Government of the Kingdom of Bahrain;

- The Memorandum of Understanding between China Construction Bank Corporation and the National Bank of the Kyrgyz Republic;
- The Memorandum of Understanding on cooperation in the field of central banks' activity between the National Bank of the Kyrgyz Republic and the Central Bank of Qatar;
- The Memorandum on provision of services to the financial and holding company “Rothschild & Co”;
- SCO Economic Development Strategy until 2030;
- The Concept of cooperation on trade and economic zones between the ministries and agencies of the SCO member-states responsible for foreign economic and foreign trade activities;
- The minutes of the third meeting of the Kyrgyz-Kuwait Intergovernmental Commission on Economic and Technical Cooperation;
- The Action Plan for cooperation between the Kyrgyz Republic and the UAE.

In 2023, the National Bank participated in the activities of the interagency working groups and commissions on the following issues:

Work in interagency commissions

- Development of cross-border e-commerce in Central Asia;
- Development of “green” economy;
- Effective use of precious metals produced in the Kyrgyz Republic to ensure sustainable social and economic development, expand trade, investment and financial relations of the Kyrgyz Republic;
- Assessment of risks of terrorism financing and money laundering in the sector of virtual assets and virtual asset service providers;
- Introduction of differentiated system of risk-based contributions;
- Implementation of the initiative for restructuring of the public external debt of the Kyrgyz Republic;
- Development of the draft Methodology of statistical data collection in the field of e-commerce;
- Improvement of accounting on foreign trade operations;
- Studying applications of the citizens who reported about the facts of violations of laws in collection of debts on borrowed funds.

6.3. Personnel Management

The National Bank regularly takes measures to improve its organizational efficiency, to form the optimal structure, staffing list and develop the professional level of the employees' competence.

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

Basic Goals and Objectives of Structural Units of the National Bank of the Kyrgyz Republic

Economic Department

develops the proposals on the monetary policy; analyzes monetary, real, financial, and fiscal sectors of the economy; and implements macroeconomic modeling and forecasting; promotes public policy within the EAEU and the Bretton Woods Institutions (WB and IMF); ensures the process of economic research at the National Bank

***Monetary Operations
Department***

implements the monetary policy and manages the international reserves; carries out the operations in the financial markets, assesses and analyzes them; identifies the trends and reasons for the changes in the financial markets to effectively coordinate the open market operations

***Financial Statistics and
Review Department***

collects, processes and disseminates statistical monetary information, financial market, real sector and public finance indicators; compiles the balance of payments and the international investment position of the Kyrgyz Republic; provides expert support to the Cabinet of Ministers of the Kyrgyz Republic in matters of external debt; improves the structure of statistical database and technology for collection and processing of statistical information; analyzes and assesses the financial stability of the Kyrgyz Republic; implements timely release of regular official publications of the National Bank

***Banking Oversight
Department***

implements the objectives of the National Bank on ensuring stability of the banking system, protection of the depositors' and other creditors' interests, as well as on ensuring fair competition among the banks by implementing risk-based oversight of their activities in accordance with the requirements, stipulated by the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank

***Supervision
Methodology
Department***

implements the National Bank's objectives focused on ensuring stability of the banking system by developing methodologies for regulation and supervision over the banks', non-banking and specialized financial-credit organizations', and the Islamic financial institutions' activities, as well as for anti-monopoly regulation

Licensing Department

implements the National Bank's objectives focused on ensuring stability of the banking system by licensing the banks, nonbanking financial-credit organizations, and other legal entities supervised by the National Bank

***Department of
Supervision of Non-
banking Organizations***

implements the National Bank's objectives on ensuring stability of the non-banking and specialized financial-credit organizations licensed and regulated by the National Bank, protection of the depositors' and other creditors' interests, fair competition through conducting the external (remote) monitoring, arrangement and implementation of high-quality periodic inspections of their activities

***Cash Management
Department***

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

***Payment Systems
Department***

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, implements licensing, regulation and supervision over the activities of the payment system operators and payment organizations; as well as regulation and supervision over the legal entities' activities supervised by the National Bank, which render services related to the virtual assets, as the providers of virtual asset services

***Bank Settlements
Department***

ensures the functioning of interbank settlement systems; makes settlements on the financial market operations and transactions; maintains the accounts of the Cabinet of Ministers of the Kyrgyz Republic, and the financial organizations' accounts opened in the National Bank; conducts operations within the framework of implementing the Treaty on the EAEU

***Accounting and
Reporting Department***

keeps regular accounts and records of the National Bank's operations in accordance with the international accounting practice to provide the customers with financial statements reflecting the National Bank's financial position, custodian accounting of the Government Securities, as well as monitors the collateral on loans issued by the National Bank

Legal Department

provides comprehensive legal support of the National Bank, its structural units, regional departments and the Batken Representative Office on the basis of a combination of the universal approach and specialization by areas in accordance with the range of objectives within their competence

***Planning, Budgeting
and Control Department***

organizes the National Bank's financial activities focused on providing the National Bank's development strategy with financial resources; organizes activities budgeting and planning; monitors implementation of the action plans and strategic directions in the National Bank's activities

***Communications
and International
Cooperation Department***

provides an effective system of communication with the public and the external organizations, informs about the National Bank's activities and policy, implements measures to improve the financial literacy of the population; coordinates interaction of the National Bank with the international organizations and institutions

***Banking Automation
Department***

provides the National Bank with the high-quality and up-to-date IT services

***Security and
Information Protection
Department***

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

***Administration and
Logistics Department***

maintains uninterrupted functioning of the buildings and structures of the National Bank and their power supply, resolves the issues of logistics, transport support, and medical care of the National Bank's employees

***Consumers' Rights
Protection Division***

supervises the persons supervised by the National Bank to comply with the laws of the Kyrgyz Republic in the area of protecting the rights of the banking and payment services consumers

***SWIFT Service
Bureau Division***

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

***Subsidiaries
and Associated
Organizations
Management Division***

interacts with the subsidiaries and the associated organizations of the National Bank on their activities and development strategy

***State Language
Development and
Documentation
Management Division***

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

***Board's Secretariat
Division***

ensures the activities of the National Bank's Management Board, controls execution of the resolutions and the protocol orders of the National Bank's Management Board; implements organizational and documentary support of the administration's work in the National Bank; ensures the activities of the Supervision Committee, the Coordinating Council and the Law Violation Review Commission

<i>Personnel Division</i>	organizes selection and hiring of the personnel with the required qualifications and in the required number to fulfill the functions and objectives of the National Bank, and implements the process of occupational training and professional development of the National Bank's employees
<i>Financial Risk Control Division</i>	manages the financial risks in conducting the operations of the National Bank in the foreign markets
<i>Construction and Repair Division</i>	organizes construction and assembly operations, repair, design and survey work at the National Bank's facilities
<i>Internal Audit Division</i>	conducts audits in structural units of the National Bank, interacts with the external auditor of the National Bank and ensures interaction with the Audit Committee
<i>Division of Revisions</i>	implements measures on inspection of financial and economic activities in the structural units of the National Bank, including its regional departments and the Batken Representative Office of the National Bank, as well as subsidiaries/ associated organizations of the National Bank to ensure appropriate and efficient use of the National Bank's resources and safety of its assets
<i>Procurement and Property Sale Division</i>	organizes and pursues procurement, and sells property in accordance with the legal acts of the National Bank; 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
<i>Operational Risks and Business Processes Division</i>	implements a set of measures to reduce impact of the operational risks on the National Bank's activities; organizes uninterrupted implementation of the National Bank's activities; implements analysis and optimizes the business processes of the National Bank
<i>Education and Recreation Center (Recreation Center "Tolkun")</i>	arranges recreation for the National Bank's employees and the members of their families; ensures holding of the National Bank's training events
<i>Regional Departments and Batken Representative Office</i>	provides the branches of the commercial banks with cash; licenses and supervises the non-banking financial-credit organizations, including exchange bureaus, the operators of payment systems, payment organizations; implements measures within the framework of the payment system development, increasing the level of financial inclusion and improvement of the population financial literacy

*Payroll number of
employees of the
National Bank*

At the end of 2023, the payroll number of employees of the National Bank amounted to 721 persons, of which 637 people – were in the central office and 84 people – in the regional departments and the Batken Representative Office. The number of women amounted to 327 people in the central office and 29 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 49.4 percent and men – 50.6 percent.

*Personnel vocational
training*

In 2022, the payroll number of employees of the National Bank amounted to 702 people, of which 615 people – in the central office and 84 people – in the regional departments and the Batken Representative Office. The number of women amounted to 319 people in the central office and 34 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 50.3 percent and men – 49.7 percent.

The National Bank is interested in improving the qualifications of the officers and regularly organizes training activities to strengthen the personnel potential of its personnel. In 2023, training activities of the bank officers were carried out remotely and in person within the framework of the international agreements, technical cooperation with the central (national) banks, and the Program of vocational training for the personnel of the central (national) banks. Training activities was primarily conducted in the training centers of the Kyrgyz Republic, the EAEU and far abroad countries.

*“Young
professionals”
Program*

The National Bank implements the program “Young professionals” on a regular basis to give an opportunity to the university graduates and the young professionals with higher professional education to serve internship in the central bank of the country. Among others, the university graduates whose diplomas are in the process of production and who have submitted supporting documents can be the program candidates; the age of candidates must be no older than 27 years (inclusive). The next program was held in 2023.

*Specialists
competitive selection*

The system of a competitive selection of employees is applied to implement an open, equal and fair approach to all participants of the competition during employment; this system allows selecting 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 in the media, in the social media platforms and on the official website of the National Bank. In 2023, 50 competitions were held, including 16 competitions in the regional departments of the National Bank. In the reporting year, the staff turnover amounted to 13.04 percent.

Chart 6.3.1.

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

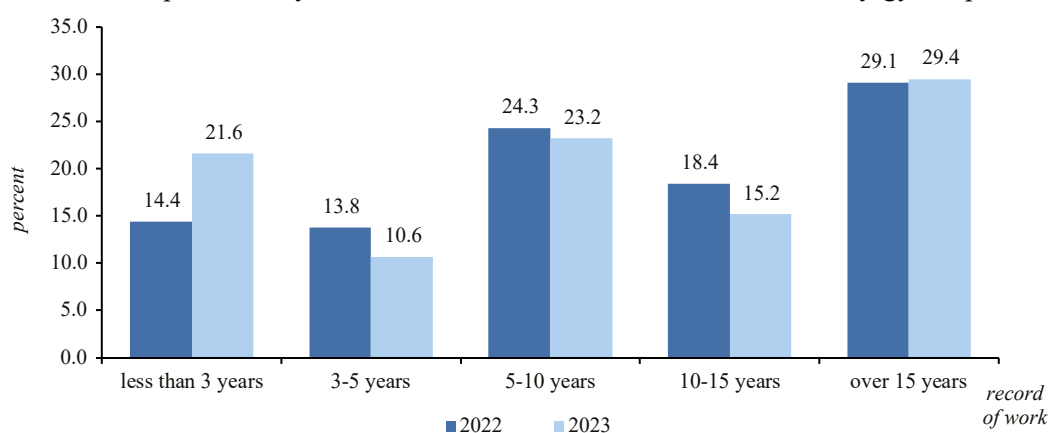
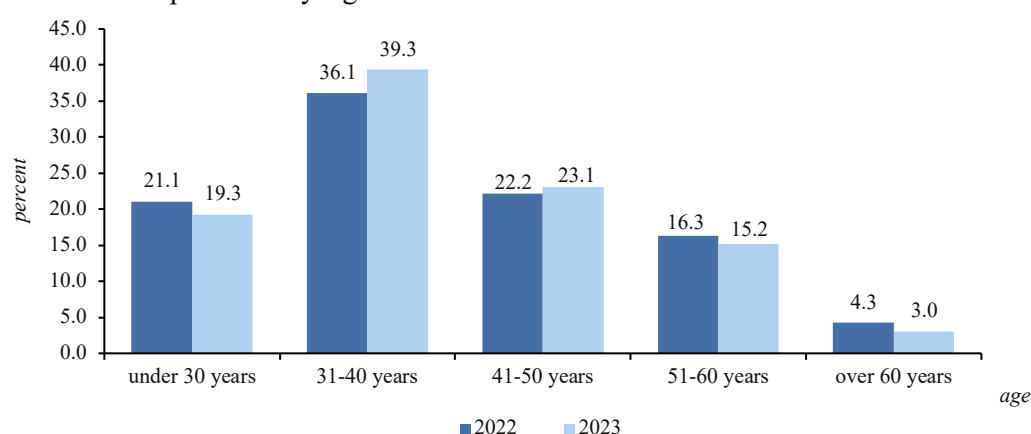


Chart 6.3.2.

Structure of Specialists by Age



The committees and commissions operate in the National Bank on a regular basis to provide effective fulfillment of its functions and objectives. Ten committees, 13 commissions, a scientific expert council, and six editorial boards for publications of the National Bank with their activity being regulated by the relevant provisions operated as of the end of 2023.

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

Monetary Regulation Committee

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 Cabinet of Ministers of the Kyrgyz Republic on the monetary policy issues

Investment Committee

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

Supervision Committee

decides on the regulation and supervision of the commercial banks and other financial-credit organizations licensed by the National Bank within the established competence

Payment System Committee

defines the development trends of the payment system of the Kyrgyz Republic, makes decisions on licensing, regulation and supervision over the payment system operators and payment organizations; on issuance, suspension, extension, revocation and termination of licenses under the special regulatory regime in accordance with the Regulation “On Special Regulatory Regime” develops and submits recommendations (opinions) on the directions of the payment system development in the Kyrgyz Republic, the innovative payment technologies to ensure efficiency, reliability and security of the payment system

Audit Committee

assists the Board of the National Bank in ensuring an adequate internal control system, control over the accounting procedures and preparation of financial statements of the National Bank, as well as supervises the internal audit division

Risk Committee

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

Coordination Committee on Information Technologies

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; coordinates planned information technologies (IT) projects, coordinates changes and approval of technical solutions and business processes relevant to these projects or IT; defines prioritizes for implementation of technical solutions and IT projects

Committee for National Bank Subsidiaries and Associated Organizations Management

makes decisions on management of the subsidiaries and the associated organizations of the National Bank within the framework of the envisaged powers and develops recommendations to the National Bank Board on involvement of the National Bank in the legal entities' activities

Construction Committee

coordinates and controls the work on construction of the National Bank's facilities, determines rationality and priority of construction, develops recommendations on minimizing risks in construction of the facilities

<i>Information Security Committee of the National Bank</i>	determines and coordinates activities focused on ensuring information security of the National Bank and the banking system of the Kyrgyz Republic; defines the main directions/strategies of IS development and control over implementation of IS measures in the National Bank in accordance with the mission of the National Bank. Ensures a comprehensive approach to the ISMS (Information Security Management System) and the ISS (Information Security System) in 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

6.4. Internal Audit and Internal Control System

The internal control system of the National Bank is organized and operates in accordance with the Constitutional Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”, as well as it takes into account best practices in the field of internal control. The internal control system in the National Bank is represented by the Internal Audit Division reporting to the Board of the National Bank and the Audit Committee.

