



**National Bank
of the Kyrgyz Republic**

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

**according to the results
of the first half of 2024**

November 2024

Bishkek

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Other Publications of the National Bank of the Kyrgyz Republic

Annual Report of the National Bank of the Kyrgyz Republic

This publication is a complete report on the activity of the National Bank for the previous year. It contains assessment of changes in the real, financial and external sectors of economy, the description of decisions and actions of the National Bank in the monetary sphere, in the banking and payment systems, in the non-banking financial-credit organizations; it includes financial statements and general information on the National Bank, as well as the statistical appendices. It is published in the state, official and English languages.

Bulletin of the National Bank of the Kyrgyz Republic

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

Monetary Policy Report

The Report informs the public of the decisions made by the National Bank in the monetary policy area based on the analysis and forecast of the key inflation factors and assessment of the economic development in the external and internal environment of the Kyrgyz Republic. It is published on the official website of the National Bank in the state, official and English languages.

Balance of Payments of the Kyrgyz Republic

The publication describes the recent development trends in the external sector and contains the data on the balance of payments, external trade, international reserves, external debt, and the international investment position, as well as the metadata and the information base to draw up the balance of payments. It is published quarterly – in February, June, August, and November in the state, official and English languages.

Regulatory Acts of the National Bank of the Kyrgyz Republic

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

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

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PREAMBLE

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

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

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

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

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MAJOR CONCLUSIONS

In the first half of 2024, economic activity remained high. The services and construction sectors were the main drivers of GDP growth.

In the first half of 2024, the state budget was executed with a surplus of 6.9 percent to GDP due to outstripping growth rates of revenues over expenditures. Such results were conditioned by economic growth in the country and measures taken to improve tax administration, as well as growth of non-tax revenues.

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

In the first half of 2024, the quality of the banking sector's loan portfolio deteriorated compared to the same period of 2023. High level of capital adequacy of the banking system indicates that there is potential to further increase the level of financial intermediation, efficiency and sustainability of the banking sector in the future.

The results of econometric and financial forecast modeling still reflect the availability of financial strength based on the results of the first half of 2024. The results of "reverse" stress testing show that the banking sector can withstand significant deterioration in the quality of the loan portfolio and macroeconomic shocks.

The state of the system of non-banking financial-credit organizations is assessed as moderately stable. There was growth in the following indicators: assets, loan portfolio, resource base. The results of stress testing indicate that the credit risk of the sector of non-banking financial-credit organizations is moderate.

The level of risks in the payment systems was within the acceptable limits and was conditioned by the risk management mechanisms provided for by the legislation of the Kyrgyz Republic and the rules of the payment systems, the current high level of liquidity, the system of insurance deposits and prepayments.

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

I. MACROECONOMIC AND FINANCIAL ENVIRONMENT

1.1. Macroeconomic Conditions and Risks

In the first half of the year, there was high economic activity in the Kyrgyz Republic. The services and construction sectors were the main drivers of economic growth. Growth of real incomes of the population and net inflow of remittances still influence the expansion of domestic consumption.

Timely monetary policy measures contributed to steady decline in the inflation rate.

The fiscal sector of the economy was characterized by the excess of budget revenues over expenditures.

External Conditions

Global economic activity remained low due to economic and geopolitical challenges observed in recent years. Global inflation rate showed slight downward trend due to tightening of monetary policy by the leading countries, however, core inflation rate¹ in most countries of the world remained stable with increased values.

Economic development in the countries - trading partners of the Kyrgyz Republic remained ambiguous. Inflation acceleration in the Russian Federation was accompanied by positive economic growth. In Kazakhstan, there was a decline in economic activity, while the annual inflation rate showed downward trend.

Internal Conditions

Gross Domestic Product

In the first half of 2024, the Kyrgyz Republic demonstrated stable accelerated economic growth – the real GDP of the country increased by 8.1 percent (in the first half of 2023 – 2.2 percent). At the end of the reporting period, the nominal GDP of the country (GDP in current prices) amounted to KGS 559.7 billion. The GDP deflator decreased by 13.1 percentage points compared to the same period of 2023 and was formed at 6.8 percent.

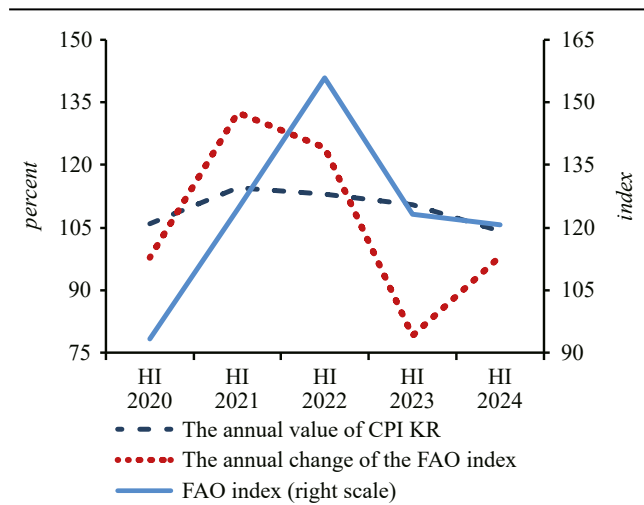
All sectors of the economy demonstrated growth dynamics, mainly the sectors of services and construction. Significant growth of investment activity by 54.7 percent (against 10.2 percent in January – June 2023) was the key factor of high activity in the construction sector, which grew by 48.5 percent. The services sector increased by 7.7 percent, mainly due growth of the wholesale and retail trade by 18.3 percent. Trade grew due to increase in consumer demand amid stable growth of real wages, consumer lending, and rise in net cross-border remittance inflows into the country.

The industrial sector showed slow growth by 0.9 percent at the end of six months of 2024 due to slowdown in growth of the processing industries and a decline in mining.

¹ Volatile prices for energy carriers and food products are not taken into account.

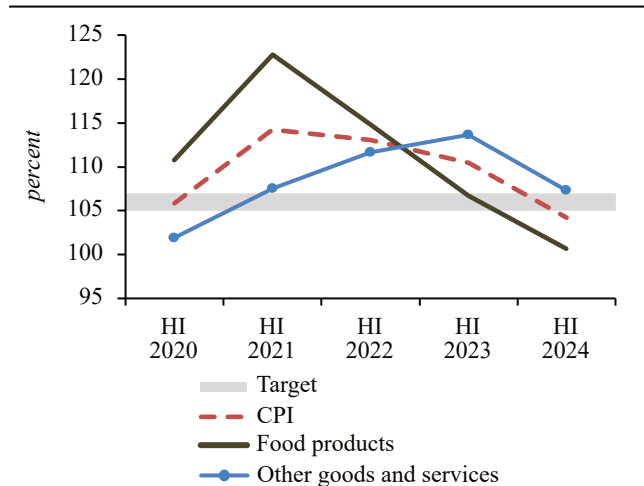
Inflation

Chart 1.1.1. Dynamics of the Kyrgyz CPI and the FAO Index



Source: NSC KR

Chart 1.1.2. CPI in the Kyrgyz Republic (annual value, June 2024 to June 2023)



Source: NSC KR, www.fao.org

“health care”, “miscellaneous goods and services”, “education”, “recreation, entertainment and culture” and in the sphere of housing services and utilities prevents from faster deceleration of prices for services. There was an increase of prices in the group “alcohol drinks and tobacco products” due to the annual growth in excise tax.

In the first half of 2024, the FAO index showed moderate growth, however it was below the indicator in the same period of 2023. World prices for cereals and vegetable oils increased due to unfavorable weather conditions in the key producing regions and increased global demand. Prices for sugar demonstrated significant increase due to problems in sugar production in the key producing countries, increased global demand and supply volatility. Moreover, there was slight increase in prices for meat and dairy products due to stable strong demand from major importing countries. The impact of global climate change, instability in the energy market and political risks remain the main factors contributing to price growth in the world food markets.

In the first half of 2024, smooth decline in the annual inflation rate was still observed in the Kyrgyz Republic. According to the NSC KR, in June 2024, the annual inflation rate decreased from 7.3 percent in December 2023 and constituted 4.5 percent. At the end of the reporting period, the structure of the annual inflation rate formation is as follows: prices for food products increased by 1.2 percent, prices for non-food products – by 7.4 percent, for alcoholic drinks and tobacco products – by 9.7 percent, for services – by 6.9 percent.

Inflation in the non-food group of goods is conditioned by steady growth in consumer demand, price fluctuations in the world markets of oil products and measures of tariff policy. Price growth in the groups “restaurants and hotels”,

Labor Market and Wages

There was a significant reduction in the number of unoccupied people in search of work registered at the state employment service. As of July 1, 2024, the number of registered unemployed people decreased by 17.8 percent compared to the similar date in 2023 and constituted 81.5 thousand people. The number of registered unemployed people among the total number of unemployed population also decreased significantly by 22.2 percent, down to 58.2 thousand people.

In the first half of 2024, the registered unemployment rate in the total labor force decreased by 0.7 percentage points compared to the first half of 2023 and amounted to 2.1 percent of the economically active population.

In general, in the reporting period, there was positive dynamics of wage growth in all types of economic activity. In the reporting period, the average monthly nominal wage per one employee increased by 10.6 percent compared to the same period of the last year and amounted to KGS 35.3 thousand. At the same time, real wages increased by 5.2 percent in the reporting period.

State Budget

In the reporting period, the state budget demonstrated significant growth of budget surplus up to KGS 38.9 billion or 6.9 percent to GDP compared to the similar periods of the last 3 years. Such results were conditioned by outstripping growth rates of budget revenues compared to expenses amid expansion of economic activity in the country coupled with previously adopted measures on fiscalization of tax and customs procedures. Thus, current budget revenues increased by 24.7 percent, up to KGS 220.7 billion. In the total volume of budget revenues, 80.4 percent fell on revenues from VAT, income and profit taxes and non-tax revenues. At the same time, growth of non-tax revenues was provided by transfer of the National Bank's profit to the republican budget in the amount of KGS 12.4 billion.

At the same time, current budget expenses increased by only 9.8 percent and amounted to KGS 151.0 billion, while net capital spending of the state, on the contrary, decreased by 9.7 percent, down to KGS 30.9 billion. At the same time, the item "other expenditures" made the largest contribution to an increase in current expenditures through transfer of funds to the Stabilization Fund of the Kyrgyz Republic in the amount of KGS 7.1 billion.

Since the beginning of 2024, the Cabinet of Ministers of the Kyrgyz Republic continued to increase actively the volume of issued government securities, the share thereof in the total volume of public debt increased from 25.8 percent at the end of 2023 up to 29.2 percent at the end of June 2024. Since the beginning of the reporting period, public external debt decreased from 33.7 percent down to 30.9 percent to GDP as of the end of June 2024, a decline by 3.2 percent in absolute terms, down to USD 4.5 billion. As a result, the total net financing of the budget deficit amounted to KGS (-)3.7 billion due to excess of repayments on external liabilities over existing surplus on internal financing in the amount of KGS 3.8 billion.

Macroeconomic Risks

High uncertainty of the external environment and geopolitical tension worldwide remain the main risks of possible impact on the economy of the country.

Despite stable downward inflation rates observed since the beginning of 2023, there are still risks associated with increased domestic demand and moderate price growth in the world food markets due to the negative impact of unfavorable climate conditions.

1.2. Structure of the Financial Sector

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

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

Financial institutions	H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
Commercial banks	23	23	23	23	21
Other financial companies, including:	627	607	611	752	863
Non-banking and specialized financial-credit organizations (NBSFCO), including:	627	607	611	752	863
Microfinance organizations, including:	134	134	130	129	113
microcredit companies	87	87	85	86	68
microcredit agencies	38	38	35	34	35
microfinance companies	9	9	10	9	10
Specialized Financial-Credit Organization	1	1	1	1	1
Credit offices	2	2	2	2	2
Credit unions	93	91	86	83	79
Exchange offices	396	377	390	535	667
OJSC “Guarantee fund”	1	1	1	1	1
Housing saving credit company	-	1	1	1	0
Insurance companies*	16	16	15	17	-
Investment funds*	3	3	3	3	-
Stock exchanges*	3	4	4	4	-
Pension funds*	3	3	3	3	-

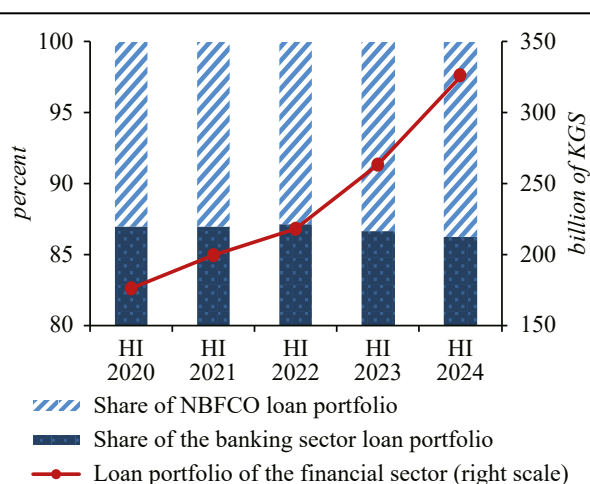
Sources: CBs, NBFCOs, NSC KR, State Financial Supervision Service.

* Data as of the end of the year.

As of the end of the first half of 2024, assets of the banks and non-banking financial-credit organizations (NBFCOs) amounted to KGS 790.6 billion or 60.6 percent to GDP.

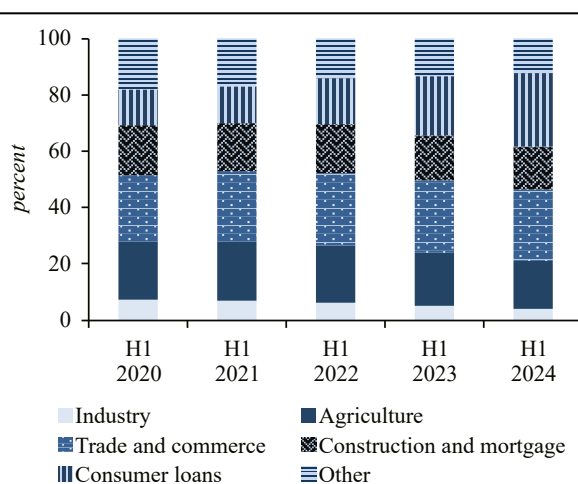
At the end of the first half of 2024, the total loan portfolio of the financial sector amounted to KGS 320.5 billion or 25.0 percent to GDP. The share of banks’ loans in the loan portfolio of the financial sector made 86.0 percent at the end of the first half of 2024 (Chart 1.2.1).