The main goal of the Audit Committee’s activities is to assist the Board of the National Bank in ensuring an adequate operation of the internal control system, as well as control over the accounting procedures and preparation of the National Bank’s financial statements.

The Audit Committee’s activity is to assist in improving the effectiveness of the internal control system, risk management and corporate governance; to supervise the Internal Audit Division; to ensure adequate application of the accounting standards; to monitor the quality of the financial statements; to provide recommendations to the Board of the National Bank on the regulation of relations with the external auditor and assessing compliance of the external auditor’s work with the standards established by the legislation of the Kyrgyz Republic.

Activities of the Audit Committee

In 2023, the Audit Committee held 29 meetings, where the consolidated and separate financial statements of the National Bank, review of the internal control system, monitoring of the implementation of internal and external audits recommendations, and materials on the activities of the Internal Audit Division were considered.

The Audit Committee provided information about its activities to the Board of the National Bank for consideration on a semi-annual basis. A member of the Audit Committee – an independent expert – participated in selection of the external auditor of the National Bank for 2023-2025. The Audit Committee held meetings on the audit of the National Bank's consolidated and separate financial statements with the representatives of the audit organization to guarantee the external auditors' independence in accordance with the international standards on auditing.

*Activities of the
Internal Audit
Division*

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

The main goals and objectives of the Internal Audit Division 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's consolidated and separate financial statements and the Audit Committee of the National Bank.

In the reporting period, audits were conducted on the main areas of the National Bank's activities, as well as on risk-based oversight of the banks activities, development of monetary policy and analysis of its implementation, arrangement of production of banknotes and coins of various denominations, and control over the smooth flow of interbank payments.

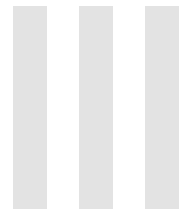
In 2023, external assessment of the quality of the Internal Audit Division's activity was conducted by the independent experts of the Swiss National Bank. The results of the assessment showed that the activities of the Internal Audit Division in the National Bank "fully comply" with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors.

The Information Technologies Audit Group was established within the Internal Audit Division in order to strengthen internal control over information technologies.

*Interaction with
external auditors*

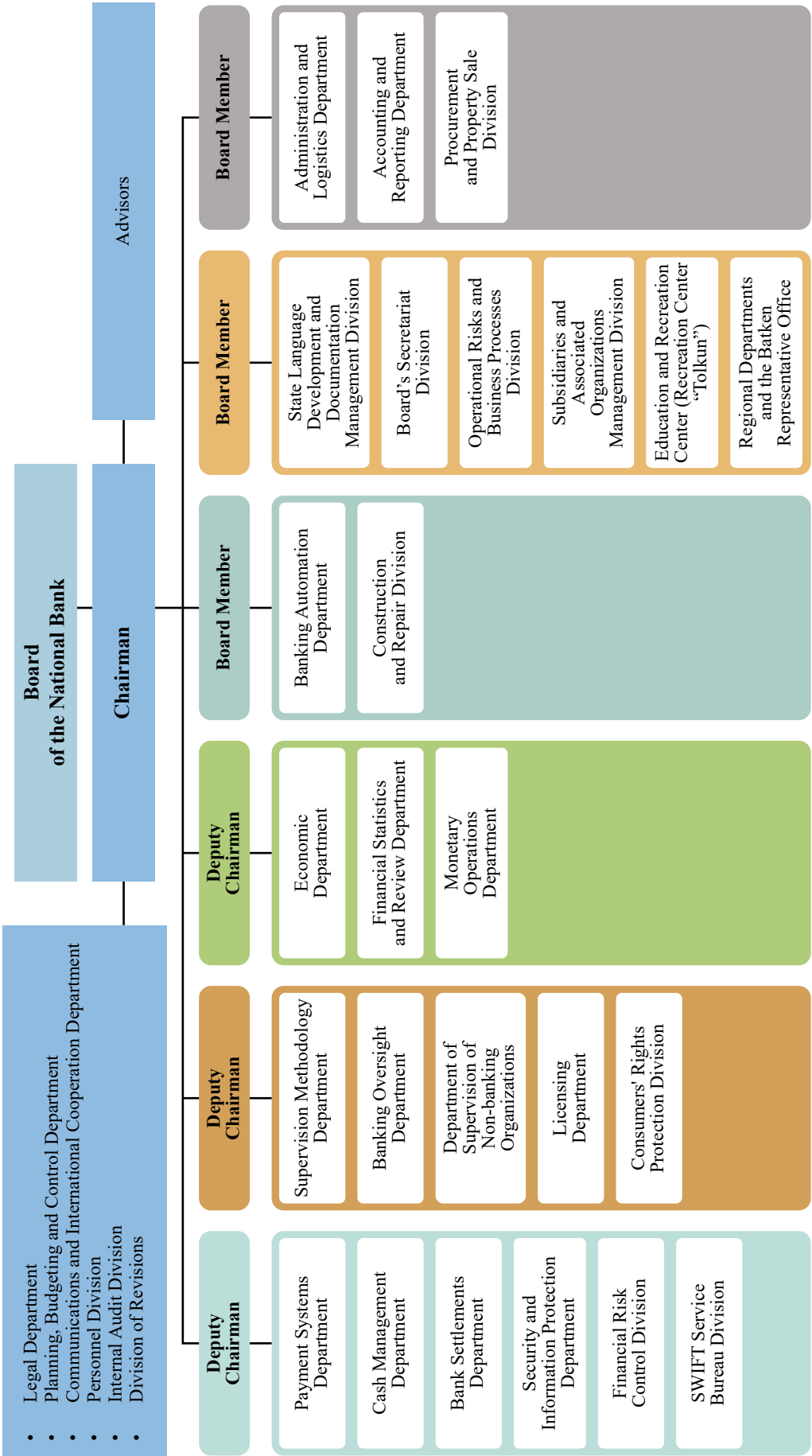
The external audit of the consolidated and separate financial statements of the National Bank for 2022 was conducted by the audit organization – "Ernst & Young Audit" LLC approved by the Jogorku Kenesh of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic. The audit organization – "Baker Tilly Bishkek" LLC was approved by the Jogorku Kenesh of the Kyrgyz Republic as the external auditor of the National Bank for 2023-2025.

ATTACHMENTS



Appendix 1
to the Report of the National Bank
of the Kyrgyz Republic for 2023

Organizational Chart of the National Bank of the Kyrgyz Republic



Appendix 2
to the Report of the National Bank
of the Kyrgyz Republic for 2023

**Major Events in the Activities
of the National Bank of the Kyrgyz Republic in 2023**

Date	Contents
January 9	LLC “PLUSPAY” was registered as an operator of the International Money Transfer System “PLUSPAY”.
January 9	LLC “PLUSPAY” was registered as an operator of the International Money Transfer System “PLUSPAY”.
January 16	LLP “RPS Asia” was registered as an operator of the International E-money System “Yurta”.
January 25	The Board of the National Bank decided to delay the effective date of the Resolution of the Board of the National Bank of the Kyrgyz Republic “On approval of the accounting procedure for murabaha operation”.
January 30	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.
February 3	The Board of the National Bank approved the “Procedure for service rendering on virtual assets”.
February 22	The Board of the National Bank approved the Regulation “On the requirements to form, publish and submit the financial statements of the payment system operators/payment organizations to the National Bank of the Kyrgyz Republic”.
February 24	The Board of the National Bank decided to extend deadline of validity suspension for the Resolution of the Board of the National Bank “On temporary decisions in the sphere of conducting foreign currency exchange operations” until September 1, 2023.
February 27	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.
March 15–25	The annual information and educational campaign on financial literacy “Global Money Week – 2023” was held.
March 15	The Board of the National Bank adopted the Resolution “On the minimum amount of the authorized and equity (regulatory) capital of the commercial banks”, which establishes the minimum amount of the authorized capital for newly established commercial banks (including the capital requirement for the branches of foreign banks), commercial banks (including the branches of foreign banks), as well as operating systemically important commercial banks (including the branches of foreign banks).
March 25	A certificate of accounting registration was issued to LLC MCC “ALLADAN”.

Date	Contents
March 29	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> - approved “Main directions of payment system development in the Kyrgyz Republic for 2023-2027”; - decided to extend the validity term of the Resolution of the Board of the National Bank of the Kyrgyz Republic “On some decisions of the National Bank of the Kyrgyz Republic on providing support to the clients of commercial banks, non-banking and specialized financial-credit organizations affected by the armed conflict in Batken and Osh oblasts”.
March 29	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.
March 31	<p>The Board of the National Bank approved:</p> <ul style="list-style-type: none"> - the Regulation “On requirements to information security of payment system operators and payment organizations”; - the Regulation “On minimum requirements to the settlement bank”.
April 5	<p>The Board of the National Bank adopted amendments:</p> <ul style="list-style-type: none"> - to the “Procedure for application of special classification of loans meeting certain criteria”; - to the Regulation “On minimum requirements for credit risk management in commercial banks and other financial-credit organizations licensed by the National Bank of the Kyrgyz Republic”; - to the “Procedure for operation of commercial banks and other financial-credit organizations licensed and regulated by the National Bank of the Kyrgyz Republic with pledged property”.
April 5	The Board of the National Bank issued a permit to OJSC “FinanceCreditBank” to conduct operations with refined measuring bars issued by the National Bank of the Kyrgyz Republic.
April 10–16	Participation of the National Bank in the Spring Meeting of the IMF and the WB Governors.
April 12	<p>The Board of the National Bank:</p> <ul style="list-style-type: none"> - adopted amendments to the Rules for money transfers through money transfer systems in the Kyrgyz Republic related to the issue of canceling the registration of an operator of the money transfer system in the National Bank; - approved the Instruction “On lending restrictions”.
April 12	Participation of the National Bank in the 20 th meeting of the EAEU Advisory Committee on Statistics.
April 18	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.
April 19	The Board of the National Bank decided to extend the validity term of the Resolution of the Board of the National Bank of the Kyrgyz Republic “On some temporary decisions of the National Bank of the Kyrgyz Republic on issuing loans to the borrowers of Batken oblast”.

Date	Contents
April 20	Participation of the National Bank in the 66 th meeting of the Board of the Interstate Bank.
April 24	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.
April 24	Collection silver coins “Tai-tuyak” and “30 years of Som” of the series “Historical events” were put into circulation.
April 24	Registration of OJSC “Commercial Bank KYRGYZSTAN” as an operator of the local (inter-branch) money transfer system “Argymak” was cancelled.
April 25	JSC CB “Sokolovsky” was registered as an operator of the international money transfer system “Astrasend”.
April 26	The Board of the National Bank approved the Regulation “On minimum requirements for credit risk management in providing project financing by the commercial banks”.
April 29	The Board of the National Bank decided to change calculation of maximum risk exposure on operations with affiliates and bank-related entities, as well as other changes related to operations with securities.
May 3	A certificate of accounting registration was issued to LLC MCC “Budget”.
May 10	Banknotes of the 5 th series of the national currency in denominations of 200, 500 and 1,000 Som of 2023 issue were put into circulation.
May 11	The Board of the National Bank approved amendments to some regulatory legal acts on settlements in foreign currency.
May 11	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.
May 12	LLP “OneVision” was registered as an operator of the international e-money system “OneVision”.
May 17	Participation of the National Bank in the 67 th meeting of the Board of the Interstate Bank.
May 18	A certificate of accounting registration was issued to LLC MCC “Sprint Credit”.
May 19	The international conference “From Challenges to New Opportunities” devoted to the 30 th anniversary of the national currency introduction – Som was held.
May 24	The Board of the National Bank: <ul style="list-style-type: none"> - approved the Concept of development of the Faster Payments System in the Kyrgyz Republic; - introduced amendments in the Rules to make payments and transfers with the use of two-dimensional barcode symbols (QR-code).
May 29	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.

Date	Contents
May 30	Participation of the National Bank in the 24 th meeting of the Advisory Council on Foreign Exchange Policy of the Central (National) Banks of the EAEU Member States.
June 2	Participation of the National Bank in the 20 th meeting of the EAEU Advisory Committee on the Macroeconomic Policy.
June 13	The Cabinet of Ministers of the Kyrgyz Republic and the Board of the National Bank of the Kyrgyz Republic approved the Joint Statement of the Cabinet of Ministers of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on the Main Directions of Economic Policy for 2023.
June 14	The Board of the National Bank adopted amendments: <ul style="list-style-type: none"> - to the Regulation “On operations conducted according to the principles of Islamic banking and finance”; - to the Regulation “On the requirements to form, publish and submit the financial statements of the non-banking financial-credit organizations to the National Bank of the Kyrgyz Republic”; - to the Regulation “On bank payment cards in the Kyrgyz Republic”; - to some regulatory legal acts on application of digital identity documents of the citizens of the Kyrgyz Republic.
June 14	A certificate of accounting registration was issued to LLC MCC “Eldik Finance”.
June 21	The licenses were issued to LLC “Asia Payment Solution” to conduct activities as a payment system operator and a payment organization.
June 26	A certificate of accounting registration was issued to LLC MCC “Elif Finance”.
July 11–18	The IMF mission visited the Kyrgyz Republic.
July 12	The Board of the National Bank introduced amendments in the State Classifier of Payment Turnover to include operations related to virtual assets into the classifier.
July 26	The Board of the National Bank adopted the resolution on suspending validity of some norms related to the rules of money transfers through money transfer systems in the Kyrgyz Republic.
July 27	The licenses were issued to LLC “Sky Pay” to conduct activities as a payment system operator and a payment organization.
July 31	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.
August 23	The Board of the National Bank adopted the resolution on introduction of amendments in certain regulatory legal acts related to application of digital documents.
August 24	Testing of operations and services under the special regulatory regime conducted by LLC “Regional Payment Systems” was recognized successful by the resolution of the Payment System Committee of the National Bank.
August 28	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.

Date	Contents
August 28	The Board of the National Bank decided to extend deadline of validity suspension for the Resolution of the Board of the National Bank of the Kyrgyz Republic “On temporary decisions in the sphere of conducting foreign currency exchange operations” until February 1, 2024.
August 30	The Board of the National Bank adopted amendments in some regulatory legal acts of the National Bank of the Kyrgyz Republic on the issues of exchange of credit information and real estate.
September 6–7	The 38 th meeting of the Coordination Council was held to discuss vocational training of the central (national) banks’ personnel.
September 7–8	Participation of the National Bank in the second summit of microfinance organizations of the Central Asia countries organized by ALE “Association of Microfinance Organizations”, Bosteri village, Issyk-Kul oblast.
September 13	The Board of the National Bank: <ul style="list-style-type: none"> - decided to increase the reserve requirements ratio on liabilities in foreign currency (except for liabilities in Armenian drams, Belarusian rubles, Kazakh tenge, Chinese yuan Renminbi, Russian rubles) by 100 basis points, to 15.00 percent from October 9, 2023; - adopted the Resolution “On temporary decisions of the National Bank of the Kyrgyz Republic to regulate the activities of OJSC “State Development Bank of the Kyrgyz Republic”.
September 19	Participation of the National Bank in the 25 th meeting of the Advisory Council on Foreign Exchange Policy of the Central (National) Banks of the EAEU Member States.
September 22	The Board of the National Bank decided to extend the validity period of the Resolutions of the Board of the National Bank of the Kyrgyz Republic: <ul style="list-style-type: none"> - “On some decisions of the National Bank of the Kyrgyz Republic about support provided to the clients of the commercial banks, non-banking and specialized financial-credit organizations being affected by the armed conflict in Batken and Osh oblasts”; - “On some temporary decisions of the National Bank of the Kyrgyz Republic about issuing loans to the borrowers of Batken oblast”.
October 2	Participation of the National Bank in the 24 th meeting of the EAEU Advisory Committee on Statistics.
October 3	The fifth series of banknotes of the national currency of the Kyrgyz Republic was awarded a special prize in the category “Recognition for innovative and comprehensive approach of the National Bank in issuing banknotes” at the International Mint & Print Conference devoted to banknote printing and coinage, Dubai, UAE.
October 9–15	Participation of the National Bank in the Annual Meeting of the IMF and the WB Governors.
October 11	The Board of the National Bank adopted the resolution on amendments to the Regulation “On licensing the activities of payment organizations and payment system operators”.
October 12	The licenses were issued to LLC “Interpay” to conduct activities as a payment system operator and a payment organization.

Date	Contents
October 19	Participation of the National Bank in the 68 th meeting of the Board of the Interstate Bank.
October 19–20	Participation of the National Bank in the 12 th meeting of the Advisory Council on Protection of the Financial Services Consumers' Rights and Financial Availability of the Eurasian Council of Central (National) Banks.
October 23– November 2	Visit of the IMF technical mission on monetary policy improvement.
October 24–31	The annual information and educational campaign “World Savings Day – 2023” was held.
October 25	The Board of the National Bank of the Kyrgyz Republic adopted the Resolution “On amendments and recognition of certain resolutions of the Board of the National Bank of the Kyrgyz Republic as null and void”.
October 25	The licenses were issued to LLC “Telemedia Service” to conduct activities as a payment system operator and a payment organization.
October 30	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.
November 1	The Board of the National Bank introduced amendments to the State Classifier of Payment Turnover to bring it in line with the approved Budget Classification of the Kyrgyz Republic.
November 1–2	The 49 th meeting of the Eurasian Council of Central (National) Banks was held in Bishkek.
November 2	Collection silver coin “Asian Games” of the series “Sport” devoted to the XIX Asian Games in Hangzhou (China) took the third prize at the XVII International Coin Contest “Coin Constellation” in the category “Souvenir Coin”.
November 9	LLP “PO MaxPay” was registered as an operator of the international e-money system “MaxPay”.
November 9–22	The IMF mission visited the Kyrgyz Republic as part of the authorities' consultations with the IMF staff according to Article IV of the IMF's Articles of Agreement.
November 10	LLC “QUICKPAY” was registered as an operator of the international money transfer system “International Payment System of Money Transfers “Quickpay”.
November 16	An international certificate was received on compliance of the Information Security Management System (ISMS) of the National Bank with the international standard ISO 27001:2023.
November 27	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 13.00 percent.
November 29	Participation of the National Bank in the 21st meeting of the EAEU Advisory Committee on the Macroeconomic Policy.

Date	Contents
December 4	The fifth series of banknotes of the national currency of the Kyrgyz Republic became the winner of the regional competition “Banknote of the Year” in the nomination “Best New Banknote Series 2023” at the International High Security Printing Asia Conference held in Colombo, Sri Lanka.
December 6	The Board of the National Bank adopted the Resolution “On minimum amount of the authorized capital of credit bureau”.
December 8	The Board of the National Bank adopted amendments to some regulatory legal acts of the National Bank on acquisition, establishment of subsidiaries, providing services to people with disabilities, as well as use of the state language in rendering banking services to the clients.
December 13	The Board of the National Bank: <ul style="list-style-type: none"> - adopted amendments to the Regulation “On special regulatory regime”; - introduced amendments to the “Main directions of microfinance sector development in 2022-2025” aimed at reducing the interest rates on loans issued by the microfinance sector, expanding access to financial resources for female entrepreneurs, and ensuring accessibility of banking services to people with disabilities.
December 15	A license was issued to CJSC “CSI” to conduct activities as a payment system operator.
December 18	The Board of the National Bank: <ul style="list-style-type: none"> - approved the Regulation “On licensing the credit bureaus activities”. - issued a permit to OJSC “Kyrgyzkommertsbank” to conduct operations with precious metals in the form of refined standard and measuring bars of other issuers in cash and non-cash forms.
December 20	The Board of the National Bank approved the National Bank’s Monetary Policy Statement for 2024.
December 20	The Board of the National Bank adopted amendments to some regulatory legal acts of the National Bank: <ul style="list-style-type: none"> - on asset classification; - on the principles of Islamic banking and finance to bring them in compliance with the regulatory legal acts of the Kyrgyz Republic.
December 21	Participation of the National Bank in the 69 th meeting of the Board of the Interstate Bank.
December 22	Collection coins “30 years of the Constitution of the Kyrgyz Republic” of the series “Historical Events” and “Beshikke Saluu” of the series “Kyrgyz Customs and Ceremonies” were put into circulation.
December 25	KANBERRY PTY Ltd. was registered as an operator of the international money transfer system “KANBERRY PTY”.

Date	Contents
December 27	<p>The Board of the National Bank introduced amendments:</p> <ul style="list-style-type: none"> - to the Regulation “On minimum requirements for cash operations in the commercial banks and non-banking financial-credit organizations of the Kyrgyz Republic” on regulation of acceptance by the payment terminals and ATMs of newly issued banknotes being put into circulation by the National Bank; - to some regulatory legal acts of the National Bank on the issues of counter-terrorism financing and anti-money laundering.
December 28	A license was issued to LLC “Tez Payments” to conduct activities as a payment organization.
December 29	The State Program on Increasing the Share of Non-cash Payments and Settlements for 2023-2027 was approved by the resolution of the Cabinet of Ministers and the National Bank.

Appendix 3
to the Report of the National Bank
of the Kyrgyz Republic for 2023

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Table 1.**Macroeconomic Indicators**

	unit of measurement	2019	2020	2021	2022	2023*
Real sector						
Nominal GDP ¹	millions of KGS	654,015.2	639,688.6	782,854.3	1,020,744.6	1,228,898.8
Real GDP growth rate ¹	percent	4.6	-7.1	5.5	9.0	6.2
Rate of growth of industrial output ¹	percent	6.6	-6.5	6.5	11.9	2.7
Rate of growth of gross agricultural output ¹	percent	2.5	0.9	-4.5	7.3	0.6
Rate of growth of wholesale and retail trade; repair of motor vehicles and motorcycles ¹	percent	5.9	-14.9	15.3	11.1	15.1
Growth of CPI (in % December to December)		3.1	9.7	11.2	14.7	7.3
- food products		5.7	17.6	13.3	15.8	3.4
- alcoholic beverages and tobacco		3.4	6.7	11.4	24.4	11.3
- non-food products		0.6	2.4	9.7	12.7	12.2
- services		0.4	3.0	7.1	9.1	9.1
Growth of PPI (in % to the corresponding period of the previous year)		4.3	21.3	11.5	5.1	8.7
Unemployment level	percent	3.0	3.0	2.9	2.8	2.5
Average nominal wage	KGS	17,166.0	18,493.0	20,249.0	26,620.0	33,258.0
Estimated subsistence level	KGS	4,806.3	5,358.5	6,268.3	7,178.3	7,681.5
Financial sector						
NBKR policy rate (end of period)	percent	4.25	5.00	8.00	13.00	13.00
Yield of NBKR notes (average for the period)	percent	3.8	4.1	5.7	12.0	11.9
Yield of ST-Bills (average for the period)	percent	5.1	5.9	7.2	8.3	8.5
Yield of ST-Bonds (average for the period)	percent	10.3	11.0	11.1	15.0	15.6
Interbank Domestic Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	91.2	-	-	-	-
- interest rate (average for the period)	percent	2.3	-	-	-	-
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	467.1	1,168.2	57.2	-	-
- interest rate (average for the period)	percent	3.2	2.5	7.0	-	-
Repo Operations						
- volume (for the period)	millions of KGS	38,686.8	28,895.0	33,958.2	14,932.2	25,424.0
- interest rate (average for the period)	percent	3.0	3.8	5.7	12.1	11.5
Foreign Exchange Market						
Non-cash Transactions at Interbank Foreign Exchange Auctions	millions of USD	680.4	808.8	1,508.3	1,915.7	1,563.6
Deposit and Credit Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	93,520.7	93,066.9	125,860.3	157,336.7	229,470.2
- interest rate (average for the period)	percent	19.0	17.0	16.6	18.7	19.1
- interest rate (end of period)	percent	17.5	16.1	16.2	17.1	18.0
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	36,581.2	23,192.7	32,303.4	31,509.1	46,309.1
- interest rate (average for the period)	percent	9.6	8.7	7.8	8.2	8.6
- interest rate (end of period)	percent	9.7	9.3	8.9	8.6	8.5
Deposits in National Currency:						
- volume (for the period)	millions of KGS	387,578.7	450,397.1	629,748.0	1,024,437.2	1,964,264.4
- interest rate (average for the period)	percent	1.5	1.4	1.3	1.4	1.3
- interest rate (end of period)	percent	6.0	5.7	5.6	5.6	5.5
Deposits in Foreign Currency:						
- volume (for the period)	millions of KGS	278,461.8	195,700.1	279,250.1	489,233.0	957,260.3
- interest rate (average for the period)	percent	0.3	0.3	0.3	0.2	0.2
- interest rate (end of period)	percent	1.4	1.2	0.9	0.6	0.7
State Budget						
Revenue	millions of KGS	167,328.6	152,051.1	209,827.0	300,622.3	391,874.3
including the share of tax revenue	percent	72.6	70.3	72.1	76.2	75.1
Expenditure	millions of KGS	136,117.9	147,408.7	165,337.4	224,597.9	287,065.2
Net purchase of non-financial assets	millions of KGS	31,642.4	24,376.4	46,253.3	86,425.1	92,184.1
Deficit (-) / Surplus (+)	millions of KGS	-431.7	-19,734.0	-1,763.6	-10,400.7	12,625.1
in percent of GDP	percent of GDP	-0.1	-3.1	-0.2	-1.0	1.0
External Economic Sector						
Export of goods and services	percent of GDP	35.0	29.6	35.6	29.7	39.0
Import of goods and services	percent of GDP	63.9	49.2	64.1	87.2	102.4
Current account balance ² (including transfers)	percent of GDP	-12.0	4.5	-8.0	-42.1	-50.4
Gross international reserve assets	months of the future import of goods and services	7.2	5.7	3.4	2.7	2.8

* preliminary data

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

¹ Indicators given by Gross Value Added² Positive balance – “+”; Negative balance – “-”

Table 2.**GDP Composition***(percent)*

	2019	2020	2021	2022	2023*
Total	100.0	100.0	100.0	100.0	99.9
Agriculture, forestry and fishing	10.4	12.2	12.4	11.0	9.7
Mining	1.7	1.1	2.7	1.8	1.8
Manufacturing (Manufacturing)	13.7	13.2	11.8	13.6	12.6
Providing (supply) electricity, gas, steam and air conditioning	2.0	3.1	1.6	1.5	1.4
Water supply, waste treatment and cleaning getting recycled	0.2	0.3	0.3	0.2	0.2
Construction	8.9	9.4	7.3	7.1	6.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	15.9	14.5	15.6	15.1	15.8
Transport activities and storage of goods	3.6	2.9	3.6	3.0	3.0
Hotels and restaurants	1.5	1.0	1.2	1.5	1.7
Information and communication	2.5	2.6	2.7	2.3	2.1
Financial intermediation and insurance	3.5	4.3	3.8	6.1	5.7
Operations with the real estate	6.5	6.8	6.3	5.5	4.9
Professional, scientific and technical activities	1.3	1.1	1.2	1.1	1.3
Administrative and support service activities	0.4	0.3	0.3	0.4	0.4
Public administration and defense, compulsory social security	5.6	6.7	6.3	5.4	5.8
Education	5.3	6.4	5.7	6.3	6.2
Health and social services for the population	2.3	2.6	2.6	2.5	2.4
Arts, entertainment and recreation	0.4	0.4	0.4	0.5	0.5
Other service activities	1.5	1.3	1.3	1.2	1.1
Activities of private households with employees; production by private households of a variety of goods and services for own consumption	0.0	0.0	0.0	0.0	0.0
Net (less subsidies) taxes on products	12.7	10.2	12.8	13.8	16.9

* preliminary data

Source: NSC KR

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

	2019	2020	2021	2022	2023*
Total	100.0	100.0	100.0	100.0	100.0
Domestic investment	69.5	76.3	80.2	73.2	83.9
including those financed through:					
Republican budget	2.7	2.4	3.6	6.0	13.9
local budget	1.1	1.1	1.4	2.0	3.2
funds of enterprises and organizations	32.9	36.9	37.5	32.0	33.7
bank loans	2.1	1.3	1.2	0.4	1.9
public funds, including charitable aid to residents of the Kyrgyz Republic	30.7	34.6	36.4	32.8	31.1
Foreign investment	30.5	23.7	19.8	26.8	16.1
including those financed through:					
foreign loan	15.9	14.2	13.1	14.3	7.9
foreign direct investments	7.9	5.7	2.3	6.9	2.1
foreign grants and humanitarian aid	6.7	3.7	4.5	5.6	6.1

* preliminary data

Source: NSC KR

Table 4.Consumer Price Index by regions of the Republic
(percent)

	2019	2020	2021	2022	2023
Kyrgyz Republic	103.1	109.7	111.2	114.7	107.3
Bishkek city	103.0	110.4	111.0	115.3	106.0
Osh city	102.3	106.9	110.0	115.7	112.5
Batken oblast	106.3	108.4	113.7	113.9	108.2
Jalal-Abad oblast	103.3	109.9	114.9	116.0	107.8
Issyk-Kul oblast	104.1	108.4	110.9	111.8	107.3
Naryn oblast	102.5	109.4	113.0	118.4	112.7
Osh oblast	102.6	107.7	110.7	108.7	108.0
Talas oblast	102.6	111.8	111.4	112.8	109.0
Chui oblast	102.6	111.4	109.5	113.3	104.1

Source: NSC KR

Table 5.