Chart 1.2.1. Structure of the Loan Portfolio



Source: CBs and NBFCOs

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



Source: CBs and NBFCOs

High concentration of loans was still observed in the trading sector, and consumer loans – in the NBFCOs within the sectoral structure of the commercial banks’ loan portfolio. The aggregate share of the loan portfolio in the financial sector of the aforementioned sectors of the economy at the end of the first half of 2024 constituted 51.5 percent of total issued loans and amounted to KGS 167.6 billion (Chart 1.2.2).

1.3. Financial Markets

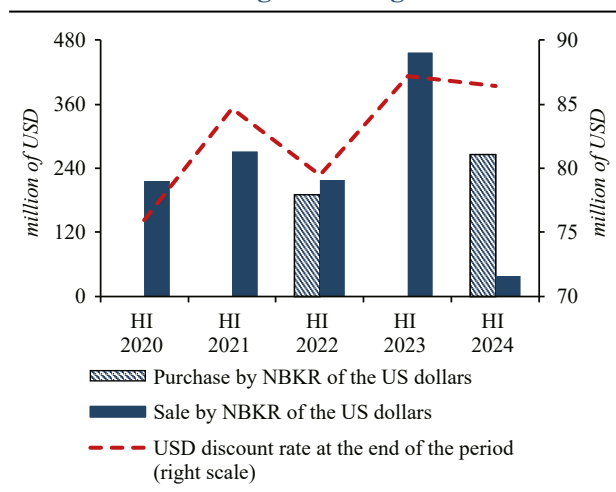
Exchange rate flexibility was stable in the domestic foreign exchange market. During the reporting period, there was an excess of foreign currency supply over demand for it.

Since the end of April 2024, the interbank money market was characterized by a decrease of the short-term interest rates, which were near the lower rate of the interest rate corridor set by the National Bank due to easing of the National Bank's interest rate policy. The interbank money market demonstrated decrease in activity compared to the same period of 2023, while the market of the National Bank's notes demonstrated growth in the volume of transactions. Transactions in the government securities market were characterized by decreased volumes compared to the interbank credit market and the foreign exchange market.

1.3.1. Foreign Exchange and Money Market

Foreign Exchange Market

Chart 1.3.1.1. Dynamics of Interventions of the NBKR in the Foreign Exchange Market



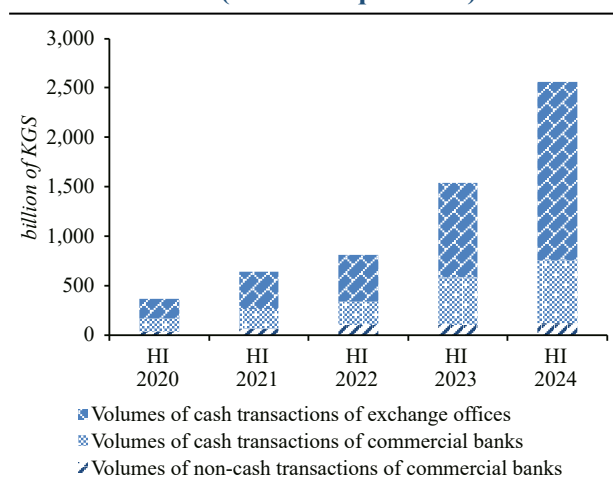
In the first half of 2024, the domestic foreign exchange market demonstrated the national currency strengthening.

As of the end of June 2024, the USD/KGS official exchange rate was 86.4454 KGS/USD, having decreased by 3.0 percent compared to the end of 2023.

Since the middle of the first half of 2024, the foreign exchange market showed an increase in the supply of foreign currency compared to demand for it and a corresponding spread in the fluctuation range of the official exchange rate, which was 86.4454-89.5100 (KGS 3.1) KGS/USD in the first half of 2024, meanwhile, in the same period of 2023, the fluctuation range was 85.6800-87.5900 (KGS 1.9) KGS/USD.

In the first half of 2024, the National Bank conducted foreign exchange interventions for sale of foreign currency in the amount of USD 38.5 million (-91.7 percent compared to the same period of 2023) to smooth sharp fluctuations of the exchange rate.

Chart 1.3.1.2. The Volume of Purchases and Sales of Foreign Currency by Type of Transactions (in KGS Equivalent)



Source: NBKR

down to 43.5 percent, the share of transactions in Kazakh tenge decreased from 0.05 percent down to 0.03 percent, while the share of transactions with Chinese yuan increased from 0.01 percent up to 4.7 percent.

Generally, the transactions are still conducted in cash (95.3 percent (+2.0 percentage points), meanwhile, in the structure of cash transactions the largest share, as before, was accounted for the cash transactions of the exchange bureaus, which was mainly due to the current situation in the domestic foreign exchange market. In terms of currencies in face terms, the volumes of transactions on purchase and sale of foreign currency increased in all types of currencies, except for the euro.

Money Market

In the first half of 2024, activity in the interbank credit market decreased compared to the indicator for the first half of 2023.

In the first half of 2024, the volume of transactions in the interbank credit market decreased by 49.1 percent compared to the same period of 2023 and amounted to KGS 7.7 billion. In the reporting period, the standard transactions were not conducted in the national and foreign currencies, thus all transactions were conducted on repo terms. The average weighted rate in the interbank market was 10.42 percent (-0.6 percentage points), a decrease in the rate compared to the same period of 2023 is conditioned by easing of the monetary policy in Q2 2024. The average weighted terms amounted to 5 days, having increased from 3 days in the same period of 2023.

The banking sector used the interbank borrowings to cover temporary liquidity gaps, there was no demand for the National Bank's short-term credit resources. In the first half of 2024, overnight loans were not issued. The gross volume of funds placed by the commercial banks on overnight deposits increased by 2.1 times compared with the first half of 2023 and amounted to KGS 4,005.4 billion (average daily volume – KGS 33.9 billion).

In the reporting period, the total volume of foreign currency purchase and sale transactions conducted by the commercial banks and exchange bureaus in the foreign exchange market, including transactions with non-residents, increased by 66.0 percent, up to KGS 2.6 trillion. The increase in the volume of transactions was observed in all main currencies (U.S. dollar, Russian ruble, Kazakh tenge, and Chinese yuan), while the volumes of foreign exchange transactions with euro remained almost unchanged. There was change in the structure of transactions by currencies: the main share fell on the transactions on purchase and sale of Russian rubles (their share decreased from 52.4 percent down to 50.3 percent compared to 2023), the share of transactions on purchase and sale of U.S. dollars also decreased from 45.3 percent

1.3.2. Securities Market

In the first half of 2024, the short-term segment of government securities market on the National Bank's platform was characterized by one-time sharp activity of the participants and was represented only by the state treasury bills (ST-Bills) with a maturity of 12 months², while the demand for government securities and sales thereof increased significantly compared to the same period of 2023.

According to the results of auctions, as well as additional placements, in the first half of 2024, the sales of ST-Bills amounted to KGS 1.0 billion with the weighted average yield of 12.20 percent.

Long-term government securities are in demand mainly among the institutional investors. At the end of the first half of 2024, the volume of ST-Bonds supply at the auctions increased by 42.0 percent compared to the first half of 2023 and amounted to KGS 23.1 billion, the total volume of ST-Bonds sales taking into account additional placements increased by 94.3 percent, up to KGS 20.9 billion.

The weighted average yield of ST-Bonds (excluding 2-year ST-Bonds) demonstrated stable growth due to sale of securities with medium-term maturities and was formed at 16.2 percent (+0.4 percentage points).

Transactions on purchase and sale of ST-Bills and ST-Bonds were not conducted in the secondary market since 2021.

In the reporting period, the market of the National Bank's notes demonstrated increased indicators of demand, supply and sales of notes compared to the same period of 2023 amid stable and high level of excess liquidity in the banking system. In the reporting period, the National Bank's notes market was represented by 7-, 28-, 91- and 182-day notes. In the first half of 2024, the largest volume of sales fell on the National Bank's notes with a maturity of 7 days, while the participants active interest was focused with a small gap on 28-day notes (in the same period of 2023, 14-day notes were in greatest demand). Since April 2024, there was a decrease in yields on all notes' maturities amid high demand for the National Bank's notes. The weighted average yield on notes decreased from 12.23 percent in November down to 12.12 percent in December 2023 and down to 10.6 percent in January – June 2024.

² The Ministry of Finance of the Kyrgyz Republic offers only 12-month ST-Bills since February 2020.

1.4. Real Estate Market

At the end of the first half of 2024, there is a decrease in the price index growth rate in the real estate market of the Kyrgyz Republic due to decline in growth of prices for individual houses (increase in prices by 12.8 percent) and apartments (increase in prices by 23.3 percent) compared to the same period of 2023.

In the reporting period, there was an increase in the housing affordability index from 7.4 to 8.1 years due to the growth rate of real estate prices (23.3 percent) outrunning the growth rate of average monthly nominal wages (10.3 percent). This fact indicates deterioration of the situation with the real estate affordability. Risks to the financial sector from the real estate market remain moderate, which was conditioned by a low share of mortgage loans³ in the total loan portfolio of the banks.

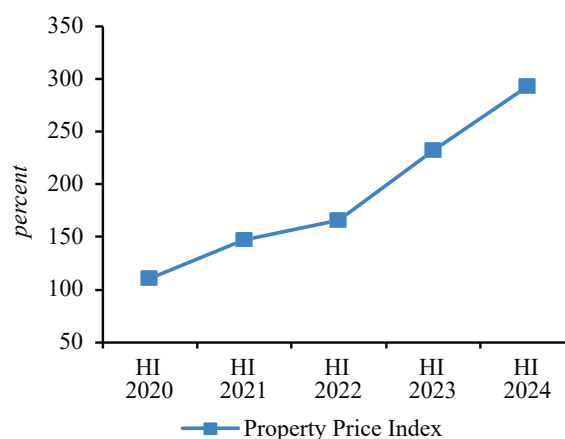
At the end of the first half of 2024, decrease in the growth rate of the property price index from 25.2 percent to 17.8 percent, and growth of the property basis price index from 232.2 percent to 293.3 percent were observed in the Kyrgyz Republic due to rise in prices for individual houses by 12.8 percent and for apartments – by 23.3 percent compared to the same period of 2023.

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



Source: LRS under MA KR, NBKR calculations

Chart 1.4.2. Basis Price Index Growth Rate in the Real Estate Market⁴



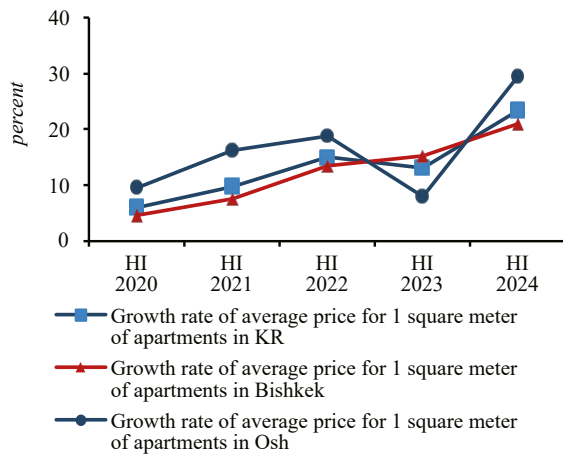
Source: LRS under MA KR, NBKR calculations

As of June 30, 2024, the average price of 1 square meter of housing (apartment) in Osh increased by 29.5 percent (up to KGS 70.2 thousand), in Bishkek – by 21.0 percent (up to KGS 90.4 thousand) compared to the same period of 2023. The average price of 1 square meter of individual houses in Osh city decreased by 7.7 percent (down to KGS 95.1 thousand), in Bishkek city it increased by 24.7 percent (up to KGS 113.7 thousand) compared to the same period of 2023.

³ Currently, a mortgage loan is usually a long-term loan extended on security of the title to real estate in the Kyrgyz Republic.

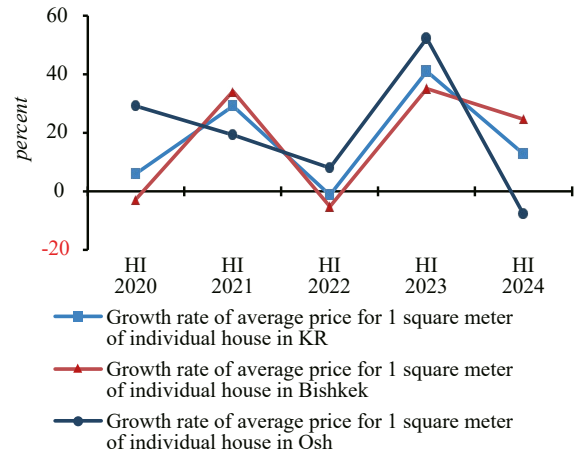
⁴ The year 2010 was taken as the base period.

Chart 1.4.3. Dynamics of Price Changes for Apartments



Source: LRS under MA KR, NBKR calculations

Chart 1.4.4. Dynamics of Price Changes for Individual Houses

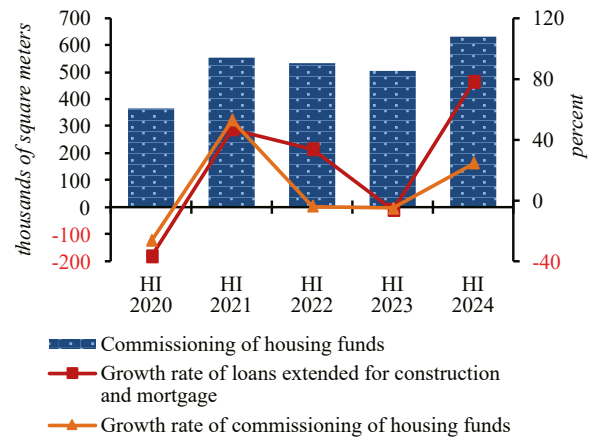


Source: LRS under MA KR, NBKR calculations

In the reporting period, the number of transactions on the real estate purchase and sale decreased by 13.0 percent and amounted to 22,110. The transactions on the apartments purchase and sale decreased by 12.1 percent and the transactions on the houses purchase and sale decreased by 14.2 percent compared to the same period of 2023 and amounted to 12,503 and 9,607 transactions, accordingly.

There was an increase in the level of housing funds commissioning. At the end of the first half of 2024, the aggregate level of housing funds commissioning increased by 24.3 percent compared to the same period of 2023 mainly due to growth in the volume of housing funds commissioning in Chui (72.4 percent), Jalal-Abad (59.8 percent), Talas (37.5 percent), Naryn (24.0 percent) and Issyk-Kul (23.6 percent) regions. Other oblasts demonstrated decrease in the level of housing funds commissioning.

Chart 1.4.5. Dynamics of Housing Commissioning and Loans Extended for Construction and Mortgage⁵



Source: NSC KR, NBKR calculations

⁵ Data for the period.

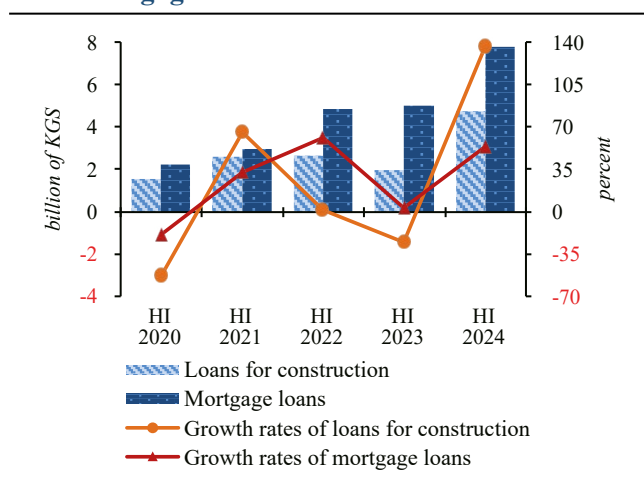
Table 1.4.1. Geographic Structure of Commissioned Housing

	H1 2023		H1 2024	
	Total commissioned area thous. sq.m	Share of total area, %	Total commissioned area thous. sq.m	Share of total area, %
Bishkek city and Chui region	168.8	33.4	220.3	35.0
Osh city and Osh region	111.8	22.1	108.5	17.2
other regions of the KR	225.5	44.6	300.5	47.8
Total	506.1	100.0	629.3	100.0

Source: NSC KR

As of June 30, 2024, there was an increase in the volume of loans issued to finance construction financing and mortgage loans compared to the same period of 2023. In the reporting period, the volume of loans extended for construction increased by 137.2 percent (up to KGS 4.8 billion), and the volume of mortgage loans increased by 54.6 percent (up to KGS 7.8 billion). The aforementioned sectors demonstrated growth in the volume of loans extended in the national and foreign currency.

Chart 1.4.6. Loans Extended for Construction and Mortgage⁶



Source: CBs, NBKR

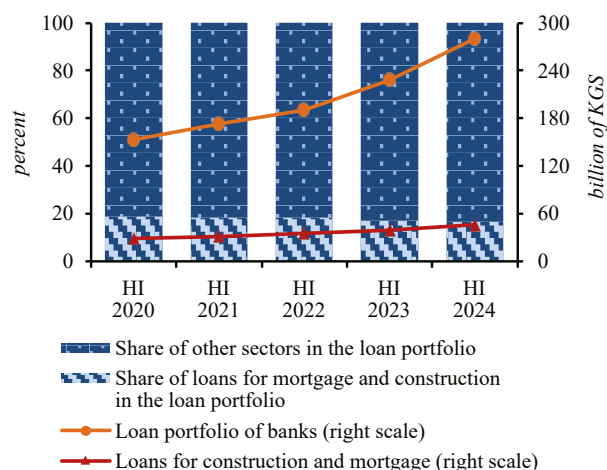
At the end of the first half of 2024, residential houses were generally constructed and commissioned at the expense of the population (98.6 percent of their total commissioning)⁷.

As of June 30, 2024, the share of loans for construction and mortgage amounted to 16.4 percent in the total loan portfolio of the commercial banks, the share of mortgage loans thereof constituted 11.6 percent. The share of loans for construction and mortgage decreased by 0.5 percentage points in the total loan portfolio of the commercial banks compared to the same period of 2023 (Chart 1.4.7).

⁶ Data for the period.

⁷ “Social and economic situation of the Kyrgyz Republic (January – June 2024)”, NSC KR.

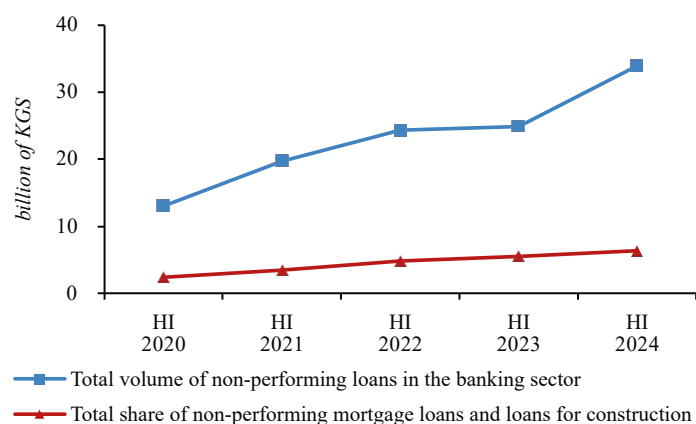
Chart 1.4.7. Total Share of Loans for Mortgage and Construction in the Loan Portfolio of Commercial Banks⁸



Source: CBs, NBKR

The total volume of non-performing loans for mortgage and construction increased by 13.4 percent and amounted to KGS 6,349.8 million. Therefore, in the reporting period, the aggregate share of non-performing loans in the aforementioned sectors decreased by 3.7 percentage points and constituted 18.8 percent of the total volume of non-performing loans in the banking sector. The volume of non-performing loans for mortgage and construction in foreign currency increased by 19.9 percent and amounted to KGS 4,593.9 million mainly due to deterioration in the quality of loans issued for construction.

Chart 1.4.8. Dynamics of Non-performing Loans



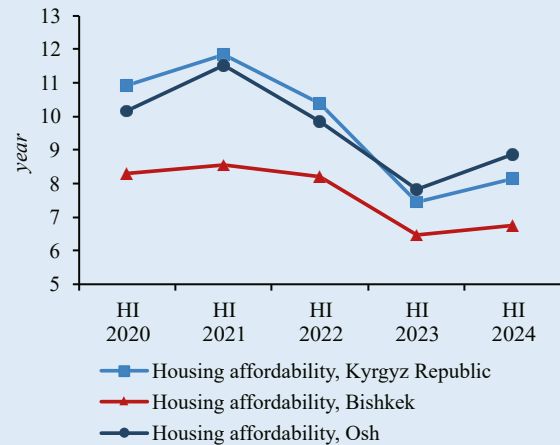
Source: CBs

⁸ Data as of the end of period.

Box 1. Housing Affordability Index

As of June 30, 2024, the housing affordability index in the Kyrgyz Republic decreased from 7.4 to 8.1 years compared to the same period of 2023 due to increase of time (number of years) required for an average family to save money for housing purchase. This is due to the growth rate of the growth rate of real estate prices (23.3 percent) outrunning the average monthly nominal wages (10.3 percent, Chart 1).

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



According to the results of the first half of 2024, to purchase an apartment of 54 square meters in the Kyrgyz Republic, one should save the average monthly nominal wage of the family consisting of three people (KGS 35,298.0), where the income is received by two people, and the minimum consumer budget of KGS 24,433.0 (34.6 percent of total family income), for 8.1 years with other conditions being equal.

Source: NSC KR, LRS under MA KR, NBKR

Box 2. Stress Testing of Impact from Price Changes in the Real Estate Market on the Banking Sector⁹

As at June 30, 2024, the number of loans secured by pledged real estate constituted 21.3 percent of the total volume of loans in the loan portfolio of the banks. The volume of loans secured by real estate (at collateral value) constituted 67.5 percent of the total collateral of the loan portfolio.

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

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

Scenario	Potential losses of the banking sector	Potential losses of systemically important banks	Risk of capital adequacy ratio violation
"Historical" scenario* (decrease in price for real estate by 23% per a year)	---	---	1 bank
"Alternative" scenario (decrease in price for real estate by 40% per 2 years)	---	---	1 bank
"Negative" scenario (decrease in price for real estate by 50% per a year)	---	---	4 banks

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

In addition to the stress test, the threshold level of decrease in prices for real estate, when there is a risk of a decrease in the profits of the banking sector and when the banks potentially suffer losses, was calculated. The banking sector may face the risk of decrease in profits and losses of individual banks if prices for the real estate decrease by 54.2 percent and borrowers refuse to service previously obtained loans secured by real estate, as well as if collateral is put on the banks' books with subsequent sale thereof in the market at decreased prices. At the same time, individual systemically important banks are likely to face a similar risk in case of a decrease in prices for real estate by 58.4 percent. There is a risk of violation of the capital adequacy ratio by the banking sector, as well as by the systemically important banks when prices for real estate are likely to decrease by 74.8 and 76.6 percent, respectively¹⁰.

⁹ Stress test was conducted on the basis of the commercial banks' data provided in the course of the survey as of June 30, 2024.

¹⁰ The banks did not take into account in their calculations possible difference in estimated value of pledged real estate, which may be less than the market value by up to 20 percent. Taking this into account the aforementioned facts, reduction in the threshold level of prices for real estate may reach 20 percent.

II. BANKING SECTOR

Growth of the main indicators of the banking sector: assets, capital, deposit base and loan portfolio was observed at the end of the first half of 2024.

In the reporting period, the level of dollarization of the loan portfolio and the deposit base of the banking sector decreased compared to the first half of 2023.

The banking sector is characterized by a high level of capital adequacy, indicating the availability of the potential to further increase the level of financial intermediation, efficiency and sustainability of the banking sector in the future.

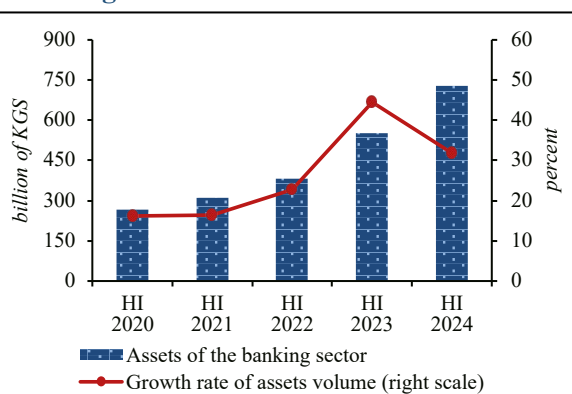
2.1. Major Trends of the Banking Sector Development

As of June 30, 2024¹¹, 21 commercial banks and 305 bank branches worked in the territory of the Kyrgyz Republic, among which there were 11 banks with foreign participation in the capital, including 9 banks with foreign participation in the amount of more than 50 percent. All banking institutions of the country are universal by type of business.

Assets

Generally, at the end of the first half of 2024, there was an increase in the volume of assets in the banking sector of the Kyrgyz Republic. Assets of the banking sector amounted to KGS 727.3 billion, having increased by 31.7 percent compared to the first half of 2023 (Chart 2.1.1).

Chart 2.1.1. Dynamics of Assets in the Banking Sector



Source: NBKR

The growth of assets was mainly provided by increase of:

- liquidity in the form of cash and funds on correspondent accounts by 15.5 percent or KGS 33.0 billion;
- the loan portfolio by 23.1 percent or by KGS 52.7 billion;
- other assets by 201.6 percent or by KGS 82.3 billion.

The share of loan portfolio in the structure of assets constituted 38.6 percent, having decreased by 2.7 percentage points compared to the first half of 2023.

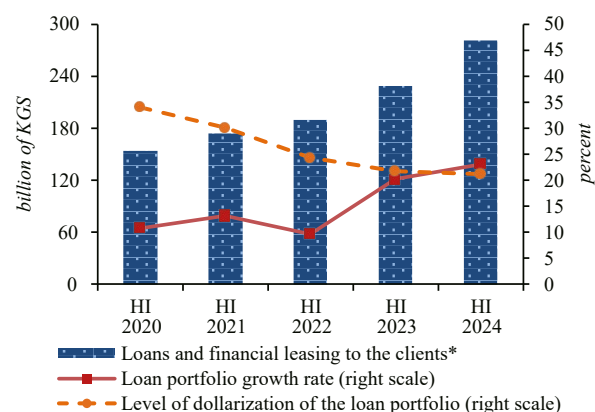
Loan Portfolio

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

At the end of the reporting period, the level of dollarization of the loan portfolio in the banking sector decreased by 0.6 percentage points compared to the first half of 2023 and amounted to 21.1 percent (Chart 2.1.2).

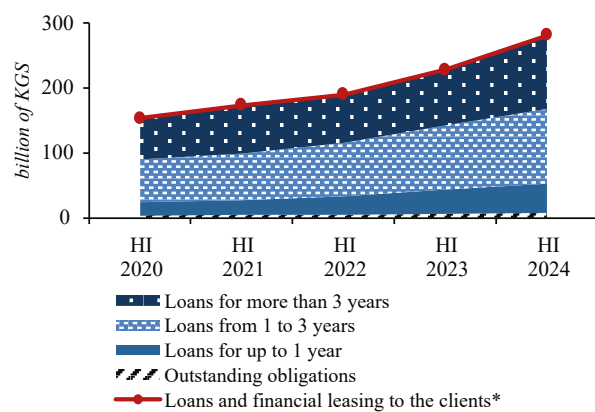
¹¹ The data are submitted according to periodic regulatory reporting of the commercial banks (PRBR).

Chart 2.1.2. Dynamics of Loan Portfolio in the Banking Sector



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

Chart 2.1.3. Structure of Loan Portfolio by Maturity



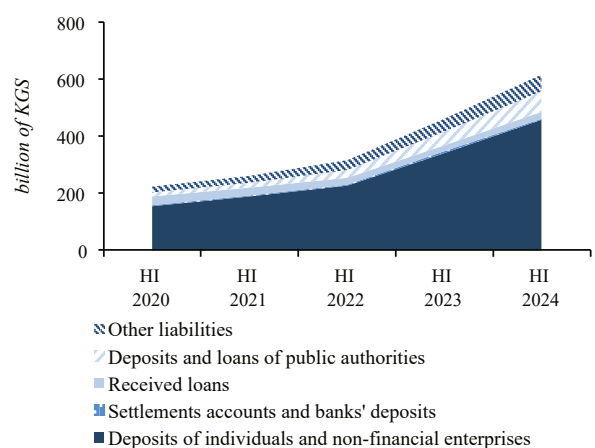
* Exclusive of loans provided by FCO and special loan loss provisions
Source: NBKR

In the maturity structure of loans issued in the first half of 2024, the main shares are accounted for short-term loans – 38.8 percent or KGS 64.6 billion, and medium-term loans – 32.4 percent or KGS 53.9 billion (Chart 2.1.3).