External Economic Indicators

	unit of measurement	2019	2020	2021	2022	2023*
Balance of payments indicators						
Total balance	millions of USD	-42.0	122.7	-564.0	291.9	-80.3
	percent of GDP ²	-0.5	1.5	-6.1	2.4	-0.6
Current account balance ¹	millions of USD	-1,066.8	374.3	-737.7	-5,142.7	-7,040.2
	percent of GDP ²	-12.0	4.5	-8.0	-42.1	-50.4
Export of goods (FOB)	millions of USD	2,025.0	2,007.2	2,770.1	2,253.3	3,303.5
	percent of GDP ²	22.8	24.4	30.0	18.4	23.7
Import of goods (FOB)	millions of USD	4,649.4	3,446.8	5,188.1	9,172.1	11,509.3
	percent of GDP ²	52.4	41.9	56.1	75.0	82.5
Gross international reserve assets	months of next year's import of goods and services	7.2	5.7	3.4	2.7	2.8
Public external debt						
Public external debt ³	millions of USD	3,850.7	4,217.4	4,298.3	4,482.9	4,652.7
	percent of GDP ⁴	43.3	54.5	46.5	37.6	33.7
	percent of export of goods and services	123.9	173.2	130.6	123.6	85.5
Public external debt servicing (actual) ⁵	millions of USD	203.1	205.3	192.2	260.9	357.9
	percent of GDP ²	2.3	2.5	2.1	2.1	2.6
	percent of export of goods and services	6.5	8.4	5.8	7.2	6.6

* preliminary data

Source: NBKR, NSC KR, MF KR

¹ Positive balance - "+", negative balance - "-"² In the calculation of indicators USD equivalent of GDP calculated at the average rate for the year was used³ Including IMF loans and SDR transferred as part of SDR allocation⁴ According to NBKR estimates; in the calculation of indicators USD equivalent of GDP calculated at the rate to the end of the year was used⁵ Including servicing of IMF loans (as well as from the IMF CCRT grant in the amount of USD 12,5 million in 2021 and USD 0,4 million in 2022) and payment of interest on allocated SDR transferred to the Ministry of Finance of the Kyrgyz Republic

Table 6.

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

	2019	2020	2021	2022	2023
January	4.75	4.25	5.00	8.00	13.00
February	4.50	5.00	5.50	8.50	13.00
March	4.50	5.00	5.50	14.00	13.00
April	4.50	5.00	6.50	14.00	13.00
May	4.25	5.00	6.50	14.00	13.00
June	4.25	5.00	6.50	14.00	13.00
July	4.25	5.00	7.50	14.00	13.00
August	4.25	5.00	7.50	14.00	13.00
September	4.25	5.00	7.50	14.00	13.00
October	4.25	5.00	7.50	14.00	13.00
November	4.25	5.00	8.00	13.00	13.00
December	4.25	5.00	8.00	13.00	13.00

Source: NBKR.

Table 7.

Monetary Base and Monetary Aggregates (end of period)
(millions of KGS)

	2019	2020	2021	2022	2023*
Monetary base	118,065	147,338	156,908	227,381	249,946
Currency in circulation	106,245	134,629	139,922	198,810	207,251
Currency outside banks (M0)	96,010	124,172	124,838	176,430	178,765
Monetary aggregate (M1)	139,682	174,214	201,581	274,291	302,357
Money supply (M2)	181,768	219,104	253,188	335,509	373,629
Monetary aggregate (M2X)	230,261	285,248	339,778	443,722	510,269
M1 Multiplier	1.18	1.18	1.28	1.21	1.21
M2 Multiplier	1.54	1.49	1.61	1.48	1.49
M2X Multiplier	1.95	1.94	2.17	1.95	2.04
Velocity M1	4.68	3.67	3.88	3.72	4.06
Velocity M2	3.60	2.92	3.09	3.04	3.29
Velocity M2X	2.84	2.24	2.30	2.30	2.41
Currency outside banks/total deposits	0.72	0.77	0.58	0.66	0.54
Deposits/Monetary Aggregate (M2X)	0.58	0.56	0.63	0.60	0.65

* 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 = ratio of monetary aggregate to the monetary base

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

Table 8.

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

(millions of KGS)

	2019	2020	2021	2022	2023
Net foreign assets	160,750.0	222,109.5	222,085.7	223,687.0	277,567.6
Net international reserves	151,837.5	216,676.9	232,796.2	223,317.3	258,985.6
Gold	48,834.0	84,129.8	50,159.1	81,833.8	127,413.6
Foreign currency (assets)	103,004.1	132,549.2	182,640.1	141,484.5	131,576.3
Foreign currency (liabilities)	-0.6	-2.0	-3.0	-1.0	-4.3
Other external assets	17,059.2	15,427.4	19,548.3	16,540.8	28,786.5
SDR allocation	-8,146.7	-9,994.9	-30,258.8	-16,171.1	-10,204.5
Long-term external liabilities	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-42,684.6	-74,772.0	-65,177.4	3,694.5	-27,621.6
Net domestic credit	-27,358.5	-33,505.7	-53,514.3	-86,686.0	-101,876.3
Net claims on General Government	-16,906.1	-13,727.3	-19,720.1	-26,245.2	-32,075.8
Net claims on Government	-16,906.1	-13,727.3	-19,720.1	-26,245.2	-32,075.8
Government securities	127.0	3,021.3	3,010.6	5,104.0	10,415.9
Government deposits	-17,033.2	-16,748.5	-22,730.7	-31,349.2	-42,491.7
Budget accounts	-2,361.4	-4,587.1	-19,039.2	-27,942.1	-36,068.7
Other Government accounts	-2,604.6	-1,974.4	-2,217.4	-2,328.3	-6,110.4
Government deposits in foreign currency	-12,067.2	-10,187.0	-1,474.1	-1,078.9	-312.6
Government Credit	0.0	0.0	0.0	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	-10,020.0	-18,627.9	-30,846.2	-57,445.4	-68,192.7
Credits	5,031.3	6,483.7	4,289.7	0.0	0.0
Securities, excluding shares	-8,048.5	-12,990.7	-18,494.3	-34,350.6	-54,281.5
including: notes issued by the NBKR	-8,048.5	-12,990.7	-18,494.3	-34,350.6	-54,281.5
securities under repo agreements	0.0	0.0	0.0	0.0	0.0
Deposits	-7,002.9	-12,120.9	-16,641.6	-23,094.8	-13,911.2
including: deposits in foreign currency	-1,380.9	-3,080.2	-2,993.5	-1,994.2	-2,494.4
Financial derivatives	0.0	0.0	0.0	0.0	0.0
Net claims on other financial institutions	-432.3	-1,150.5	-2,948.0	-2,995.3	-1,607.8
Capital account	-29,206.8	-66,959.9	-61,250.1	-57,047.2	-72,423.2
Other items	13,880.7	25,693.5	49,587.0	147,427.6	146,677.9
Monetary base	118,065.4	147,337.5	156,908.3	227,381.5	249,946.0
Currency in circulation	106,244.8	134,629.2	139,922.2	198,810.1	207,251.0
Reserves of other depository corporations in national currency	11,820.7	12,708.4	16,986.0	28,571.3	42,695.0
Note:					
Monetary base-broad definition	125,068.3	159,458.5	173,549.9	250,476.3	263,857.2
Currency in circulation	106,244.8	134,629.2	139,922.2	198,810.1	207,251.0
Reserves of other depository corporations	12,983.0	14,172.5	18,785.0	30,565.5	45,189.4
Reserves of other depository corporations in national currency	11,820.7	12,708.4	16,986.0	28,571.3	42,695.0
Reserves of other depository corporations in foreign currency	1,162.4	1,464.1	1,799.0	1,994.2	2,494.4
Deposits of other depository corporations in NBKR	5,840.5	10,656.8	14,842.6	21,100.6	11,416.8

Source: NBKR

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

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 9.
Monetary Policy Instruments

	unit of measurement	2019	2020	2021	2022	2023
NBKR Credits						
“intraday” loan	<i>millions of KGS</i>	406.4	281.9	401.2	-	-
“overnight” credits	<i>millions of KGS</i>	286.4	3,533.7	20,821.7	16,727.0	844.5
7-day credits	<i>millions of KGS</i>	-	-	-	-	-
credit auctions*	<i>millions of KGS</i>	2,020.0	3,490.0	-	-	-
maintaining liquidity	<i>millions of KGS</i>	-	-	-	-	-
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>	300.0	200.0	-	-	-
“Overnight” Deposits	<i>billions of KGS</i>	976.7	1,175.6	1,591.2	3,539.0	4,402.1
NBKR Policy Rate (end of period)	<i>percent</i>	4.25	5.00	8.00	13.00	13.00
NBKR Notes						
maturity:						
7 days						
volume of sales	<i>millions of KGS</i>	87,911.9	99,873.9	88,225.2	151,087.9	248,829.6
average yield	<i>percent</i>	3.7	3.9	5.3	11.7	11.3
14 days						
volume of sales	<i>millions of KGS</i>	5,100.0	91,228.3	90,989.2	172,458.0	236,103.1
average yield	<i>percent</i>	3.7	4.2	5.8	12.0	11.7
28 days						
volume of sales	<i>millions of KGS</i>	27,788.6	78,450.4	97,375.6	125,125.1	318,286.8
average yield	<i>percent</i>	4.0	4.4	6.0	12.3	12.2
91 days						
volume of sales	<i>millions of KGS</i>	12,681.2	7,151.8	3,606.5	8,845.8	43,737.6
average yield	<i>percent</i>	4.4	4.6	5.5	13.6	13.8
182 days						
volume of sales	<i>millions of KGS</i>	200.0	-	-	-	7,145.1
average yield	<i>percent</i>	4.6	-	-	-	14.8
Open Market Transactions						
Direct repo transactions	<i>millions of KGS</i>	-	-	-	-	-
Reverse repo transactions	<i>millions of KGS</i>	-	-	-	-	-
Purchase-to-maturity (at par value)	<i>millions of KGS</i>	-	3,649.8	-	2,947.3	6,528.2
NBKR Foreign Exchange Interventions						
Purchase	<i>millions of USD</i>	-	-	-	190.7	-
Sale	<i>millions of USD</i>	143.5	518.5	737.0	486.5	655.7
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>	14.0	14.0	14.0	14.0	15.0
Required reserves (annual average)	<i>millions of KGS</i>	9,524.4	11,500.5	14,193.5	19,040.7	29,029.4
Excess reserves (annual average)	<i>millions of KGS</i>	366.9	193.4	-182.4	148.3	-343.5

Source: NBKR

* Volume of credits actually provided during specified period

Table 10.**State Treasury Bills and Bonds Market**

	unit of measurement	2019	2020	2021	2022	2023
State Treasury Bills (ST-Bills)						
maturity:						
3 months						
volume of sales	millions of KGS	2,352.2	200.0	-	-	-
average yield	percent	5.1	5.1	-	-	-
6 months						
volume of sales	millions of KGS	2,300.6	25.0	-	-	-
average yield	percent	5.8	6.0	-	-	-
12 months						
volume of sales	millions of KGS	793.9	815.7	973.2	213.8	11.7
average yield	percent	4.9	5.9	7.2	8.3	8.5
State Treasury Bonds (ST-Bonds)						
maturity:						
2 years						
volume of sales	millions of KGS	1,309.0	834.8	2,386.6	1,639.6	412.5
average yield	percent	6.8	7.5	8.2	13.6	15.2
3 years						
volume of sales	millions of KGS	1,177.1	471.4	3,356.8	1,792.8	6,487.7
average yield	percent	8.8	9.0	11.2	14.4	16.4
5 years						
volume of sales	millions of KGS	2,706.7	3,960.3	3,112.0	3,446.4	5,107.4
average yield	percent	10.4	10.9	11.5	15.3	16.1
7 years						
volume of sales	millions of KGS	5,937.7	6,738.5	2,282.4	6,993.1	13,017.6
average yield	percent	11.4	11.5	11.6	15.0	16.2
10 years						
volume of sales	millions of KGS	364.0	4,219.1	3,694.8	8,444.2	15,614.2
average yield	percent	13.5	11.8	11.5	15.4	15.3
15 years						
volume of sales	millions of KGS	-	-	2,528.4	315.3	6,767.7
average yield	percent	-	-	14.0	13.0	13.0
20 years						
volume of sales	millions of KGS	-	-	4,956.1	-	5,827.1
average yield	percent	-	-	14.6	-	13.0
State Treasury Bonds-Bills (ST-Bonds-Bills)						
maturity:						
10 years						
volume of sales	millions of KGS	-	-	-	52.0	-
average yield	percent	-	-	-	1.0	-

Source: NBKR

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

Table 11.

Interest Rates of Deposits in National Currency (for the period)

(percent)

	2019	2020	2021	2022	2023
Deposits of Legal Entities	2.3	2.4	2.3	3.3	3.0
demand deposits	0.5	0.7	0.4	1.4	1.4
time deposits:	9.5	8.3	10.9	12.6	11.9
<i>of which:</i>					
up to 1 month	4.9	3.4	3.2	6.4	2.7
1-3 months	5.4	4.0	3.6	5.6	7.4
3-6 months	6.5	6.2	6.5	9.0	8.7
6-12 months	9.5	10.2	11.9	14.0	13.0
over 1 year	11.2	7.9	10.8	12.8	12.4
Deposits of Individuals	1.4	1.2	1.1	1.2	1.2
demand deposits	0.4	0.4	0.4	0.5	0.7
time deposits:	9.4	9.3	9.9	11.5	11.5
<i>of which:</i>					
up to 1 month	6.0	6.1	5.8	6.1	5.8
1-3 months	5.4	5.0	4.7	5.6	6.9
3-6 months	6.6	6.5	6.6	8.2	8.8
6-12 months	9.5	9.6	10.4	12.4	12.1
over 1 year	10.8	10.8	11.4	12.8	13.4
Deposits on Non-residents	2.4	1.5	2.0	1.0	0.9
demand deposits	0.3	0.0	0.2	0.1	0.5
time deposits:	10.0	9.6	10.7	12.0	11.7
<i>of which:</i>					
up to 1 month	5.1	5.3	6.4	7.7	6.2
1-3 months	6.0	5.0	5.5	6.9	7.9
3-6 months	6.6	7.0	7.0	8.1	9.7
6-12 months	10.0	10.1	11.0	12.5	12.5
over 1 year	11.0	10.9	11.7	13.3	13.5
Average Weighted Rate	1.5	1.4	1.3	1.4	1.3

Source: Commercial banks of KR

Table 12.