Liabilities

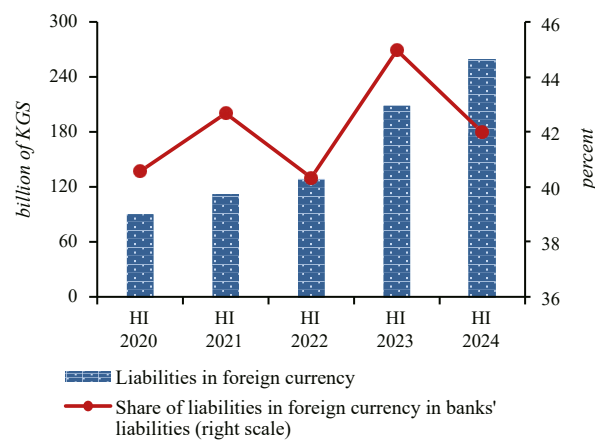
At the end of the first half of 2024, liabilities of the banking sector of the Kyrgyz Republic increased by 33.0 percent compared to the first half of 2023 and amounted to KGS 618.3 billion.

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



Source: NBKR

Chart 2.1.5. Banks' Liabilities in Foreign Currency



Source: NBKR

At the end of the reporting period, deposits of individuals and non-financial enterprises increased by 34.0 percent and amounted to KGS 457.6 billion (Chart 2.1.4). The share of individuals' and non-financial enterprises' deposits in the banks' liabilities increased by 0.6 percentage points and amounted to 74.0 percent.

In the first half of 2024, the share of liabilities in foreign currency in the total volume of attracted funds decreased by 3.0 percentage points and amounted to 42.0 percent (Chart 2.1.5).

Financial Results

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

- return on assets (ROA) constituted 4.3 percent;
- return on equity (ROE) formed at 29.6 percent.

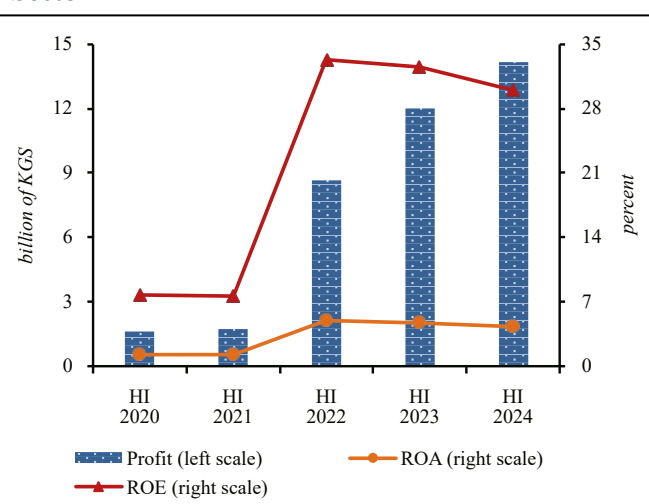
In the first half of 2024, net profit of the banking sector increased by 17.7 percent and amounted to KGS 14.2 billion (Chart 2.1.6).

Capital Adequacy

With statutory minimum capital adequacy at 12.0 percent, at the end of the first half of 2024, this figure decreased by 1.1 percentage points compared to the first half of 2023 and amounted to 22.3 percent (Chart 2.1.7).

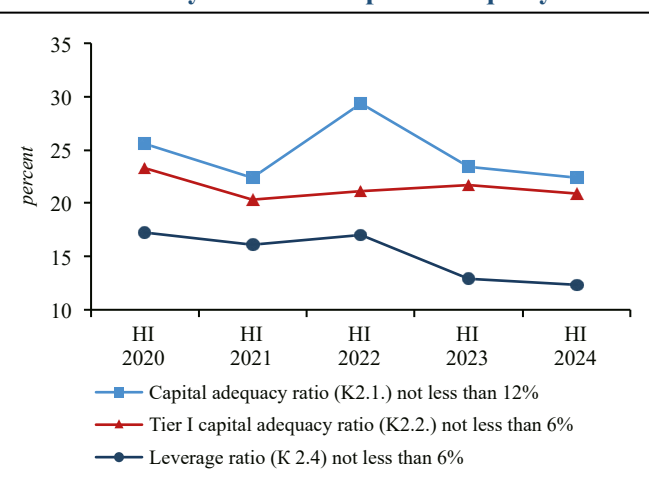
At the same time, the actual level of capital adequacy in the banking sector generally formed according to the results of the first half of 2024, exceeded the established standard (at least 12 percent) by 1.9 times, indicating the relative stability of the banking sector to negative shocks, as well as the presence of certain potential to increase the level of financial intermediation and efficiency of the banking sector activity in the future.

Chart 2.1.6. Profitability Indicators of the Banking Sector



Source: NBKR

Chart 2.1.7. Dynamics of Capital Adequacy Ratios



Source: NBKR

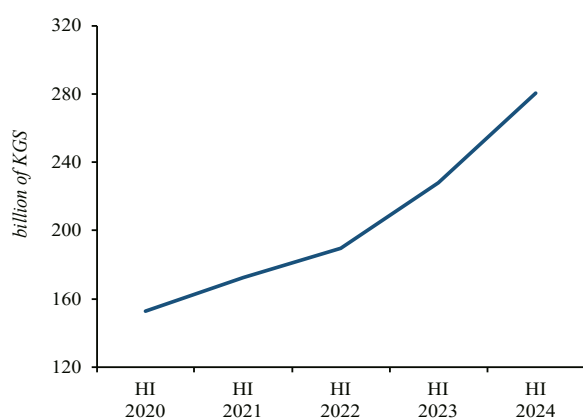
2.2. Banking Sector Risks

2.2.1. Credit Risk

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

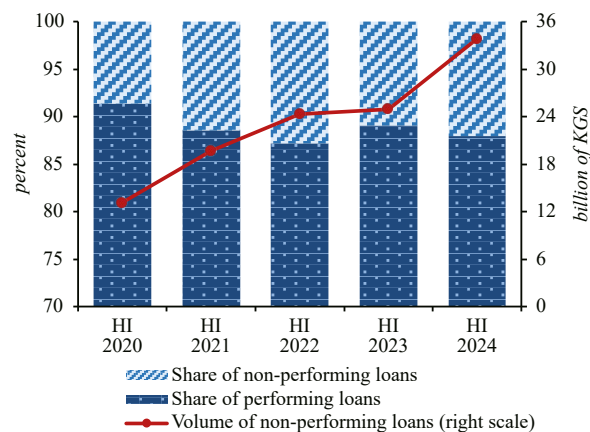
In the first half of 2024, the loan portfolio increased by 23.1 percent and amounted to KGS 281.1 billion (Chart 2.2.1). The share of non-performing loans in the loan portfolio of banks increased from 10.9 percent to 12.1 percent compared to the first half of 2023 (Chart 2.2.2).

Chart 2.2.1. Dynamics of Loan Portfolio¹²



Source: NBKR

Chart 2.2.2. Loan Portfolio Quality



Source: NBKR

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

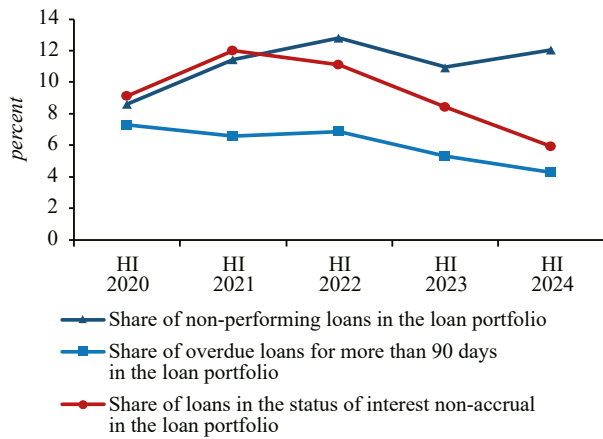
The indicator of the risk of default on assets (the ratio of special loan loss provisions (LLP) and loan portfolio) decreased by 1.3 percentage points compared to the first half of 2023 and constituted 6.2 percent.

Aggregate reserves created by the commercial banks constituted 7.8 percent of the total loan portfolio.

Meanwhile, the share of special loan loss provisions in the first half of 2024 constituted 79.1 percent of the total reserves (Chart 2.2.4).

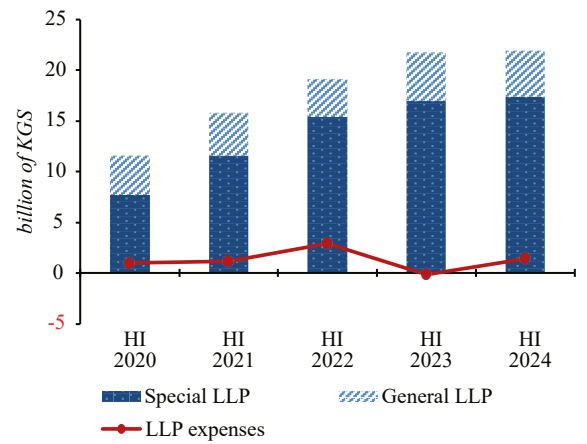
¹² Loan portfolio excluding discount.

Chart 2.2.3. Indicators of the Loan Portfolio Quality



Source: NBKR

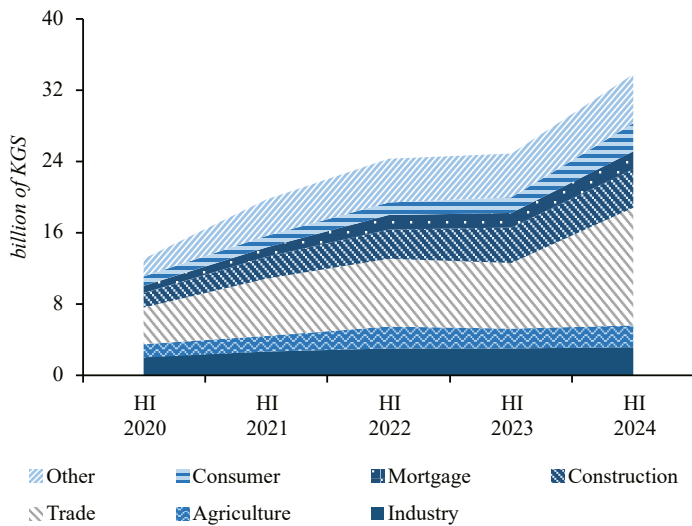
Chart 2.2.4. Total and Special Reserves



Source: NBKR

As of June 30, 2024, the highest concentration of credit risks was still observed in the trade sector of economy (Chart 2.2.5).

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

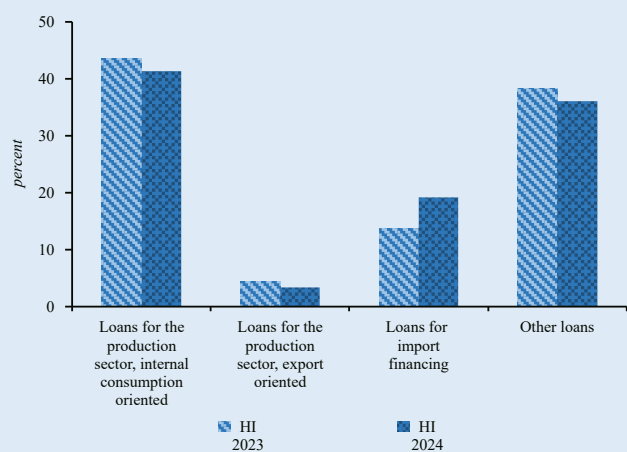


Source: NBKR

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

According to the conducted survey of commercial banks, at the end of the reporting period, a significant part of extended loans (41.4 percent of total borrowers' loans) was still concentrated in the production sector of the economy¹³, thereby reflecting the impact of lending on the country's GDP, meanwhile, 19.2 percent of issued loans were forwarded for financing of imports (Chart 1).

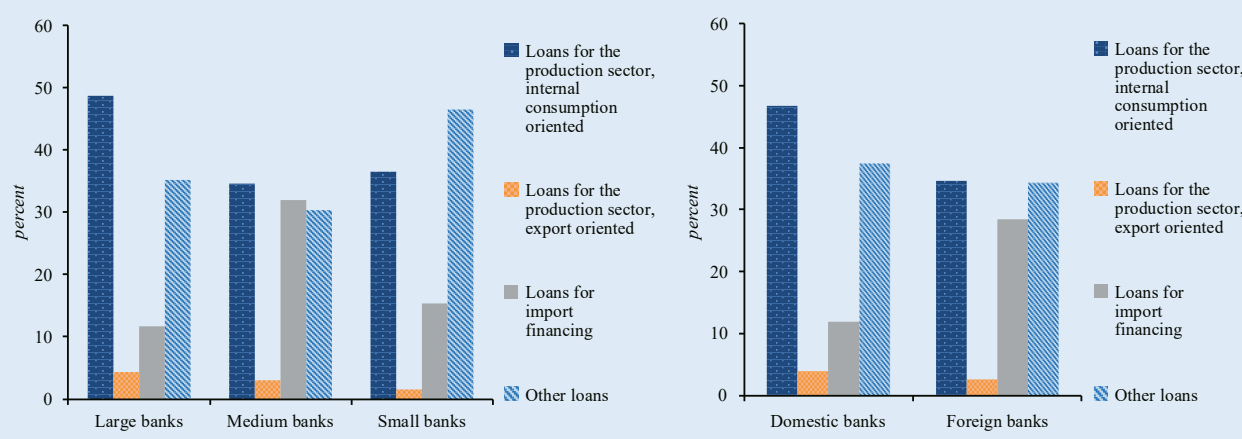
Chart 1. Sectoral Structure of Loans as of June 30, 2024



Source: CBs

Domestic banks forwarded 46.8 percent of the loan portfolio to the production sector (GDP) and 11.8 percent – to finance imports. Generally, foreign banks also provided loans to the production sector of economy (34.6 percent). In the first half of 2024, the share of loans forwarded to finance imports constituted 28.5 percent of the loan portfolio (Chart 2).

Chart 2. Sectoral Structure of Loans by the Groups of Banks as of June 30, 2024



Source: CBs

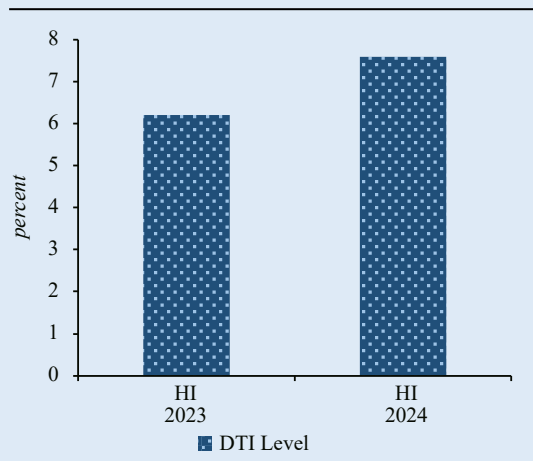
¹³ The production sector means the activity of the bank clients connected with the production of goods and services (construction, communication and automobile repair shop services, transport services, real estate leasing, hotels, restaurants, etc.).

Box 4. Results of the Commercial Banks' Statistical Observation: Largest Clients

Borrowers solvency

At the end of the first half of 2024, the level of debt burden of 15 banks' largest clients calculated through DTI index¹⁴ increased by 1.4 percentage points compared to 2023 and constituted 7.6 percent (Chart 1).

Chart 1. DTI Level on 15 Banks' Largest Borrowers



By the group of banks, the largest debt burden was observed in the major borrowers of the **systemically important banks** (10.2 percent of the borrowers' basic income) (Table 1). At the same time, the lowest level of debt burden was observed in the major borrowers of the **important banks** and constituted 3.0 percent.

Source: CBs, NBKR

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

	Banking sector	Systemically important banks	Important banks	Limitedly important banks
Loan balance, <i>billions of KGS</i>	57.0	37.7	12.1	7.2
Share of loans in 15 largest borrowers in the total volume of loan portfolio in the banking sector, <i>in %</i>	19.8	23.6	12.3	24.0
Ratio of expenses for loan debt servicing to the borrowers' total income, <i>in %</i>	7.6	10.2	3.0	3.2

Source: CBs, NBKR

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

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

	Domestic banks	Foreign banks
Loan balance, <i>billions of KGS</i>	21.5	35.5
Share of loans in 15 largest borrowers in the total volume of loan portfolio in the banking sector, <i>in %</i>	13.4	27.8
Ratio of expenses for loan debt servicing to the borrowers' total income, <i>in %</i>	12.6	3.5

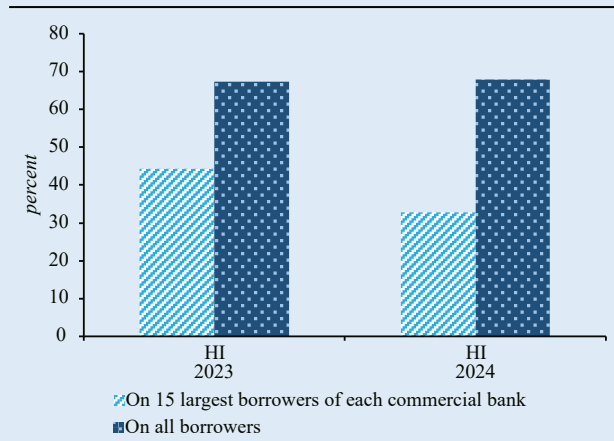
Source: CBs, NBKR

¹⁴ DTI (debt-to-income) is the ratio of the amount of the borrowers' payments on loans (including the amount of the principal and interest payments for the reporting period) to the main annual income of the borrower declared at the time of issuing a loan.

Security of the borrowers' loans

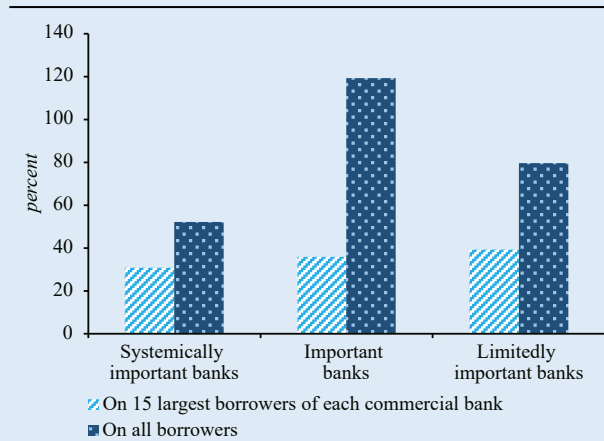
At the end of the first half of 2024, the LTV¹⁵ actual level in the banking sector amounted to 67.9 percent. The existing level of collateral indicates a relatively high level of the loans secured by the pledged property (Chart 2). At the same time, the LTV value of systemically important banks is lower than that of important and limitedly important banks and the banking sector as a whole (Chart 3).

Chart 2. LTV Level on All Borrowers and on 15 Largest Borrowers of Each Commercial Bank as of June 30, 2024



Source: CBs, NBKR

Chart 3. LTV Level on All Borrowers and on 15 Largest Borrowers by the Banks' Groups as of June 30, 2024



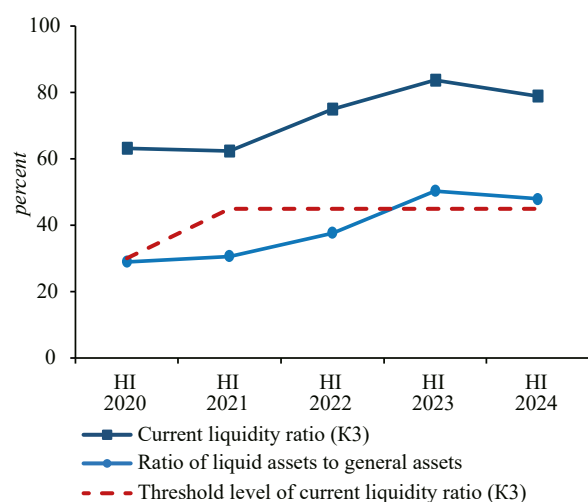
Source: CBs, NBKR

¹⁵ LTV (loan-to-value ratio) is the ratio of issued loans to the value of collateral.

2.2.2. Liquidity Risk

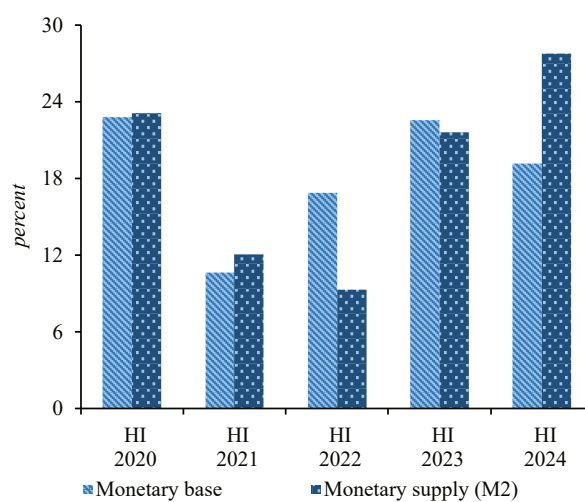
At the end of the first half of 2024, current liquidity ratio decreased from 83.7 (at the end of the first half of 2023) down to 78.8 percent (Chart 2.2.6). Growth of money supply indicator (M2) was due to increase of monetary funds in the national currency and demand deposits in the economy (Chart 2.2.7).

Chart 2.2.6. Liquidity Indicators in the Banking Sector



Source: NBKR

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



Source: NBKR

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

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

Table 2.2.1. Maturity of Financial Assets and Liabilities as of June 30, 2024, millions of KGS

Name	Maturity					Total
	up to 1 month	1-3 months	3-6 months	6-12 months	more than 12 months	
Total financial assets	393 924	28 376	28 914	54 301	247 122	752 637
including loans and financial leasing to the clients	17 501	15 907	23 130	41 793	182 037	280 368
Total financial liabilities	434 797	20 012	29 176	49 960	79 752	613 697
including deposits of individuals and time deposits of legal entities	146 237	13 641	19 584	37 943	43 579	260 984
Gap	-40 873	8 364	-262	4 342	167 369	138 940
Including on loans and deposits	-128 736	2 266	3 546	3 850	138 457	19 384

2.2.3. Concentration Risk

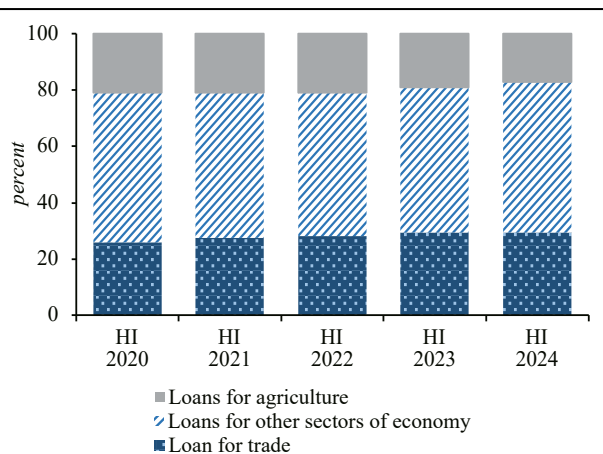
Concentration of the Largest Sources of Financing

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

Loan Concentration

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

Chart 2.2.8. Sectoral Concentration of the Loan Portfolio



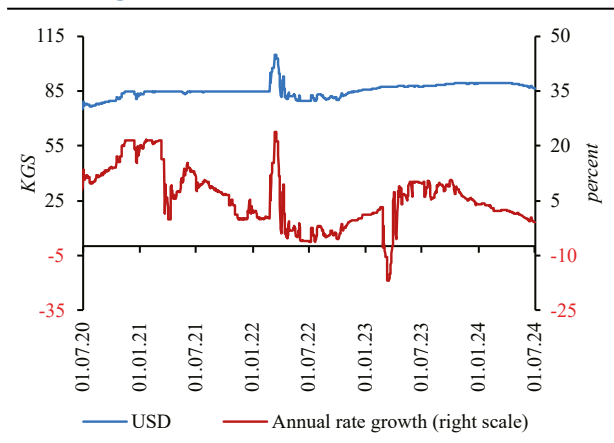
The level of trade and agricultural loans concentration remained unchanged in the sectoral structure of the loan portfolio amid an increase in the overall level of lending. At the end of the first half of 2024, the share of loans for trade remained unchanged, the share of loans for agriculture, on the contrary, decreased by 2.1 percentage points (Chart 2.2.8).

Source: CBs, NBKR

2.2.4. Currency Risk

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

Chart 2.2.9. Dynamics of USD/KGS Nominal Exchange Rate



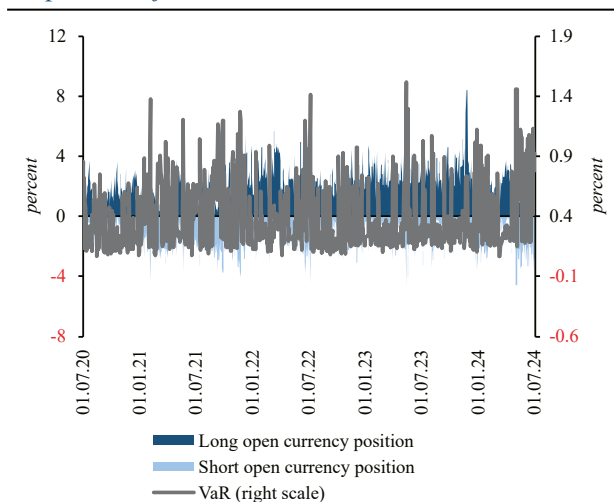
Source: NBKR

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

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

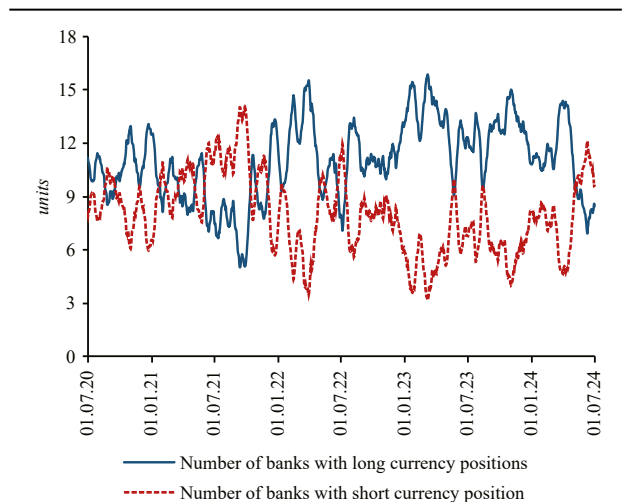
In the reporting period, 12 banks had a long currency position in U.S. dollars, and 7 banks adhered to a short currency position (Chart 2.2.11).

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



Source: NBKR

Chart 2.2.11. Currency Position of the Banks



Source: NBKR

Box 5. Credit and Currency Risks

As of June 30, 2024, 12.2 percent of the total loan portfolio was accounted for the loans, which were repaid in foreign currency, while the incomes of the borrowers were generated in the national currency (Chart 1). This volume of the loan portfolio was potentially exposed to credit and currency risks.

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

- Group 1 – 50.5 percent, basic incomes of the borrower are generated in the national currency, and the loans are repaid in foreign currency;
- Group 2 – 6.7 percent, basic incomes and loans payable by the borrower are generated in the same currency;
- Group 3 – 12.5 percent, basic incomes of the borrower are generated in foreign currency, and the loans are repaid in the national currency.

Chart 1. Loan Portfolio by Groups of Loans¹⁶

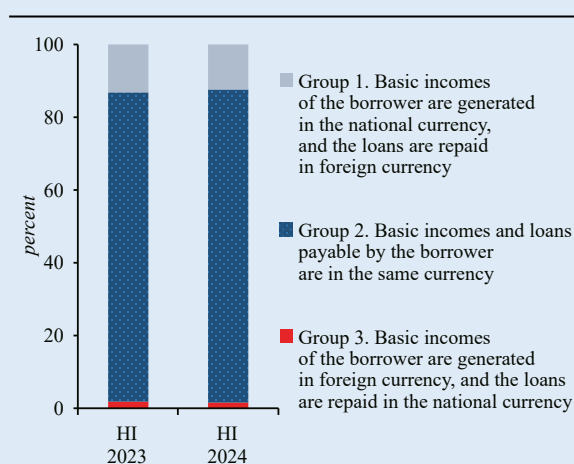
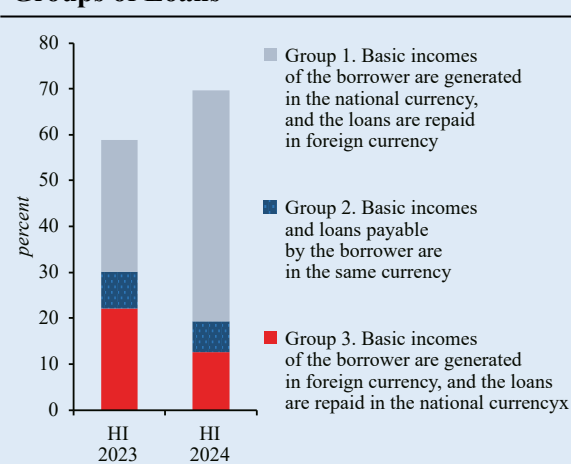


Chart 2. Share of Non-performing Loans by Groups of Loans¹⁷



Source: CBs, the volume of loan portfolio is specified exclusive of overdraft loans.