Interest Rates of Deposits in Foreign Currency (for the period)

(percent)

	2019	2020	2021	2022	2023
Deposits of Legal Entities	0.2	0.3	0.4	0.4	0.5
demand deposits	0.0	0.1	0.2	0.3	0.4
time deposits:	3.5	3.2	2.4	1.9	2.4
<i>of which:</i>					
up to 1 month	3.5	2.2	0.9	0.5	0.9
1-3 months	2.5	2.6	2.1	2.0	2.5
3-6 months	2.5	1.5	2.9	3.9	3.6
6-12 months	4.0	3.3	3.0	2.0	2.8
over 1 year	4.0	3.1	3.5	2.4	2.4
Deposits of Individuals	0.4	0.4	0.2	0.2	0.2
demand deposits	0.0	0.0	0.0	0.0	0.0
time deposits:	3.2	2.8	2.5	2.7	2.9
<i>of which:</i>					
up to 1 month	2.1	1.9	2.1	2.5	2.4
1-3 months	1.9	2.2	2.0	2.8	2.8
3-6 months	2.4	2.2	1.7	2.5	2.7
6-12 months	3.4	2.9	2.5	2.7	3.0
over 1 year	3.8	3.4	2.9	2.8	3.2
Deposits on Non-residents	0.5	0.3	0.3	0.1	0.1
demand deposits	0.0	0.0	0.0	0.0	0.0
time deposits:	3.7	2.7	2.5	1.9	1.2
<i>of which:</i>					
up to 1 month	2.6	1.2	2.3	1.2	0.3
1-3 months	2.3	2.5	2.6	2.1	1.9
3-6 months	2.3	2.2	1.8	2.1	1.9
6-12 months	4.3	2.7	2.6	2.5	1.6
over 1 year	3.9	3.3	2.9	2.8	2.8
Average Weighted Rate	0.3	0.3	0.3	0.2	0.2

Source: Commercial banks of KR

Table 13.

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

(percent)

	2019	2020	2021	2022	2023
Average Weighted Rate	19.0	17.0	16.6	18.7	19.1
Industry	13.9	12.8	15.0	15.1	16.3
Agriculture	19.3	17.1	19.1	18.8	19.5
Transportation	20.6	17.4	20.0	20.3	19.4
Communication	22.0	21.2	19.7	12.7	11.3
Trade	15.8	14.8	11.3	18.2	16.9
Procurement and processing	8.0	10.5	8.2	13.2	19.4
Construction	19.0	17.1	20.3	22.4	21.3
Mortgage	13.6	13.9	14.4	12.2	16.5
Consumer loans	25.5	22.5	21.3	20.6	21.8
Social services	16.7	14.8	15.7	18.5	15.7
Other	19.1	16.6	18.3	19.4	18.2
<i>of which:</i>					
up to 1 month	16.3	14.9	8.5	16.4	17.9
Industry	17.4	22.1	12.9	4.7	16.3
Agriculture	10.0	24.5	1.7	6.1	14.7
Transportation	0.0	0.0	1.2	0.0	6.8
Communication	17.3	26.0	20.8	-	-
Trade	13.0	13.7	3.8	18.0	17.0
Procurement and processing	-	-	-	-	25.0
Construction	-	0.0	0.0	0.0	0.0
Mortgage	13.1	10.8	13.1	20.4	4.3
Consumer loans	24.8	17.0	14.4	14.0	23.0
Social services	22.9	0.0	-	-	0.0
Other	26.4	17.3	4.6	0.2	11.8
1-3 months	24.5	16.5	19.6	20.2	17.0
Industry	16.2	24.6	16.7	25.8	27.5
Agriculture	27.9	25.6	21.1	25.4	26.8
Transportation	31.0	30.7	29.0	31.0	18.6
Communication	-	-	-	-	-
Trade	21.1	13.1	16.2	20.1	12.5
Procurement and processing	-	-	-	29.0	25.0
Construction	26.8	22.9	24.4	27.5	26.6
Mortgage	-	24.3	7.8	20.0	20.7
Consumer loans	29.5	27.9	23.9	21.4	20.3
Social services	29.5	26.7	8.3	24.0	16.0
Other	26.1	23.2	26.8	27.3	26.9
3-6 months	24.7	24.4	19.4	19.0	18.6
Industry	19.6	24.7	21.4	23.2	24.0
Agriculture	25.2	26.4	26.7	27.3	26.8
Transportation	25.7	28.1	28.1	27.9	22.6
Communication	-	31.0	-	18.8	16.0
Trade	18.2	16.4	12.5	19.4	17.9
Procurement and processing	28.0	-	26.7	28.1	27.5
Construction	25.5	25.8	28.6	27.2	26.2
Mortgage	23.2	21.8	17.1	11.5	22.8
Consumer loans	27.2	27.1	25.0	20.4	19.5
Social services	24.1	26.5	27.3	27.1	20.4
Other	22.3	23.6	23.3	22.3	27.7

Source: Commercial banks of KR

Table 13 (continued).

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

(percent)

	2019	2020	2021	2022	2023
6-12 months	24.2	22.4	24.2	23.9	21.4
Industry	18.5	16.2	21.0	24.3	23.0
Agriculture	21.2	19.9	21.8	23.5	23.8
Transportation	26.6	26.4	25.6	23.7	23.5
Communication	27.6	30.3	20.4	29.3	27.0
Trade	20.7	19.1	18.8	21.4	20.8
Procurement and processing	29.1	22.8	28.6	25.9	26.4
Construction	26.4	25.7	26.8	26.1	26.6
Mortgage	19.3	23.9	19.3	19.3	17.5
Consumer loans	27.3	26.6	26.6	24.8	21.5
Social services	22.2	22.2	23.9	22.4	23.4
Other	25.5	24.4	25.1	25.0	21.0
1-3 years	20.4	18.2	19.9	20.3	20.6
Industry	14.4	14.2	15.8	17.5	19.4
Agriculture	20.2	17.4	19.7	19.8	20.7
Transportation	21.5	18.9	20.8	20.9	20.1
Communication	14.3	13.6	16.2	8.6	9.6
Trade	17.9	16.1	17.3	17.8	16.8
Procurement and processing	9.0	9.6	8.0	12.7	20.3
Construction	23.3	20.3	23.0	24.0	23.4
Mortgage	17.9	18.2	18.2	18.7	19.1
Consumer loans	25.9	24.6	24.9	23.7	22.9
Social services	17.8	15.7	16.3	16.8	14.6
Other	20.0	17.1	18.8	20.5	20.8
over 3 years	15.5	14.6	16.1	16.4	17.9
Industry	13.3	11.9	13.9	13.2	14.4
Agriculture	15.1	14.8	16.7	15.4	15.8
Transportation	19.4	16.3	19.2	19.8	19.5
Communication	21.0	19.0	-	19.2	19.0
Trade	16.5	15.1	16.5	18.9	17.3
Procurement and processing	8.7	10.1	7.5	13.9	19.6
Construction	15.8	15.4	18.4	21.3	20.2
Mortgage	13.2	13.5	14.1	11.8	16.4
Consumer loans	20.0	19.4	20.4	21.2	21.6
Social services	15.9	14.2	16.0	19.4	18.0
Other	16.4	14.7	15.7	19.1	19.5

Source: Commercial banks of KR

Table 14.

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

(percent)

	2019	2020	2021	2022	2023
Average Weighted Rate	9.6	8.7	7.8	8.2	8.6
Industry	9.2	8.6	8.6	7.7	8.7
Agriculture	8.4	11.0	10.6	8.4	11.6
Transportation	11.5	11.6	11.1	8.6	7.7
Communication	8.7	12.5	9.0	6.0	9.5
Trade	9.7	8.6	7.6	8.5	8.9
Procurement and processing	10.3	10.9	9.5	6.5	8.1
Construction	8.9	8.5	8.3	8.3	8.3
Mortgage	11.9	11.0	10.6	9.6	9.8
Consumer loans	10.6	7.7	4.1	3.9	8.2
Social services	10.6	10.1	9.2	8.4	8.0
Other	9.7	8.6	9.1	8.3	8.8
<i>of which:</i>					
up to 1 month	7.5	6.0	0.9	6.5	8.2
Industry	15.0	11.3	4.9	4.0	-
Agriculture	7.9	8.0	-	8.0	-
Transportation	-	-	-	-	-
Communication	0.0	-	-	-	-
Trade	7.4	6.2	0.9	10.1	8.4
Procurement and processing	-	-	-	-	-
Construction	-	-	-	-	-
Mortgage	2.4	-	-	-	-
Consumer loans	4.6	0.5	0.7	1.3	9.3
Social services	0.0	-	-	-	23.0
Other	20.3	15.2	0.0	0.7	0.0
1-3 months	11.8	8.6	6.7	9.9	8.6
Industry	12.7	-	-	8.0	-
Agriculture	-	-	-	-	19.0
Transportation	-	-	-	-	-
Communication	-	-	-	-	-
Trade	12.1	8.5	7.6	10.6	9.6
Procurement and processing	-	-	-	-	-
Construction	13.0	-	11.0	7.5	11.0
Mortgage	-	-	-	-	-
Consumer loans	-	13.3	0.0	-	-
Social services	10.0	13.0	7.0	-	0.0
Other	15.8	15.8	5.0	-	-
3-6 months	9.9	8.3	7.4	10.3	10.0
Industry	11.7	11.0	2.5	-	-
Agriculture	-	-	-	10.0	18.1
Transportation	-	-	-	-	-
Communication	-	-	-	-	8.0
Trade	11.3	9.7	11.7	10.3	10.0
Procurement and processing	-	-	-	-	-
Construction	10.3	-	-	7.5	-
Mortgage	-	13.0	6.0	9.5	-
Consumer loans	7.3	10.5	11.8	-	9.8
Social services	10.0	-	7.0	-	-
Other	22.0	11.3	2.1	-	3.3

Source: Commercial banks of KR

Table 14 (continued).

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

(percent)

	2019	2020	2021	2022	2023
6-12 months	10.0	9.5	8.8	8.0	8.5
Industry	9.0	12.3	10.6	9.5	8.3
Agriculture	17.4	21.5	14.2	-	20.7
Transportation	13.3	11.8	12.7	0.0	3.6
Communication	-	-	-	-	-
Trade	11.7	9.6	9.4	7.9	8.8
Procurement and processing	9.0	10.0	-	-	-
Construction	13.8	10.3	19.7	10.0	13.0
Mortgage	16.0	-	1.0	-	-
Consumer loans	23.6	26.9	21.7	29.8	31.0
Social services	15.4	7.0	-	14.0	-
Other	18.1	7.7	4.8	3.3	10.3
1-3 years	10.3	9.4	9.3	8.7	9.2
Industry	10.8	8.9	8.8	8.4	8.9
Agriculture	12.1	14.0	11.2	8.3	12.8
Transportation	12.1	12.8	13.1	11.6	6.7
Communication	10.2	15.0	9.0	-	10.0
Trade	10.3	9.5	9.5	8.9	9.1
Procurement and processing	11.4	11.3	9.6	6.5	7.5
Construction	11.9	10.1	9.5	9.0	9.7
Mortgage	14.3	13.7	10.8	10.0	10.2
Consumer loans	14.8	12.5	12.7	14.8	6.6
Social services	11.7	11.0	10.0	9.4	8.5
Other	9.7	6.7	8.6	8.7	9.1
over 3 years	9.8	9.1	9.0	8.2	8.8
Industry	8.7	8.7	8.7	7.3	8.7
Agriculture	8.5	9.6	10.1	8.1	10.9
Transportation	12.0	12.6	10.4	8.3	10.0
Communication	9.3	9.0	-	6.0	9.3
Trade	10.7	9.5	9.2	8.5	9.1
Procurement and processing	9.1	-	9.0	5.0	9.2
Construction	8.8	8.2	8.0	8.3	8.2
Mortgage	12.1	11.0	11.0	9.8	9.8
Consumer loans	13.8	12.5	13.1	10.9	11.3
Social services	10.4	9.7	8.7	8.1	8.6
Other	9.8	8.9	9.4	8.5	8.2

Source: Commercial banks of KR

Table 15.**Interest Rates on Loans of Non-banking Financial and Credit Organizations (end of period)***(percent)*

	2019	2020	2021	2022	2023
Microfinance organizations	30.0	29.8	29.1	30.0	32.0
<i>of which, allocated to:</i>					
Industry	28.2	28.1	28.3	28.7	30.7
Agriculture	30.3	29.9	29.7	31.4	33.3
Transportation	27.8	28.2	27.6	28.0	27.6
Communication	32.6	31.0	-	-	37.7
Trade and commerce	29.0	29.9	27.4	27.7	27.8
Procurement and processing	17.4	16.5	14.4	27.2	23.4
Construction and mortgage	30.3	29.3	28.3	28.7	29.1
Services	31.1	30.1	29.4	31.2	32.3
Consumer loans	31.8	31.7	30.7	30.9	34.2
Loans to financial and credit organizations	15.8	16.2	16.2	18.2	20.0
Other	27.8	29.4	29.7	32.5	32.3
Credit Unions	26.6	26.4	25.3	25.1	24.9
<i>of which, allocated to:</i>					
Industry	30.3	26.1	25.7	25.2	26.6
Agriculture	27.5	26.9	26.1	24.9	25.5
Transport and communication	26.3	26.8	25.4	25.4	24.5
Trade and commerce	27.2	27.1	26.4	26.5	26.6
Procurement and processing	28.9	29.6	26.1	25.3	16.3
Construction and mortgage	21.4	21.9	19.7	20.0	20.3
Services	30.8	27.6	29.3	24.9	29.4
Other	29.0	28.7	27.8	27.2	25.9
SFCO	15.2	15.0	14.8	14.8	15.0