¹⁶ Breaking of loans into groups is presented in this chart. For example, the volume of loans for Group 1 as of June 30, 2024 amounted to KGS 33.5 billion or 12.2 percent of the total loan portfolio.

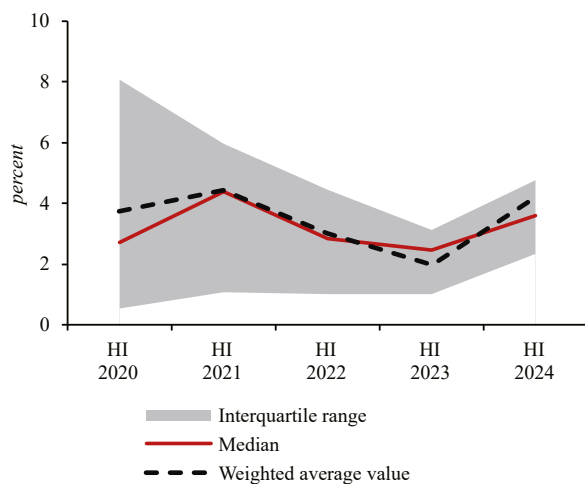
¹⁷ This chart shows the shares of non-performing loans in the loan portfolio by each group of loans. For example, the volume of non-performing loans for Group 1 as of June 30, 2024 amounted to KGS 16.9 billion or 50.5 percent of the total loan portfolio for Group 1 (KGS 33.5 billion).

2.2.5. Interest Rate Risk

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

Average value of interest rate risk for the period of 2010 – the first half of 2023 was within accessible limits (1.9 – 4.4 percent of net total capital) (Chart 2.2.12).

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

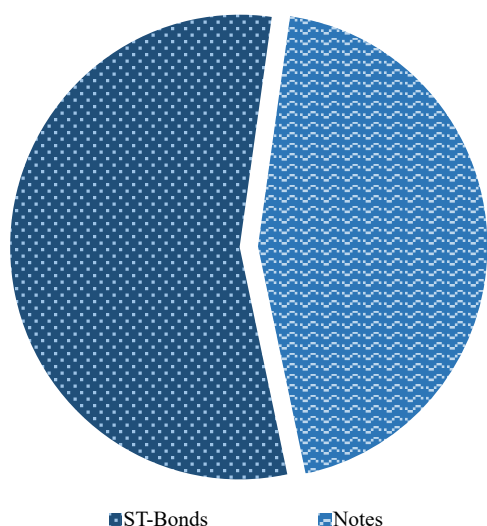


Source: NBKR

2.2.6. “Contagion” Risk

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

Chart 2.2.13. Distribution of Interbank Loan Transactions Made during the First Half of 2024 between Resident Banks, Depending on Collateral



Source: NBKR

At the end of the first half of 2024, the volume of interbank loan transactions amounted to KGS 7.7 billion¹⁸.

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

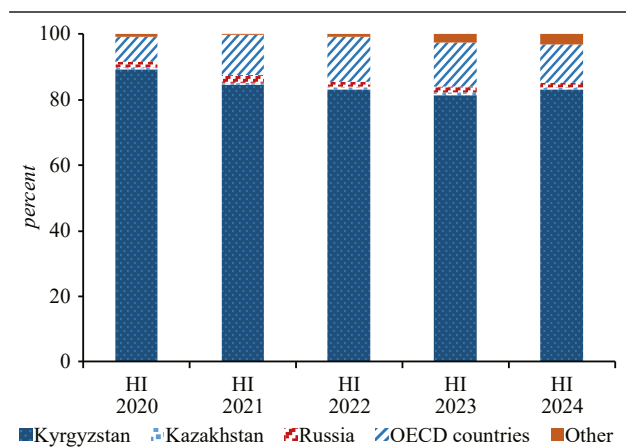
In general, the probability of the “contagion” risk materialization in the interbank credit market of the country is minimal, which is caused by highly liquid collateral.

¹⁸ The total volume of transactions made between the resident banks during the first half of 2024 is meant here.

2.2.7. Country Risk

As of June 30, 2024, according to the commercial banks, the aggregate volume of placed assets of non-residents constituted KGS 129.6 billion or 17.0 percent of the total banking sector assets. The greatest concentration of placements was observed in the Organization for Economic Cooperation and Development (OECD) countries – 11.7 percent (KGS 89.5 billion) of the total assets of the banking sector of the Kyrgyz Republic.

Chart 2.2.14. Geographic Structure of Assets



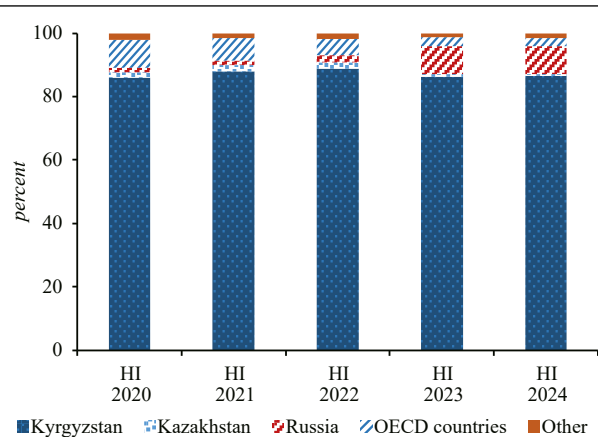
Source: NBKR

The main share of assets placed abroad is focused on correspondent and deposit accounts and constituted KGS 106.5 billion or 82.2 percent of the total placed assets of non-residents (Chart 2.2.14).

At the end of the first half of 2024, banks' liabilities to non-residents of the Kyrgyz Republic totaled KGS 83.6 billion or 13.6 percent of the total liabilities of the banking sector. Significant volume of these resources was drawn from non-resident individuals and legal entities, as well as from non-resident banks in the form of deposits, which amounted to KGS 73.8 billion or 88.3 percent of the total liabilities to non-residents.

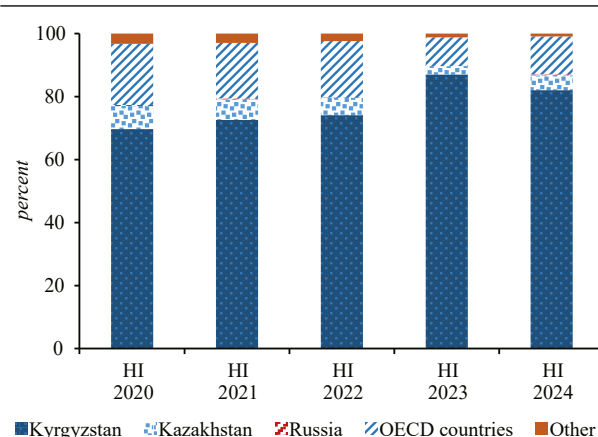
2.4 percent of the liabilities to non-residents were accounted for the OECD countries, 0.7 and 8.8 percent – for Kazakhstan and Russia, accordingly (Chart 2.2.15).

Chart 2.2.15. Geographic Structure of Liabilities



Source: NBKR

Chart 2.2.16. Authorized Capital by Countries



Source: NBKR

According to the results of the first half of 2024, foreign capital amounted to KGS 12.2 billion or 17.9 percent of the total authorized capital of the banking sector. The structure of foreign capital by countries is distributed among (Chart 2.2.16):

- residents of the OECD countries – 12.1 percent,
- residents of Kazakhstan – 4.8 percent,
- residents of other countries – 0.1 percent.

2.3. “Reverse” Stress Testing of the Banking Sector

2.3.1. “Reverse” Stress Testing of Credit Risk¹⁹

Maximum allowable share of “performing” loans²⁰ in the loan portfolio, which upon categorized as “non-performing” loans can reduce the CAR (capital adequacy ratio) down to the threshold level of 12 percent, is calculated by means of the “reverse” stress testing of the credit risk.

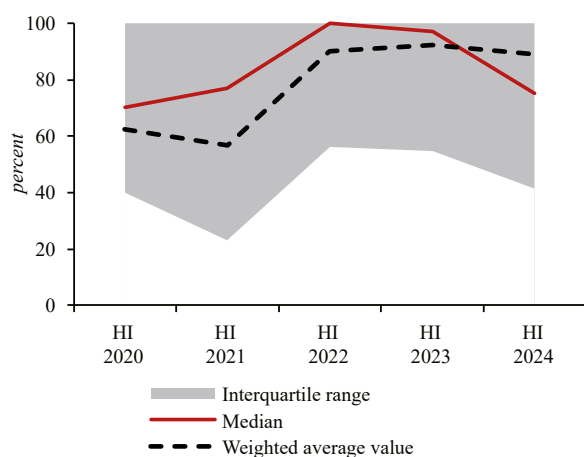
This method allows detecting a buffer stock of capital (net total capital) of banks, which can cover the additional allocations to LLP in connection with the transformation of “performing” loans into the category of “non-performing” loans²¹.

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

Based on the results of the “reverse” stress testing of the banking sector as of June 30, 2024, the maximum allowable share of “performing” loans, transferring to the category of “non-performing” in the banking sector, amounted to approximately 89.1 percent (Chart 2.3.1).

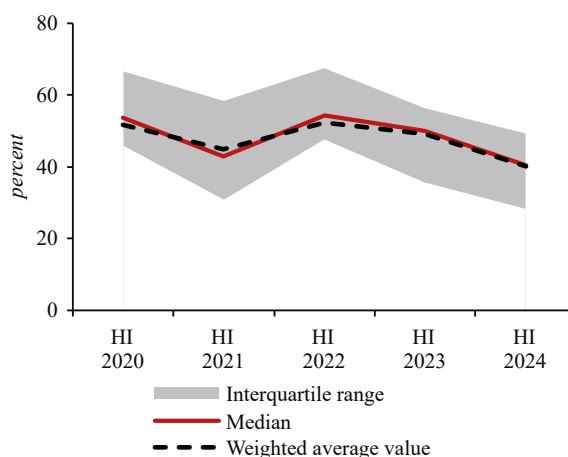
Thus, the banking sector can sustain a significant deterioration in the quality of the loan portfolio, which may require the creation of additional LLP. The volume of additional LLP can reach 40.0 percent of the net total capital (Chart 2.3.2).

Chart 2.3.1. Maximum Possible Share of “Performing”²² Loans that May Become “Non-performing” Loans²³, percent of performing loans



Source: NBKR

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



Source: NBKR

¹⁹ Exclusive of troubled banks.

²⁰ Exclusive of “normal” loan category, which are risk free.

²¹ Herewith, transition of “performing” loans to the category of “non-performing” loans is fulfilled smoothly by three categories (“substandard”, “doubtful” and “losses”).

²² Exclusive of “normal” loan category, which are risk free.

²³ When CAR decreases to the threshold level of 12 percent.

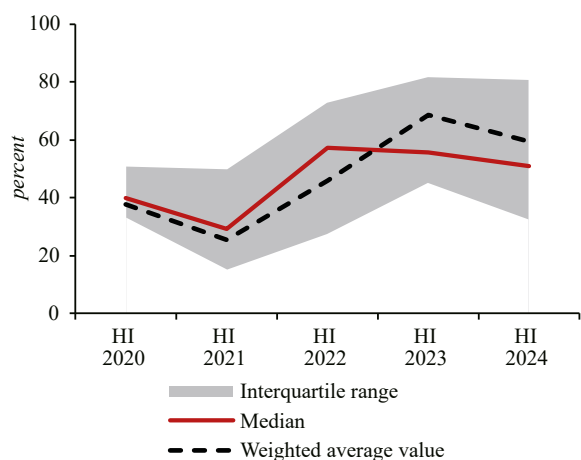
2.3.2. “Reverse” Stress Testing of Liquidity Risk

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

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

The results of the “reverse” stress testing show (Chart 2.3.3), that as at June 30, 2024, the actual amount of liquid assets of the banking sector was able to cover the deposits outflow of an average of 59.4 percent of the clients’ total deposit base (Table 2.3.1).

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



Source: NBKR

2.3.3. “Reverse” Stress Testing of Market Risk

The results of the “reverse” stress testing of the market risk indicate that the banking sector as of June 30, 2024 has little sensitivity to the interest rate and currency risks.

Interest Rate Risk

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

The results of the “reverse” stress testing indicate little sensitivity of the banking sector to the direct interest rate risk. Decrease of the average interest rates on loans by 19.0 percentage points can reduce the level of capital adequacy ratio to 12 percent (Table 2.3.1).

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

Currency Risk (Revaluation Risk)

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

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

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

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

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

Table 2.3.1. General Results of the “Reverse” Stress Tests as of June 30, 2024

		Banking sector
Credit risk		
Scenario 1	Share of performing loans transferring to the category of "non-performing" loans, <i>in percent</i>	89.1
Interest rate risk		
Scenario 1	Decrease of weighted average interest rate on loans, when CAR declines to 12%, <i>in percentage points</i>	19.0
Currency risk		
Scenario 1	Growth rate of USD/KGS (\pm) exchange rate, when CAR decreases to 12%, <i>in percent</i>	change of currency rate by 100 % (KGS/USD)
Scenario 2	Growth rate of USD/ KGS (\pm) exchange rate, when net profit decreases to zero level, <i>in percent</i>	
Liquidity risk		
Scenario 1	Outflow of clients' deposit and received loans of the total deposits and loans, when current liquidity ratio declines to 45%, <i>in percent</i>	59.4

III. NON-BANKING FINANCIAL-CREDIT ORGANIZATIONS

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

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

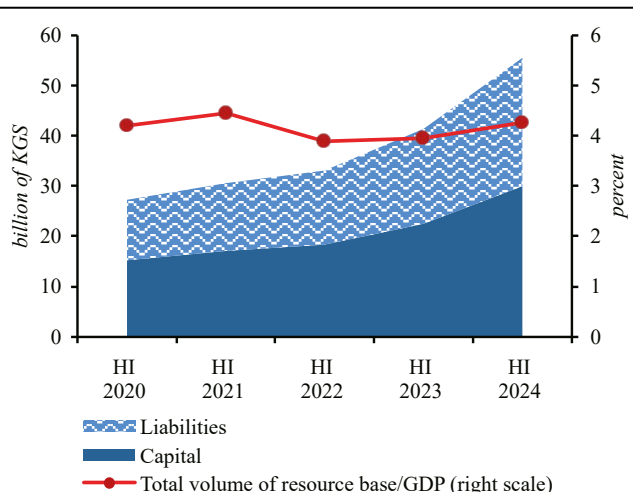
Weighted average interest rates on loans of the microfinance organizations increased compared to the same period of 2023.

3.1. Main Trends

The system of non-banking financial-credit organizations subject to licensing and regulation by the National Bank as of June 30, 2024 in the Kyrgyz Republic included: the specialized financial-credit organization “FCCU” OJSC, 79 credit unions, 113 microfinance organizations (including 10 microfinance companies, 68 microcredit companies and 35 microcredit agencies), and 667 exchange bureaus.

Resources

Chart 3.1.1. Dynamics of NBFCOs Liabilities and Capital



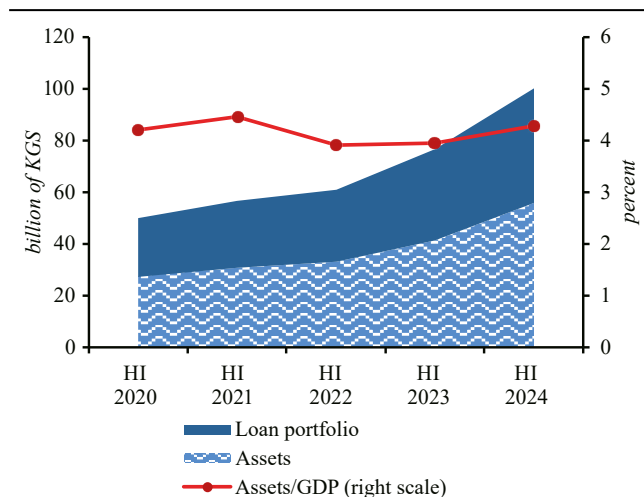
At the end of the first half of 2024, NBFCOs’ liabilities increased by 36.2 percent compared to the first half of 2023 and were formed in the amount of KGS 25.7 billion. As of June 30, 2024, NBFCOs’ capital increased by 33.0 percent and totaled KGS 29.9 billion (Chart 3.1.1).

Source: NBKR

Assets

According to the periodic regulatory reporting data, the total assets of NBFCOs in the first half of 2024 increased by 34.5 percent and amounted to KGS 55.6 billion²⁴. This increase was due to growth in the loan portfolio of NBFCOs (Chart 3.1.2).

Chart 3.1.2. Dynamics of NBFCOs Assets and Loans



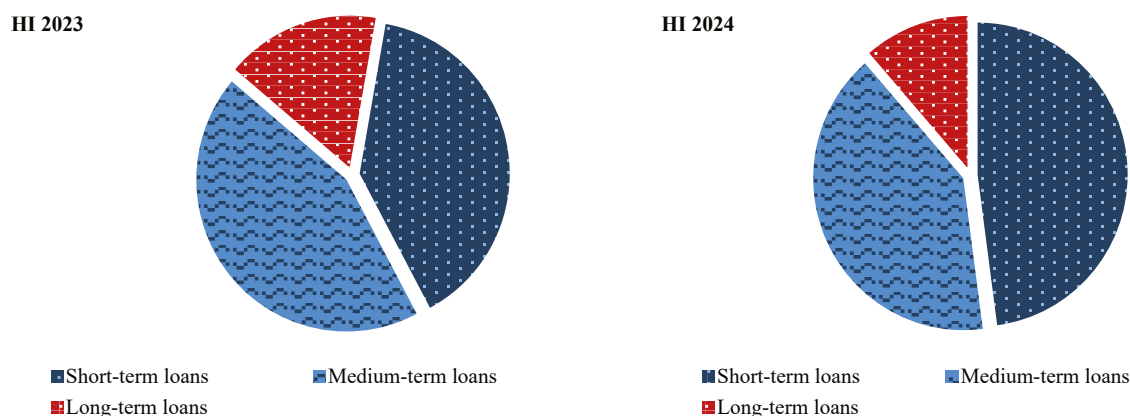
Source: NBKR, NBFCOs

Lending remains the main activity of NBFCOs. As of June 30, 2024, the loan portfolio of NBFCOs increased by 27.2 percent and formed in the amount of KGS 44.4 billion.

As at June 30, 2024, the number of borrowers increased by 11.9 percent compared to the same period of 2023 and amounted to 531,780 borrowers.

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

Chart 3.1.3. Structure of the NBFCOs Loan Portfolio by Maturity, in percent²⁵



Source: NBKR, NBFCOs

The main regions where the major share of NBFCOs loan portfolio is concentrated (76.4 percent of the total loan portfolio) are Bishkek city, Chui, Osh and Jalal-Abad regions, which is due to the highest level of business activity in these regions of the republic.

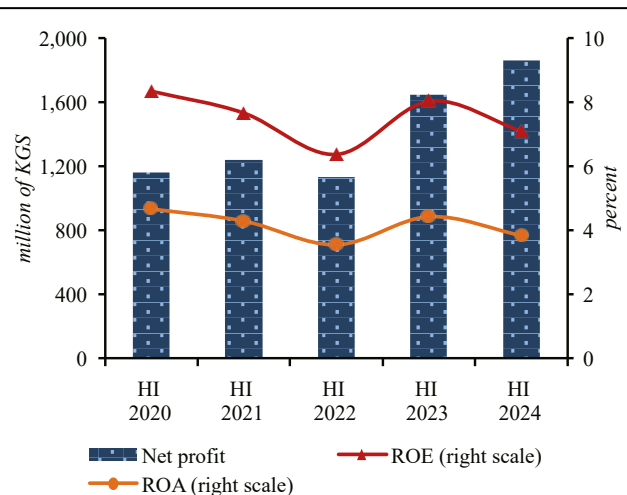
²⁴ Exclusive of SFCOs.

²⁵ Data for the period.

Revenue Position²⁶

According to the results of the first half of 2024, net profit of NBFCOs increased by 13.2 percent compared to the same period of 2023 and amounted to KGS 1.9 billion. At the end of June 2024, ROA decreased by 0.6 percentage points and amounted to 3.8 percent. ROE decreased by 0.9 percentage points and constituted 7.1 percent (Chart 3.1.4).

Chart 3.1.4. Dynamics of NBFCOs Revenue Position²⁷



Source: NBKR, NBFCOs

²⁶ ROA and ROE indices are provided in annual term.

²⁷ Exclusive of SFCOs.

3.2. Risks of Non-banking Financial-Credit Organizations

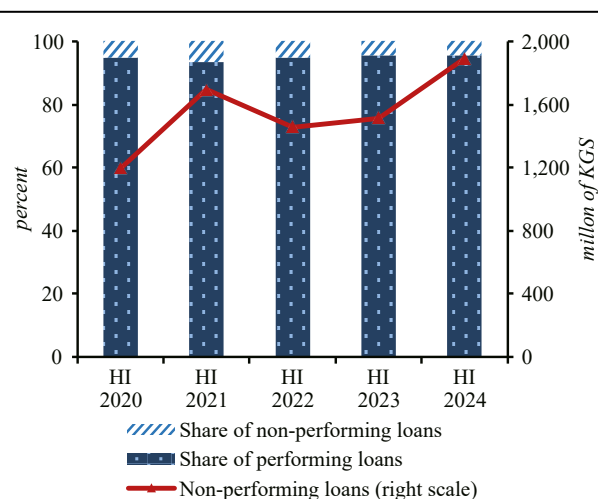
Major risk factors of the activities of NBFCOs are the quality of the loan portfolio, sectoral and institutional concentration, as well as status of the NBFCOs external debt.

Quality of the NBFCOs Loan Portfolio

As of June 30, 2024, the share of non-performing loans in the loan portfolio of NBFCOs constituted 4.3 percent, their nominal volume increased by KGS 380.9 million, or 25.2 percent compared to the same period of 2023 (Chart 3.2.1).

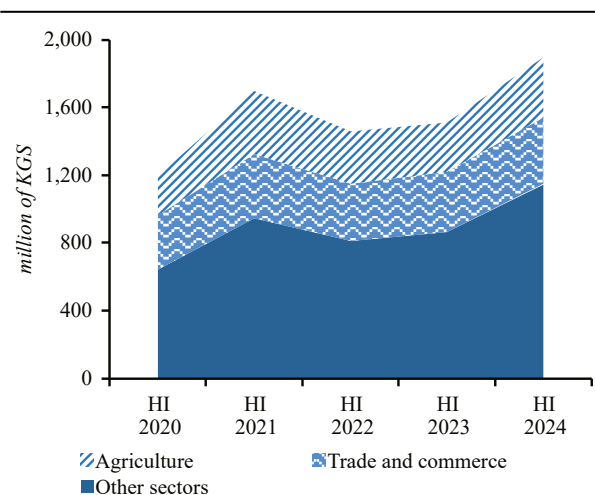
At the end of the first half of 2024, the structure of NBFCOs non-performing loans demonstrated a decrease in the share of defaulting loans issued for trade (by 2.7 percentage points), and loans issued for agriculture (by 0.6 percentage points), however, there was an increase in the share of consumer loans (by 3.6 percentage points) compared to the same period of 2023. The shares of defaulting consumer loans, loans issued for trade and agriculture in the total non-performing loans of NBFCOs constituted 40.2, 20.8 percent, and 18.7 percent, accordingly (Chart 3.2.2).

Chart 3.2.1. Quality of NBFCOs Loan Portfolio



Source: NBKR

Chart 3.2.2. Structure of NBFCOs Nonperforming Loans by Sectors of Economy



Source: NBKR

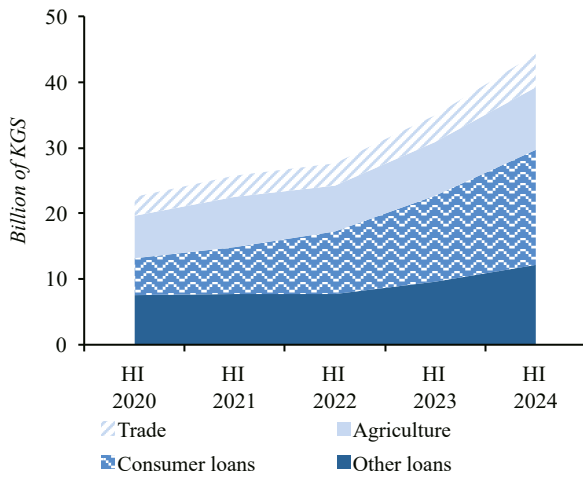
Sectoral Concentration

NBFCOs loan portfolio is concentrated in consumer loans (39.5 percent of NBFCOs total loans), as well as in the loans issued to agriculture and trade (21.8 and 11.5 percent of NBFCOs total loans, accordingly, Chart 3.2.3). Lending of agriculture is associated with significant dependence on climatic conditions.

Institutional Concentration

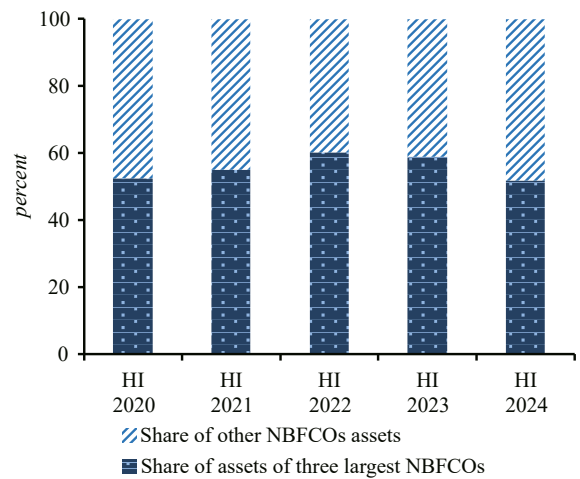
According to the results of the first half of 2024, the share of assets of three largest NBFCOs decreased by 7.0 percentage points compared to the same period of 2023 and constituted 51.8 percent of the total assets of the NBFCOs system (Chart 3.2.4).

Chart 3.2.3. Sectoral Structure of NBFCOs Loan Portfolio



Source: NBKR, NBFCOs

Chart 3.2.4. Institutional Structure of NBFCOs Assets



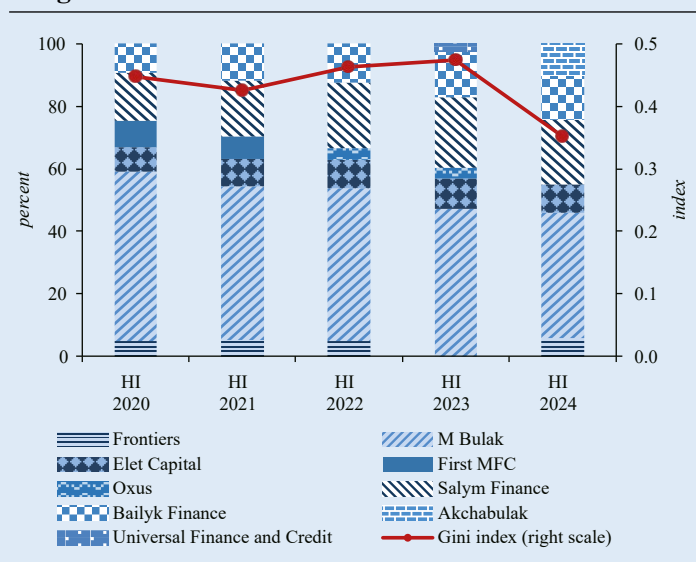
Source: NBKR, NBFCOs

Box 6. Concentration Indices based Assessment of NBFCOs Sector Activity²⁸

The Herfindahl-Hirschman Index

Herfindahl-Hirschman²⁹ index was calculated for the purposes of concentration risk analysis in the NBFCOs sector. As of June 30, 2024, Herfindahl-Hirschman index for the NBFCOs sector constituted 1,174.0 points. According to the rule of thumb³⁰, resulting value indicates availability of moderate concentration of NBFCOs assets or moderate concentration of microfinance market.

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



Source: NBKR, NBFCOs

The Gini Index

The Gini index was calculated for estimating the uniformity of the NBFCOs assets distribution. As of June 30, 2024, the index value constituted 0.35 points. The Gini index value decreased by 0.12 points compared to the same period of 2023, which indicates a decrease in the level of concentration of asset distribution among 6 large NBFCOs (Chart 1).