Source: Non-banking Financial and Credit Organizations of KR

Table 16.**Annual Average Interest Rate of Interbank Credits***(percent)*

	2019	2020	2021	2022	2023
Interbank Repo Operations	3.0	3.8	5.7	12.1	11.5
up to 1 day	2.6	3.3	5.4	11.7	11.3
2 - 7 days	3.1	3.7	5.7	12.2	11.4
8 - 14 days	3.3	4.2	6.3	12.7	12.3
15 - 30 days	3.9	4.4	5.7	8.5	13.0
31 - 60 days	4.1	4.6	-	10.0	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
Interbank Credits in National Currency	2.3	-	-	-	-
up to 1 day	2.3	-	-	-	-
2 - 7 days	2.3	-	-	-	-
8 - 14 days	-	-	-	-	-
15 - 30 days	-	-	-	-	-
31 - 60 days	-	-	-	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
Interbank Credits in Foreign Currency	3.2	2.5	7.0	-	-
up to 1 day	-	2.5	-	-	-
2 - 7 days	2.7	2.5	7.0	-	-
8 - 14 days	3.3	-	-	-	-
15 - 30 days	4.0	-	-	-	-
31 - 60 days	-	-	-	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-

*Source: Commercial banks of KR**Note: interest rates are specified without taking account the transactions with non-residents*

Table 17.**Balance of Payments of the Kyrgyz Republic***(millions of USD)*

	2019	2020	2021	2022	2023*
Current Account	-1,066.8	374.3	-737.7	-5,142.7	-7,040.2
Goods and services	-2,562.5	-1,615.4	-2,636.0	-7,027.2	-8,857.0
Trade balance	-2,624.3	-1,439.6	-2,418.1	-6,918.7	-8,205.8
Export (FOB) ¹	2,025.0	2,007.2	2,770.1	2,253.3	3,303.5
Export by balance of payments methodology	1,192.2	1,020.2	1,357.0	2,240.3	2,019.1
including Re-export	86.2	67.7	113.8	154.7	150.7
Non-monetary gold	832.9	987.0	1,413.0	13.1	1,284.3
Import (in FOB prices)	4,649.4	3,446.8	5,188.1	9,172.1	11,509.3
Balance of services	61.8	-175.9	-218.0	-108.5	-651.2
export	1,082.7	428.2	521.8	1,374.8	2,137.0
import	1,020.8	604.1	739.8	1,483.3	2,788.3
Balance of primary income ¹	-774.6	-256.4	-622.3	-270.4	-493.7
Compensation of employees (net)	-15.0	-11.1	-6.2	-9.2	-2.8
Investment income	-759.6	-245.4	-616.0	-261.2	-490.9
Income receivable	37.5	20.6	9.8	29.4	85.5
Income payable	797.1	266.0	625.8	290.5	576.5
Secondary income	2,270.3	2,246.1	2,520.6	2,154.9	2,310.5
Receivable	2,835.6	2,744.7	3,104.8	3,382.4	2,894.9
Payable	565.3	498.6	584.2	1,227.5	584.4
Capital account balance	88.5	79.8	133.9	180.8	220.6
Receivable	105.7	93.5	155.2	196.2	231.5
Payable	17.3	13.8	21.3	15.4	10.9
Financial account	-461.1	473.1	-666.8	-297.4	-385.1
Direct investment ¹	-336.7	582.4	-560.7	-509.5	-489.1
Portfolio investment	-25.0	-15.1	-0.4	-0.4	-0.3
Financial derivatives (net)	0.0	0.3	0.3	0.7	9.6
Other investments	-99.4	-94.5	-106.0	211.8	94.8
Net acquisition of financial assets	107.1	79.9	340.6	1,110.5	372.2
Cash and deposits	33.8	116.5	274.8	821.2	351.8
Loans and borrowings	-2.1	-0.3	-1.5	0.7	0.5
Trade credit and advances	72.3	-35.6	93.6	290.7	-4.1
Other receivables	3.0	-0.7	-26.3	-2.1	24.1
Net incurrence of liabilities	206.5	174.5	446.6	898.7	277.4
Cash and deposits	16.4	-0.5	37.3	429.1	63.7
Loans and borrowings	133.5	129.6	233.3	187.0	240.6
Trade credit and advances	56.6	45.3	-65.4	282.6	-26.8
Other receivables	0.0	0.0	0.0	0.0	0.0
Special drawing rights	0.0	0.0	241.5	0.0	0.0
Errors and omissions	559.3	-103.7	500.9	4,372.6	6,514.8
Total Balance	-42.0	122.7	-564.0	291.9	-80.3
Reserves and Related Items	42.0	-122.7	564.0	-291.9	80.3

* preliminary data

Source: NBKR, NSC KR, MF KR other organizations

¹ Including the NBKR estimates according to the methodology of the Balance of Payments

Table 18.**Structure of External Public and Government Guaranteed Debt of the Kyrgyz Republic by Creditors***(millions of USD)*

	2019	2020	2021	2022	2023*
External public and government guaranteed debt (1+2+3+4):	3,850.7	4,217.4	4,298.3	4,482.9	4,652.7
1. Multilateral debt:	1,600.9	1,963.3	2,043.9	2,139.5	2,330.7
World Bank	657.7	677.4	652.4	636.2	720.3
Asian Development Bank	565.6	605.4	668.5	705.1	723.3
European Investment Bank	11.2	36.5	56.6	54.2	78.5
International Monetary Fund	140.3	376.4	340.4	302.2	233.3
Islamic Development Bank	92.9	118.3	156.8	166.5	172.9
European Bank for Reconstruction and Development	50.8	50.3	44.4	48.3	63.3
Asian Infrastructure Investment Bank	-	-	3.1	10.2	26.0
International Fund for Agricultural Development	24.3	28.6	28.3	28.4	30.2
Nordic Development Fund	4.0	4.1	3.5	3.1	3.0
OPEC	5.1	4.5	4.1	3.7	3.2
Eurasian Development Bank	32.2	43.6	68.7	165.7	260.2
European Union	16.8	18.2	17.0	15.9	16.5
2. Bilateral debt:	2,249.8	2,254.1	2,254.4	2,191.9	2,093.6
2.1. EAEU countries:	-	-	-	-	-
Russia	-	-	-	-	-
2.2. Other:	2,249.8	2,254.1	2,254.4	2,191.9	2,093.6
China	1,778.5	1,766.0	1,797.8	1,782.2	1,708.2
Japan	239.2	242.0	217.2	179.5	159.5
Germany	82.0	88.8	78.8	70.8	69.6
The Republic of Korea	14.8	14.9	13.3	11.8	11.0
Kuwait Fund	6.9	8.0	8.1	8.1	7.3
Türkiye	93.3	89.5	82.1	74.7	66.5
France	4.7	4.9	4.5	4.0	4.0
Denmark	2.8	2.6	2.5	2.3	2.0
Saudi Development Fund	19.6	28.9	42.0	49.7	57.8
UAE	8.2	8.5	8.2	8.8	7.8
3. Government guaranteed external debt	-	-	-	-	-
4. Other liabilities of the government sector¹	-	-	-	151.5	228.4

* preliminary data

Source: MF KR

¹ Includes SDR liabilities received from the IMF under allocation

Table 19.

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

Bank	2019			2020			2021			2022			2023		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
Total	28,799.4	28,649.4	9,145.8	31,367.1	31,217.1	9,371.5	37,210.0	36,955.0	10,802.2	44,372.2	44,222.2	10,821.3	60,267.7	60,118.7	12,177.2
1 OJSC "Aiyl Bank"	3,379.2	3,379.2	-	3,476.3	3,476.3	-	3,524.6	3,524.6	-	6,624.6	6,624.6	-	12,401.8	12,401.8	-
2 OJSC RK "AMANBANK"	949.6	799.6	0.1	949.6	799.6	0.1	1,054.6	799.6	0.1	949.6	799.6	0.1	949.6	800.6	0.1
3 CJSC "Bank of Asia"	620.0	620.0	543.1	670.0	670.0	593.1	670.0	670.0	593.1	809.0	809.0	732.1	1,000.0	1,000.0	861.7
4 OJSC Bank "Bai-Tushum" ¹	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	401.8	790.0	790.0	401.8	790.0	790.0	-
5 OJSC "BAKAI BANK"	697.7	697.7	-	2,697.7	2,697.7	-	2,771.7	2,771.7	-	2,771.7	2,771.7	-	5,186.0	5,186.0	-
6 CJSC "BTA Bank" ²	2,000.0	2,000.0	-	-	-	-	-	-	-	-	-	-	-	-	-
7 CJSC "Demir Kyrgyz International Bank"	600.0	600.0	600.0	600.0	600.0	600.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
8 OJSC "DOS-KREDOBANK"	623.0	623.0	-	623.0	623.0	-	817.0	817.0	-	817.0	817.0	-	817.0	817.0	-
9 OJSC "Eurasian Savings Bank"	300.0	300.0	67.0	300.0	300.0	37.0	300.0	300.0	37.0	300.0	300.0	0.1	640.5	640.5	15.1
10 OJSC "Capital Bank"	616.4	616.4	-	616.4	616.4	-	616.4	616.4	-	616.4	616.4	-	616.4	616.4	-
11 CJSC "Bank Companion"	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 "KSB Commercial Bank" CJSC ³	670.0	670.0	502.5	670.0	670.0	502.5	670.0	670.0	502.5	670.0	670.0	502.5	800.0	800.0	600.0
13 CJSC "Kyrgyz Investment Credit Bank"	1,218.8	1,218.8	1,096.9	1,446.4	1,446.4	1,301.7	1,483.3	1,483.3	1,334.9	1,499.4	1,499.4	1,349.5	2,049.0	2,049.0	1,844.1
14 OJSC "Kyrgyzkommertsbank"	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	1,000.0	1,000.0	529.0
15 OJSC "Commercial Bank KYRGYZSTAN"	1,301.7	1,301.7	-	1,734.2	1,734.2	-	1,936.7	1,936.7	-	2,212.9	2,212.9	-	5,103.0	5,103.0	-
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	2,100.0	2,100.0	2,040.0
17 OJSC "Keremet Bank" ⁴	4,498.7	4,498.7	78.1	5,998.7	5,998.7	78.0	8,698.7	8,698.7	78.1	8,698.7	8,698.7	-	8,698.7	8,698.7	-
18 OJSC "RSK Bank"	2,136.7	2,136.7	-	2,333.3	2,333.3	-	3,379.2	3,379.2	-	7,079.2	7,079.2	-	9,400.8	9,400.8	-
19 CJSC JSCB "Tolubay"	600.0	600.0	8.9	664.0	664.0	9.8	700.0	700.0	10.3	736.0	736.0	10.8	808.0	808.0	11.9
20 OJSC "FinanceCreditBank KAB"	710.0	710.0	-	710.0	710.0	-	710.0	710.0	-	710.0	710.0	-	710.0	710.0	-
21 CJSC "FINCA Bank"	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	1,474.8	1,474.8	1,474.8
22 OJSC "Halyk Bank Kyrgyzstan"	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
23 CJSC "EcolislamicBank"	762.3	762.3	19.8	762.3	762.3	19.8	762.3	762.3	19.8	762.3	762.3	-	921.6	921.6	-
24 Bishkek Branch of the National Bank of Pakistan	600.0	600.0	600.0	600.0	600.0	600.0	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

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

² Since January 8, 2020, "BTA Bank" CJSC was reorganized by merging with "BAKAI BANK OJSC"

³ Since October 30, 2023 "Kyrgyz-Swiss Bank" CJSC was re-registered as "KSB Commercial Bank" CJSC

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

Table 20.**Consolidated Regulatory Report of Commercial Banks of the Kyrgyz Republic***(millions of KGS)*

	2019	2020	2021	2022	2023*
ASSETS					
Cash resources	18,135.7	24,233.8	30,138.6	56,873.3	78,014.8
Correspondent account with NBKR	12,983.0	14,172.5	18,785.0	30,565.5	45,189.4
Correspondent accounts with other banks	12,759.8	22,635.7	37,624.4	71,143.4	62,877.7
Deposits with other banks	12,527.6	17,168.8	24,925.1	28,628.9	49,961.2
Securities portfolio	23,107.1	21,939.3	33,421.3	52,565.3	70,159.5
Securities purchased under repo agreements	469.8	260.0	322.4	0.0	93.8
“Net” “loans and financial leasing” ¹	137,403.6	149,080.2	164,839.1	182,980.2	239,992.3
Loans and financial leasing to settlement credit organizations ²	1,862.2	2,127.2	1,162.4	2,033.6	4,592.0
Loans and financial leasing to clients ³	146,438.6	162,550.2	181,783.3	204,031.3	257,781.8
(less) Special Loss Provisions for loans and financial leasing	-10,897.2	-15,597.2	-18,106.5	-23,084.7	-22,381.4
Fixed assets	14,215.2	15,577.3	17,135.5	18,936.2	22,648.4
Investments and Equities	403.8	502.6	1,023.5	652.3	803.9
Other assets	16,982.2	23,724.6	32,904.7	39,846.8	44,533.5
TOTAL: ASSETS	248,987.9	289,294.8	361,119.5	482,191.9	614,274.7
LIABILITIES					
Liabilities to NBKR	5,012.4	6,457.7	4,128.0	0.0	0.0
Settlement accounts and deposits of banks	3,361.2	4,083.2	5,819.6	5,823.6	4,357.2
Resident banks	409.3	118.4	243.2	1,338.1	928.5
Non-resident banks	2,951.9	3,964.8	5,576.4	4,485.5	3,428.7
Settlement accounts	39,287.9	51,962.7	88,844.8	120,157.2	153,248.6
Settlement accounts of finance and credit organizations	867.9	1,108.8	782.3	629.1	709.3
Settlement accounts of clients ⁴	38,420.0	50,853.9	88,062.5	119,528.1	152,539.4
Demand deposits	37,662.8	46,946.5	56,886.1	68,475.4	85,778.1
Demand deposits of finance and credit organizations	548.1	920.3	351.0	601.9	544.2
Demand deposits of clients ⁴	37,114.7	46,026.1	56,535.1	67,873.6	85,233.9
Time deposits	56,445.3	61,243.4	68,236.1	77,493.9	91,070.9
Time deposits of finance and credit organizations	731.4	808.5	663.1	807.9	1,331.8
Time deposits of clients ⁴	55,713.9	60,435.0	67,573.0	76,686.0	89,739.1
Deposits of non-residents ⁵	10,624.9	11,575.5	13,472.2	49,595.5	62,216.3
Deposits of Government	6,932.6	9,199.5	15,507.7	23,235.8	39,027.4
Loans of Government	4,723.8	7,615.0	4,503.0	5,318.8	7,784.7
Securities sold under repo agreements	469.8	260.0	322.4	0.0	93.8
Loans received	25,467.5	23,724.3	23,766.7	23,708.6	27,045.8
Other liabilities	16,922.8	20,405.6	27,921.2	28,172.6	39,329.0
TOTAL: LIABILITIES	206,911.1	243,473.3	309,407.9	401,981.3	509,951.8
CAPITAL					
Capital stock	28,345.5	30,920.7	36,661.3	43,930.9	59,829.5
Provisions for prospective needs of bank	844.1	965.1	984.9	993.6	1,025.7
Retained earnings of past years	9,244.6	10,966.4	9,978.5	11,809.2	19,141.8
Profits/losses of the current year	2,952.3	2,297.1	3,615.0	23,087.0	23,777.7
Revaluation accounts	690.2	672.2	472.0	390.0	548.1
TOTAL: CAPITAL	42,076.8	45,821.5	51,711.6	80,210.6	104,322.8
TOTAL: LIABILITIES AND CAPITAL	248,987.9	289,294.8	361,119.5	482,191.9	614,274.7

* preliminary data

Source: Commercial banks of KR

¹ Includes the value of loans and financial lease less special LLP thereon² Includes loans to banks and other finance and credit organizations residents and non-residents³ Includes loans to legal entities and individuals residents and non-residents⁴ Includes accounts of legal entities and individuals⁵ Includes accounts of finance and credit organizations, legal entities and individuals

Table 21.

Information on Head Offices and Branches of Commercial Banks as at the end of 2023

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		320	81	24	46	38	20	58	19	34
Branches of resident banks										
1 OJSC "Aiyi Bank"	Bishkek	38	5	4	6	5	2	9	2	5
2 OJSC RK "AMANBANK"	Bishkek	13	2	-	1	2	-	5	1	2
3 CJSC "Bank of Asia"	Bishkek	7	4	-	1	1	-	1	-	-
4 OJSC Bank "Bai-Tushum"	Bishkek	7	1	1	1	1	1	1	1	-
5 OJSC "BAKAI BANK"	Bishkek	23	11	1	2	2	1	3	1	2
6 CJSC "Demir Kyrgyz International Bank"	Bishkek	14	7	1	1	1	1	2	1	-
7 OJSC "DOS-KREDOBANK"	Bishkek	10	2	1	1	2	1	1	1	1
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	17	3	2	4	2	1	3	1	1
11 "KSB Commercial Bank" CJSC	Bishkek	3	1	-	-	1	-	1	-	-
12 CJSC "Kyrgyz Investment Credit Bank"	Bishkek	23	8	1	2	1	3	5	1	2
13 OJSC "Kyrgyzkommertsbank"	Bishkek	3	2	-	-	-	-	1	-	-
14 OJSC "Commercial Bank KYRGYZSTAN"	Bishkek	18	6	1	4	1	1	1	1	3
15 OJSC "Optima Bank"	Bishkek	21	9	1	1	3	1	2	1	3
16 OJSC "Keremet Bank"	Bishkek	10	3	1	1	2	-	1	1	1
17 OJSC "RSK Bank"	Bishkek	53	4	5	11	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 "EcolIslamicBank"	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

¹ The branch of the non-resident bank was entered into the Register of Issued Banking Licenses on April 24, 2000, with the right to conduct banking operations. On March 29, 2021, closure of 5 branches of the National Bank of Pakistan in the republics of Central Asia was approved by the resolution of its shareholders

Table 22.

Composition of Circulating Cash of Commercial Banks in National Currency and Its Rate of Collection in 2023
(billions of KGS)

	Receipt				Issue				Deviation (+/-) (9-4)	Collection Rate (%) (4/9)	
	Taxes, customs duties and fees	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	4	5	6	7	8	9	10	11
Total for the Kyrgyz Republic	141.0	496.7	3,947.8	4,585.5	4.8	5.5	554.3	4,034.4	4,598.9	13.4	99.7
Bishkek city	43.2	436.4	2,002.5	2,482.1	2.5	0.2	405.1	2,046.1	2,453.9	(28.2)	101.1
Osh city	9.4	22.0	473.3	504.7	0.2	0.0	47.0	462.0	509.2	4.5	99.1
Batken oblast	1.3	2.7	201.9	205.9	0.1	1.5	15.0	189.1	205.7	(0.2)	100.1
Jalal-Abad oblast	3.3	6.8	400.7	410.8	0.3	1.0	31.1	397.8	430.2	19.4	95.5
Issyk-Kul oblast	1.4	3.5	207.0	211.9	0.2	0.0	7.7	211.4	219.3	7.4	96.6
Naryn oblast	0.5	0.7	95.5	96.7	0.1	0.8	1.3	99.5	101.6	4.9	95.2
Osh oblast	7.9	3.1	154.7	165.7	0.1	0.9	9.7	155.0	165.6	(0.1)	100.1
Talas oblast	0.5	1.1	95.2	96.8	0.4	0.3	2.4	100.5	103.6	6.8	93.4
Chui oblast	73.5	20.4	317.0	410.9	0.9	0.7	34.9	373.3	409.8	(1.1)	100.3

Source: Commercial banks of KR

Table 23.

Pattern of Payments in the RTGSS

	2019			2020			2021			2022			2023		
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	
payments up to 1 thousand KGS	20	38,626	20	39,960	25	44,123	21	42,424	33	71,044					
from 1 thousand to 100 thousand of KGS	6,008	231,686	6,473	259,867	7,054	269,722	8,555	318,259	12,845	481,790					
from 100 thousand to 1 million of KGS	43,713	108,174	43,726	110,712	55,249	134,324	65,305	163,008	91,178	234,801					
from 1 million to 10 million of KGS	263,909	93,013	271,689	94,765	378,242	130,018	494,170	167,797	637,580	212,277					
from 10 million to 100 million of KGS	619,324	18,121	568,461	17,004	765,068	23,082	953,734	29,741	1,244,394	40,201					
payments of over 100 million of KGS	2,193,404	5,159	3,040,927	6,173	4,117,732	6,582	8,793,353	10,514	11,652,753	11,587					
Total	3,126,378	494,779	3,931,296	528,481	5,323,370	607,851	10,315,139	731,743	13,638,784	1,051,700					

Source: Real Time Gross Settlement System

Table 24.
Structure of Clearing Payments in the BCS by Regions

	2019			2020			2021			2022			2023		
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Volume, millions of KGS	Number of payments	Number of payments
Bishkek city and Chui oblast	181,385	6,389,687	164,856	4,943,656	5,168,982	204,809	219,869	5,466,159	300,675	6,871,633					
Batken oblast	3,246	546,414	2,560	402,235	3,097	3,097	3,484	378,701	4,716	428,701					
Jalal-Abad oblast	5,587	797,323	5,552	589,539	5,940,779	6,500	7,192	545,190	8,725	536,032					
Issyk-Kul oblast	4,001	552,069	3,321	405,835	415,034	3,606	4,204	404,082	5,645	439,204					
Naryn oblast	1,385	231,869	1,279	163,737	188,747	1,494	1,666	174,749	1,998	185,682					
Osh city and Osh oblast	13,676	1,338,472	11,554	979,719	977,943	14,787	18,801	897,521	25,913	1,106,729					
Talas oblast	1,421	209,548	1,293	160,475	177,993	1,431	1,413	158,704	1,572	163,394					
Total for the Kyrgyz Republic	210,701	10,065,382	190,414	7,645,196	7,921,057	235,723	256,629	8,025,106	349,244	9,731,375					

Source: Bulk Clearing System

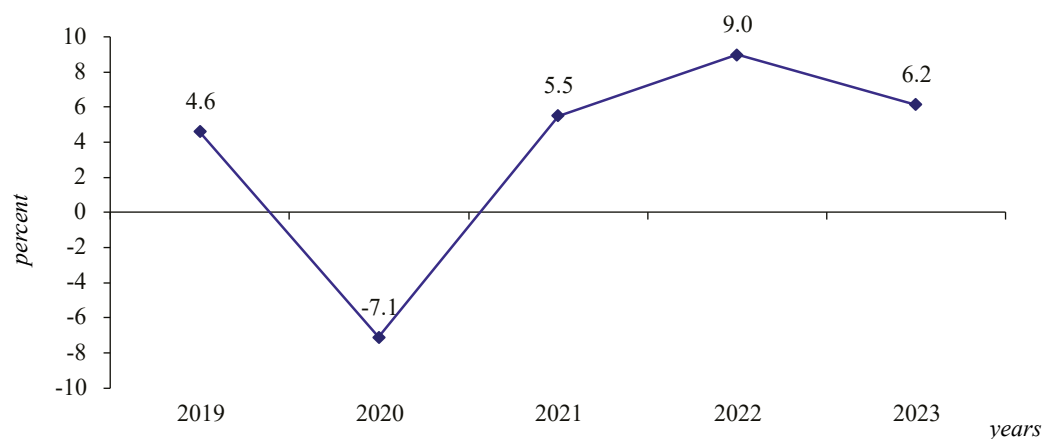
Table 25.
Information on Transactions with Payment Cards at Trade Outlets

Card	2019			2020			2021			2022			2023		
	Number of transactions	Volume, thou-sands of KGS	Volume, thou-sands of KGS	Number of transactions	Volume, thou-sands of KGS	Volume, thou-sands of KGS	Number of transactions	Volume, thou-sands of KGS	Volume, thou-sands of KGS	Number of transactions	Volume, thou-sands of KGS	Volume, thou-sands of KGS	Number of transactions	Volume, thou-sands of KGS	Volume, thou-sands of KGS
"Elcard"	3,555,947	3,932,230	5,226,368	9,128,232	12,957,884	12,957,884	15,165,133	18,150	29,870	43,976,559	67,027,351				
"Elcard-UPI"	21,096	35,048	21,538	18,009	17,314	13,815	13,815	10,024	5,041	12,673	44,107				
"Zolotaya Korona" ("Alai Card")	90,692	50,885	25,702	41,367	15,594,485	15,594,485	17,314	10,024	5,041	840	8,527				
Visa	6,924,512	13,035,048	12,433,739	7,964,910	23,138,702	23,138,702	15,594,485	23,138,702	28,364,914	65,101,728	106,042,487				
Master Card	474,685	1,196,816	1,044,367	527,544	1,612,869	1,612,869	738,313	1,612,869	775,760	740,284	4,573,876				
American Express	3,395	60,541	12,984	578	17,411	17,411	453	49,833	1,497	2,187	52,006				
Union Pay	3,538	7,016	2,304	1,456	4,114	4,114	2,771	9,287	6,243	12,801	18,635				
"Mir"	2,127	740	3,007	5,420	16,847	16,847	20,364	843,384	379,959	325,664	599,968				

Source: Commercial banks of KR

Chart 1.

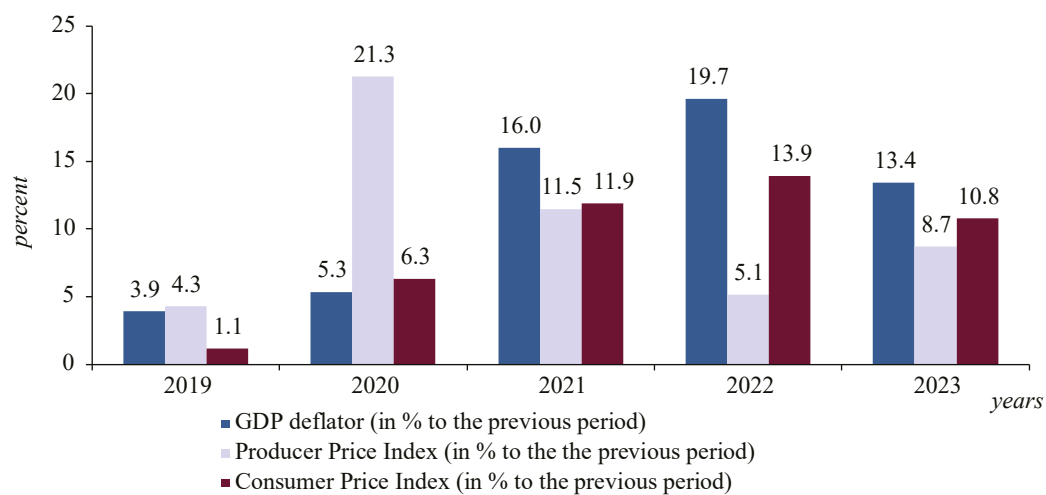
Rates of Growth of Real Gross Domestic Product



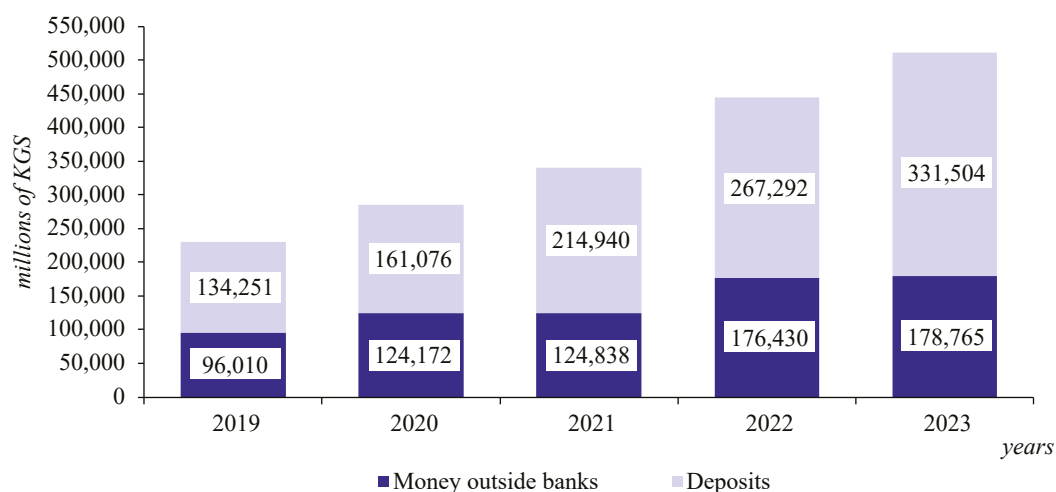
Source: NSC KR

Chart 2.