²⁸ Concentration indices are calculated on the basis of data submitted by 6 largest NBFCOs.

²⁹ $H = \sum_{i=1}^n (share_i)^2$.

³⁰ The following rule of thumb was used for determining the level of market concentration:

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

External Debt Status of NBFCOs

As of June 30, 2024, the external debt of NBFCOs amounted to USD 304.8 million. Major part of the external debt of NBFCOs are loans provided by the international financial institutions (67.9 percent of total external debt of NBFCOs), the rest (32.1 percent) are loans of the foreign financial-credit organizations.

At the end of the first half of 2024, external debt of the largest NBFCOs increased by 187.8 percent compared to the same period of 2023 and amounted to USD 298.8 million.

3.3. Stress Testing of NBFCOs Sector

Stress Testing of the NBFCOs Credit Risk

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

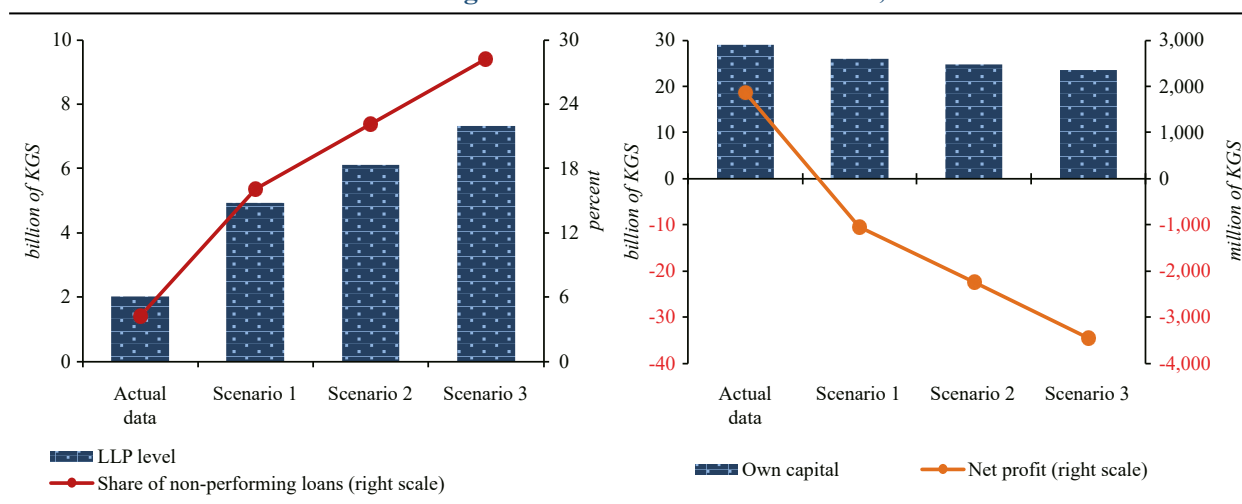
Three scenarios were considered when conducting stress testing:

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

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

The level of loan loss provisions³¹ in the loan portfolio of NBFCOs increased from 144.3 to 263.5 percent, depending on the scenario in conducting this stress testing (Chart 3.3.1).

Chart 3.3.1. Results of Stress Testing of the Credit Risk as of June 30, 2024



Source: NBKR

It should be noted that deterioration in the loan portfolio quality entails a gradual decline in equity and net profit of NBFCOs. In case one of three scenarios implementation, the NBFCOs sector will experience losses in the amount of KGS 1,043.2 million, 2,243.4 million and 3,443.5 million, accordingly (Chart 3.3.1).

³¹ MFOs create general and special loan loss provisions for relevant categories of classifications implementing the following allocations indicated in percentage from the amount of assets:

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

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

	Share of non-performing loans in the loan portfolio of NBFCOs
Scenario 1: transition of 50% of loans from one category to another	16.1
Scenario 2: transition of 75% of loans from one category to another	22.1
Scenario 3: transition of 100% of loans from one category to another	28.2

Source: NBKR

Implementation of the first scenario may result in an increase in the share of non-performing loans in the loan portfolio of NBFCOs by 11.8 percentage points, to the level of 16.1 percent. In the case of the second scenario, non-performing loans may increase by 17.9 percentage points, to the level of 22.1 percent, and in the implementation of the third scenario – by 23.9 percentage points and may reach the level of 28.2 percent.

IV. PAYMENT SYSTEMS

During the reporting period, the level of risks in the systemically important payment systems was within the accessible limits and was conditioned by the risk management mechanisms provided for by the legislation of the Kyrgyz Republic and the rules of payment systems, in particular, by the current high level of liquidity. There was an increased risk in the retail payment systems, primarily due to the geopolitical situation worldwide and restrictions imposed by other countries, as well as occasional failures in the systems.

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

As of July 1, 2023, the payment system of the Kyrgyz Republic included the following components:

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

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

3) Payment Messages Receiving and Processing Infrastructure – SWIFT Service Bureau, Interbank Communication Network.

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

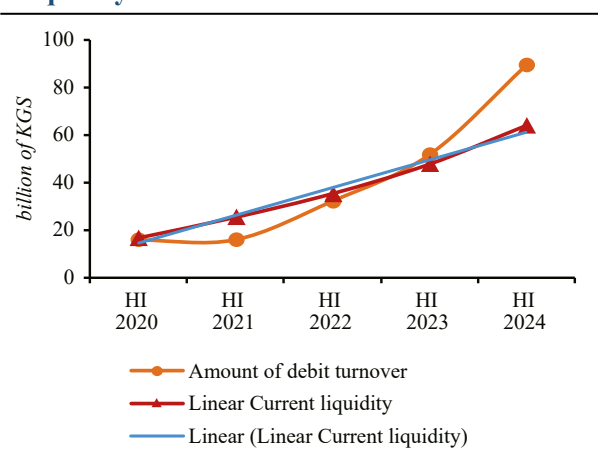
1) systemically important payment systems – the RTGS and SBC systems;

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

The RTGS functioned normally during the first half of 2024. The level of financial risks in the RTGS remained low due to high level of liquid funds on the participants' accounts: average daily volume of liquid assets of participants showed an increase by 34.2 percent compare to the first half of 2023 and amounted to KGS 64.0 billion.

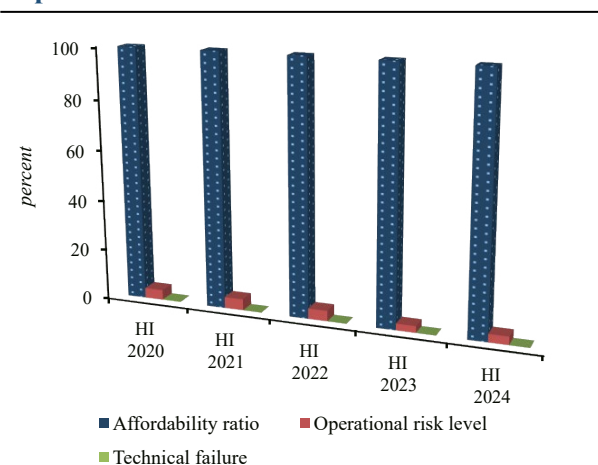
During the first half of 2024, the RTGS affordability ratio remained high and constituted 100.0 percent; meanwhile, the level of operational risk, taking into account prolongation of the transaction day, was 3.3 percent.

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



Source: NBKR

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



	HI 2020	HI 2021	HI 2022	HI 2023	HI 2024
Technical failure, %	0.2	0.0	0.0	0.0	0.0
Affordability ratio, %	99.8	100.0	100.0	100.0	100.0
Operational risk level, %	4.0	4.5	4.2	2.7	3.3

Source: NBKR

In functioning of the SBC the level of financial risks in the reporting period was also low.

Reserves exhibited by the participants to cover a debit net position were 4 times higher than the required level. According to the results of the SBC operation monitoring, the system affordability ratio remained rather high and amounted to 99.9 percent during the reporting period. Meanwhile, the level of operational risk in the system was 3.8 percent taking into account incidents that did not affect the system affordability and extending upon request of separate participants.

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

Systems of Bank Payment Cards Settlements. As of July 1, 2024, six international payment card systems and the local system “Elcart” operated in the Kyrgyz Republic.

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

In the first half of 2024, the results of operation monitoring and analysis indicated that the “Elcart” system affordability ratio was 99.8 percent, and the level of operational risks in the system was 0.2 percent.

Money transfer systems. During the first half of 2024, receipt and transfer of international remittances without opening an account in the commercial banks was carried out by means of 11 international money transfer systems (IMTS).

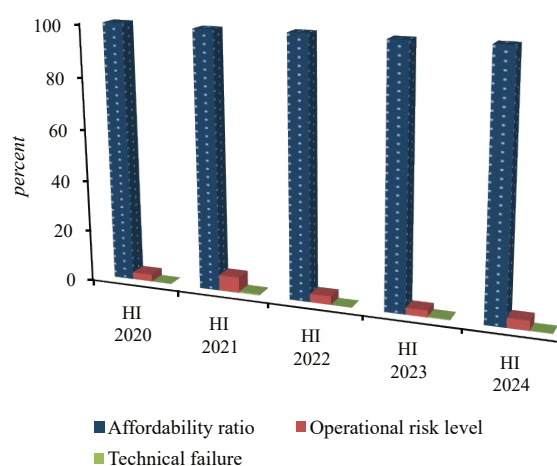
E-money payment systems. As of July 1, 2024, the number of identified e-wallets increased by 23.6 percent compared to the same period of 2023 and amounted to 2.7 million wallets.

Indicators on turnovers with e-money for the first half of 2024 compared to the same period of 2023 were as follows:

- the volume of operations for transfer of funds between e-wallets increased by 39.8 percent and amounted to KGS 16.5 billion, the number of funds transfers increased by two times and amounted to 9.6 million operations;

- the number of operations on redemption of e-money increased by 28.1 and totaled 2.3 million operations, the volume of operations increased by 33.2 percent and amounted to KGS 11.4 billion;

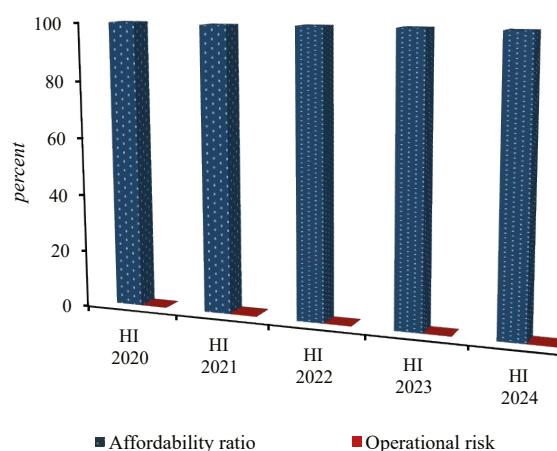
Chart 4.3. Ratio of Affordability Index and Operational Risk in the SBC



	HI 2020	HI 2021	HI 2022	HI 2023	HI 2024
Technical failure, %	0.05	0.5	0.0	0.4	0.1
Affordability ratio, %	100.0	99.5	100.0	99.6	99.9
Operational risk level, %	2.8	6.2	3.3	2.7	3.8

Source: NBKR

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



	HI 2020	HI 2021	HI 2022	HI 2023	HI 2024
Affordability ratio, %	100.0	99.7	100.0	100.0	99.8
Operational risk, %	0.0	0.3	0.0	0.0	0.2

Source: NBKR

- the volume of operations on payment for goods and services increased by 41.0 percent and amounted to KGS 18.2 billion, the number of operations increased by two times and amounted to 19.6 million operations;

- the number of operations for distribution of e-money by replenishing e-wallet increased by 92.3 percent and amounted to 10.0 million operations, the volume of operations increased by 40.9 percent and amounted to KGS 22.4 billion.

Financial messaging channels. During the first half of 2024, the exchange of cross-border financial messages was made through the SWIFT telecommunications network, “bank-client” services and interbank communication network. Meanwhile, the main flow fell on the SWIFT telecommunications network.

As of July 1, 2024, the payment infrastructure of the Kyrgyz Republic included 26 non-bank systems to accept payments in favor of third parties, while 38 organizations have a license of the payment system operator.

Based on the analysis of the data received in the reporting period, the payment system operators processed 135.1 million payments to the total amount of KGS 248.9 billion. The volume of payments increased by 46.0 percent compared to the same period of 2023, while the number of payments increased by 13.4 percent.

Competition in this segment is developed due to availability of a large number of systems in the market to accept payments in favor of third parties.

Note: The above information was prepared, in particular, on the basis of reports submitted by the commercial banks and the payment system operators and is subject to change due to possible adjustments in reporting on their part.

V. IMPROVEMENT OF THE FINANCIAL SECTOR REGULATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Resolution also provides for the issues on:

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIST OF ABBREVIATIONS

CAR – Capital Adequacy Ratio

CB – Commercial Bank

CJSC – Closed Joint-Stock Company

CPI – Consumer Price Index

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

FAO – Food Agriculture Organization of the United Nations

FCCU – Financial Company of Credit Unions

FCO – Financial-Credit Organization

GDP – Gross Domestic Product

K3.1. – Economic Liquidity Ratio

KR – Kyrgyz Republic

LLP – Loan Loss Provisions

LTV (loan-to-value ratio) is the ratio of issued loans to the value of collateral

MFO – Microfinance Organization

M2 – Money Supply

NBFCOs – Non-banking Financial-Credit Organizations

NBKR – National Bank of the Kyrgyz Republic

NSC KR – National Statistical Committee of the Kyrgyz Republic

NTC – Net Total Capital

OCP – Open Currency Position

OECD – Organization for Economic Cooperation and Development

OJSC – Open Joint-Stock Company

p.p. – percentage point

PRBR – Periodic Regulatory Bank Reporting

RLA – Regulatory and legal acts

ROA – Return on Assets

ROE – Return on Equity

RTGS – Real Time Gross Settlement System

SALRCGC under the CM KR – State Agency for Land Resources, Cadastre, Geodesy and Cartography under the Cabinet of Ministers of the Kyrgyz Republic

SBC – System of Batch Clearing

SFCO – Specialized Financial-Credit Organization

SFSS (State Financial Supervision Service) – State Service for Regulation and Supervision of Financial Markets at the Ministry of Economy and Commerce of the Kyrgyz Republic

SIPC – Single Inter-bank Processing Center

ST-Bills – State Treasury Bills

ST-Bonds – State Treasury Bonds

SWIFT (Society for Worldwide Interbank Financial Telecommunications) – International Interbank System to Transfer Information and Make Payments

USA – United States of America