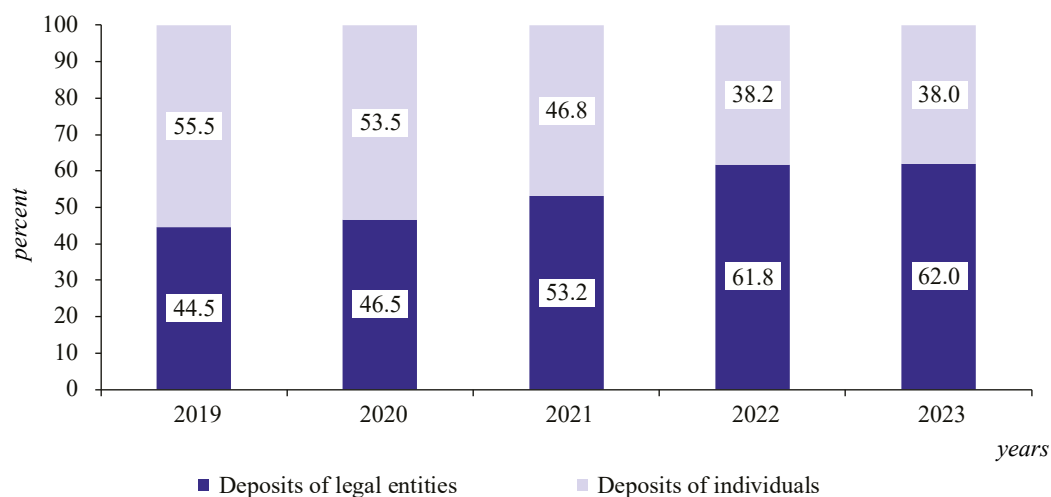
Rates of Growth of Consumer and Producer Prices



Source: NSC KR

Chart 3.**Monetary Aggregates M2X Structure**

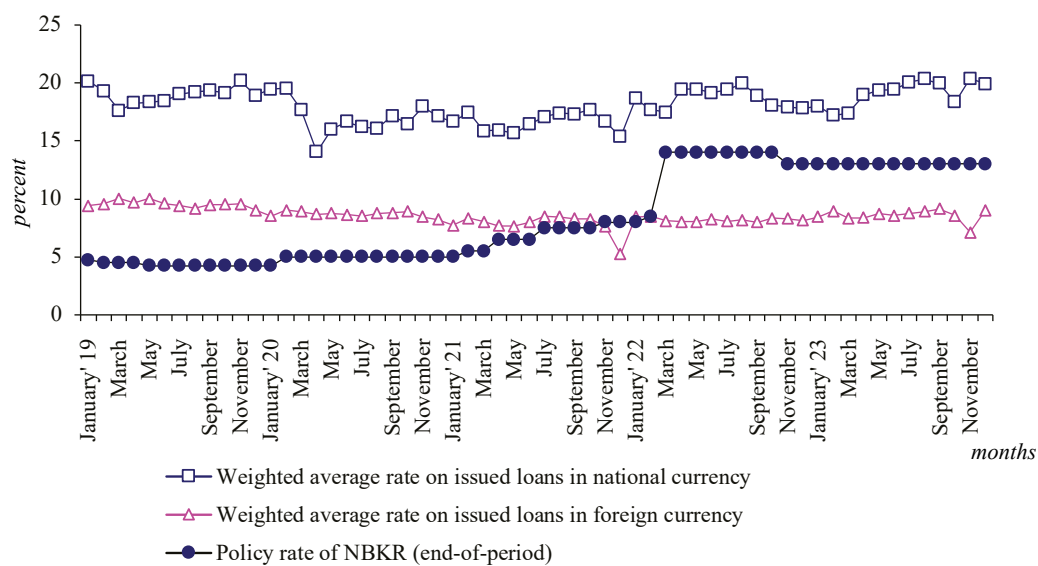
Source: NBKR, Commercial banks of KR

Chart 4.**Structure of Deposit Base of Commercial Banks (end of period)**

Source: Commercial banks of KR

Chart 5.

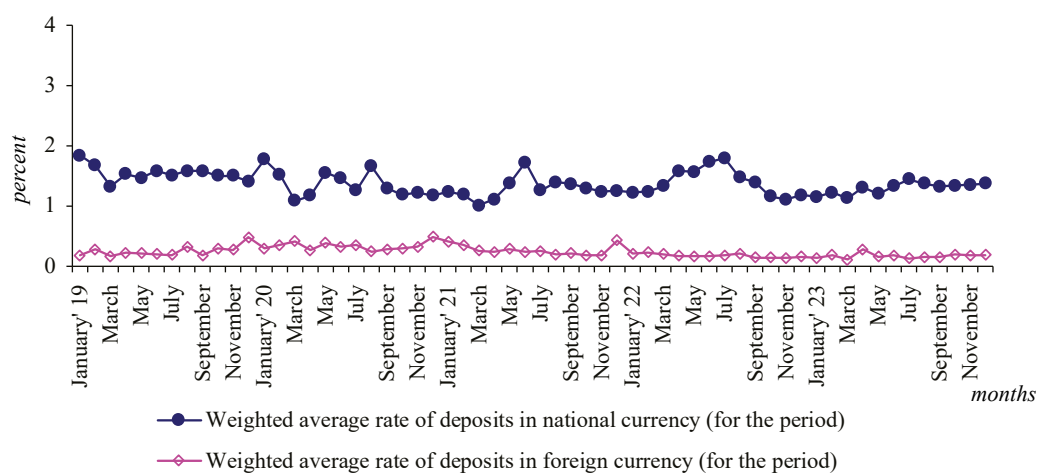
Interest Rates of Loans Issued by Commercial Banks and Policy Rate of the NBKR



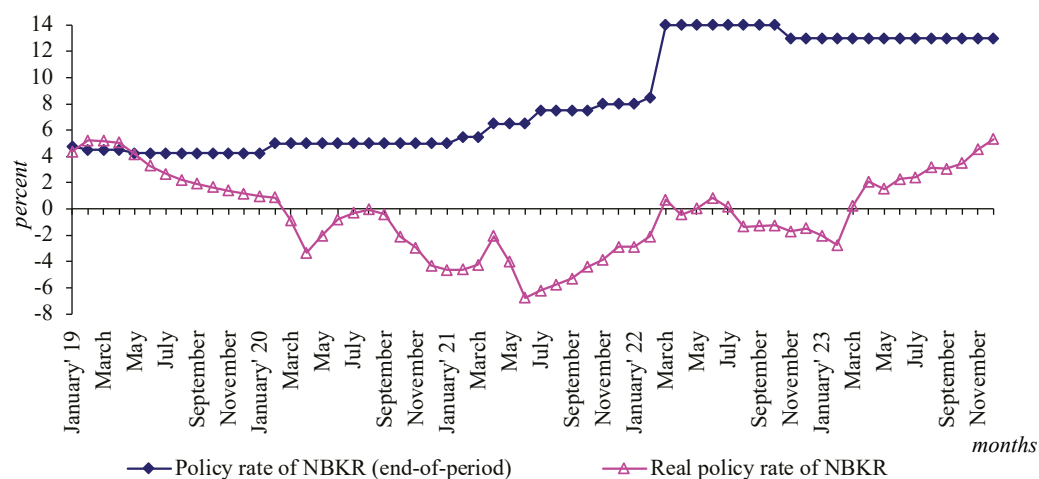
Source: NBKR, Commercial banks of KR

Chart 6.

Interest Rates of Deposits of Commercial Banks



Source: NBKR, Commercial banks of KR

Chart 7.**Dynamics of the Policy Rate**

Source: NBKR

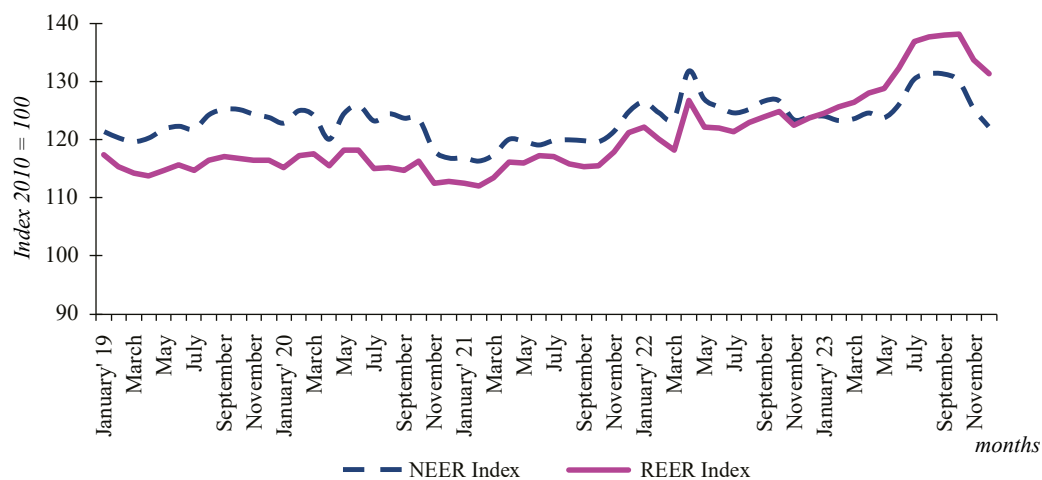
Note: the following formula was used to calculate the real interest

$r = (i - p) / (p + 100) * 100$, where:

i - the nominal interest rate

r - the real interest rate

p - the annual inflation

Chart 8.**Nominal and Real Effective Exchange Rate Indices**

Source: NBKR

Appendix 4
to the Report of the National Bank
of the Kyrgyz Republic for 2023

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 Kyrgyz, Russian, 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 systems' and payment organizations' operators, the Service on Financial Market Regulation and Supervision of the Ministry of Economy and Finance of the Kyrgyz Republic.	Electronic version is published on the official website of the National Bank in the section "Publications".
2.	Annual Report of the National Bank of the Kyrgyz Republic	In Kyrgyz, Russian, English languages	Annually	The publication contains the activity results for the reporting year, 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 Cabinet of Ministers of 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 in the section "Publications".

3. Monetary Policy Report	In Kyrgyz, Russian, 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 in the section “Monetary Policy”.
4. Financial Sector Stability Report of the Kyrgyz Republic	In Kyrgyz, Russian, English languages	Twice a year	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 Cabinet of Ministers of Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank in the section “Publications”.
5. Balance of Payments of the Kyrgyz Republic	In Kyrgyz, Russian, 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 Cabinet of Ministers of Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank in the section “Publications”.
6. Regulatory Acts of the National Bank of the Kyrgyz Republic	In Kyrgyz, Russian, official languages	Monthly	These are the regulations, instructions and other regulatory legal acts adopted by the National Bank.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Cabinet of Ministers of 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 in the section “Publications”.

7.	Official website of the National Bank www.nbkr.kg	In Kyrgyz, Russian, 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"> - banking legislation; - regulatory legal acts of the National Bank; - draft laws and draft regulatory legal documents submitted for public discussion; - regularly updated list of organizations licensed/regulated by the National Bank; - official rates of exchange and 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. The special sections are devoted to the materials 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.
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8.	Website of the National Bank on financial literacy www.finsabat.kg	In Kyrgyz, Russian 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 news in the field of financial literacy, educational and other materials on financial literacy in the form of articles, audio and video clips, as well as the tools in the form of a solvency calculator, a loan and deposit calculator, and tests on various topics related to financial literacy, comparison of tariffs for banking services.	Free access to information.
9.	Radio Program “The National Bank Reports”	In Kyrgyz, Russian languages	Weekly	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, protection of the banking services consumers’ rights and other issues.	Broadcast on the radio “Birinci Radio”, National Broadcasting Corporation (FM 104.1).
10.	TV column “The National Bank Reports”	In Kyrgyz, Russian languages	Daily (except for weekends)	TV channels broadcast columns with interactive infographics on the official exchange rates and prices for gold measuring bars.	Broadcast on the TV channels of the National Broadcasting Corporation and “Ala-Too 24”.
11.	Official pages in the social networks Youtube, Facebook, Twitter, Instagram and Telegram	In Kyrgyz, Russian 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 of the National Bank, as well as information on improving the financial literacy of the population.	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 https://www.youtube.com/@Finsabat/ https://www.facebook.com/finsabat.kg/ https://www.instagram.com/finsabat/

List of Abbreviations

ALE	Association of Legal Entities
BCS	Bulk Clearing System
CB	Credit Bureau
CCB	China Construction Bank Corporation
CIS	Commonwealth of Independent States
CJSC	Close Joint-Stock Company
CPI	Consumer Price Index
CTF/AML	Counter-Terrorism Financing and Anti-Money Laundering
CU	Credit Union
EAEU	Eurasian Economic Union
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
ECB	Eurasian Council of Central (National) Banks
EEC	Eurasian Economic Commission
ESG-risks	risks associated with the influence/negative financial impact of current or future environmental, social or governance factors on the activities of financial-credit organizations (Environmental, Social and Corporate Governance)
FATF	Financial Action Task Force on Money Laundering
FCO	Financial-Credit Organization
FOB	Price at the frontier of country-importer (Free on Board)
FRS	US Federal Reserve System
GDP	Gross Domestic Product
GF	Guarantee Fund
GS	Government Securities
HEI	Higher Educational Institution
HSLC	Housing and Savings Loan Company
IBCM	Interbank Credit Market
IDB	Islamic Development Bank
IMF	International Monetary Fund
IPC	Interbank Processing Center
IS	Information Security
ISB	Interstate Bank
ISMS	Information Security Management System
ISS	Information Security System
IT	Information Technologies
JVI	Joint Vienna Institute
KSE	Kyrgyz Stock Exchange
LLC	Limited Liability Company
LLP	Loan Loss Provision
LP	Limited Partnership
MCA	Microcredit Agency
MCC	Microcredit Company

MFC	Microfinance Company
MFO	Microfinance Organization
MM	Mass Media
MP	Monetary Policy
NBFCO	Non-Banking Financial-Credit Organizations
NBKR	National Bank of the Kyrgyz Republic
NSC KR	National Statistical Committee of the Kyrgyz Republic
OJSC	Open Joint-Stock Company
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Co-operation in Europe
PBC	Public Broadcasting Corporation
PD	People with Disabilities
PIF	Principles of Islamic Finance
POS-terminal	Equipment to make card payments for goods/services in the points of sale
P2P	Person-to-Person transfer
PRBR	Periodic Regulatory Bank Reporting
PRC	People's Republic of China
QR-code	Quick response code, bar code
RBO	Risk-Based Oversight
RBR	Regulatory Bank Reporting
RLA	Regulatory Legal Acts
ROA	Return on Assets
ROE	Return on Equity
RR	Reserve Requirement
RTGSS	Real Time Gross Settlement System
SCO	Shanghai Cooperation Organization
SE	State Enterprise
SECO	Swiss State Secretariat for Economic Affairs
SDR	Special Drawing Rights
SFCO	Specialized Financial-Credit Organization
SIF	Swiss State Secretariat for International Finance
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds
svs	Secondary Vocational School
SWIFT	Society for Worldwide Interbank Financial Telecommunications
UAE	United Arabian Emirates
USA	United States of America
VA/VASP	Virtual Assets and Virtual Asset Service Providers
WB	World Bank