






KOMPANION BANK

COMMUNITY-
FOCUSED BANK

DEVELOPMENT
INITIATIVES

Kyrgyzstan, 2019



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KOMPANION BANK

Foreword

Kompanion Bank provides socially responsible financial services, unique in Kyrgyzstan, contributing to greater economic and social well-being of clients and communities, financial inclusion, and environmental protection. The Bank has been committed to integrating social development of communities with their financial sustainability.

The Bank has established a special-purpose in-house Community Training & Support Department consisting of 30 accomplished agronomists and veterinarians. The Department provides consultations and free year-long trainings to both clients of the Bank and farmers living in the remote regions of the country. In addition to livestock and orcharding trainings, Kompanion's team provides free financial literacy consultations. With this new knowledge behind them, people living in the outlying regions of Kyrgyzstan can manage their incomes and plan their family budgets more wisely.

15
YEAR TRACK-
RECORD



18
BRANCHES



100+
OUTLETS

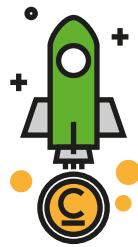
About

Kompanion Bank's story starts in 2004 when it was established as a microcredit company. In 2016, Kompanion received a banking license from the NBKR. Today, Kompanion Bank is a sound financial institution providing a full range of banking services with a more than 15-year proven track-record. The Bank has established a long-term relationship of trust and confidence with more than 100,000 clients all over the country. For the benefit of our clients, Kompanion provides services through an extensive office network consisting of 18 branches and 100+ outlets.

BANKING PRODUCTS AND SERVICES FOR INDIVIDUALS AND BUSINESSES:



Deposits



Loans



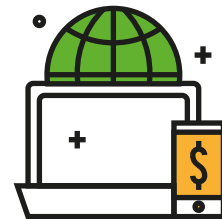
Cards



FX



Money transfers



Online banking

Shareholders

Mercy Corps is an international non-government organization focused on financial services and community building. Mercy Corps has been working in Kyrgyzstan since 1994. As a leading global institution, Mercy Corps empowers people to recover from crisis and transform their communities for good. The main mission of Mercy Corps Kyrgyzstan is to help strengthen local communities and institutions for a better understanding between the two in building healthy, financially stable communities based on civil society principles.



FMO is the Dutch development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a more than 45-year proven track-record of empowering people to employ their skills and improve their quality of life. FMO focuses on three sectors that have high development impact: financial institutions, energy, and agribusiness, food & water.



Triodos Investment Management is a globally recognized leader in impact investing—offering investable solutions to address today's most critical sustainability challenges. With over 25 years of experience in investing for impact, it has established global expertise across Energy & Climate, Inclusive Finance, Sustainable Food & Agriculture, Sustainable Real Estate, and Socially Responsible Equities & Bonds. Triodos Investment Management is a wholly-owned subsidiary of Triodos Bank, one of the world's leading sustainable banks.



Fulfilling our Mission

As a pioneer in Central Asia that has made substantial contributions to the development of Kyrgyz communities and food security, Kompanion is not going to stop at what has been accomplished so far and is moving forward in pursuit of its socially responsible Mission.

It all goes back to 2003, when Robin Currey, an ethnoecologist and currently a member of Kompanion Bank's Board of Directors, started to explore the problems of orcharding on the southern shore of Issyk-Kul Lake. The research showed that orcharding challenges were left unattended after the collapse of the Soviet Union. Distributed between private owners, large orchards, previously owned by collective or state-owned farms, started to fail. Each region of Kyrgyzstan was replete with fruit trees; however, not many local people knew how to properly look after them. It was obvious that people needed guidance.

In 2005, Robin, Kompanion and Mercy Corps launched a joint project called "Apple" that initiated community training sessions supported by Kompanion's Board of Directors and Board Chair Catherine Brown.

Robin has been a member of the Board of Directors of Kompanion Bank since 2011 and has chaired the Bank's Development Committee since 2016. The Development Committee was established by the Board to oversee Kompanion's work in this direction. The Committee provides recommendations facilitating the development of communities in line with the Bank's Mission and based on best international practices. The Committee's recommendations have been tailored to the needs and cultural pattern of local communities and have been contributing to their sustainable development.

Kompanion's training programs cover a range of orcharding and cattle breeding topics, including: cattle feeding, dairy products, soil cultivation and fertilizers, cellars, etc. Kompanion's development initiatives are focused on soil preservation, cattle management, waste management and eco-farms¹.



Robin Currey, Professor, Director of Sustainable Food Systems at Prescott College, Prescott, Arizona, specializes in biodiversity conservation in small-scale agricultural systems, or home gardens. She has over ten years of experience in interdisciplinary research focusing on the effective use of natural resources with the implementation of sociological, anthropological, archaeological, ecological and economic approaches.

Kompanion's training programs have gained recognition among rural residents of Kyrgyzstan for being innovative and having a positive impact on their lives and the environment. In November 2010, Kompanion established the **Technical Support Department** to work with community development initiatives. The Department's

¹An eco-farm means a non-chemical farm where plants and animals are raised in natural conditions and are fed properly. We believe that this is the only way to get good-quality, tasty and healthy products.

team included 15 accomplished agronomists and 15 veterinarians. The team continued to deliver initiatives and training in rural communities to help households improve the quality of crops, increase cattle productivity and manage a family budget wisely. **From 2010 to 2018, Kompanion's team provided 20,460 training sessions for 45,735 community members covering 1,200+ villages across Kyrgyzstan.**

In 2018, the Department was renamed the **Community Training & Support Department**. The financial literacy training program has been considerably expanded and has covered not only participants of trainings, but schoolchildren and their parents, too.

All projects of Kompanion Bank have been designed and implemented under the Do No Harm principle using scientific achievements and an ethno-ecological approach. This approach is based on traditional environmental management that puts sensitivity towards nature and the environment first. Skills, practices and knowledge about land and pasture land management, cattle breeding and crop farming are passed on from generation to generation.

When working with communities, the Bank has been committed to the following principles:

1 Quality. Research-based training materials tailored to the needs and geography of local communities. Research covers such factors as infrastructure, water and irrigation, social microclimate and inclusion in donor programs.

2 Ecological sustainability. Focus on non-chemical farming and livestock breeding.

3 Economic perspective. Exploring synergies between economic sectors, communities and businesses, as well as skills, resources (natural, financial, human), jobs and income structure within communities. ■



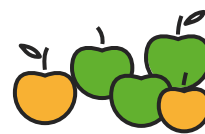
1 200

VILLAGES



20 460

TRAININGS



45 735

COMMUNITY MEMBERS

FOR KOMPANION, WELL-BEING IS THE TARGET IMPACT EXPECTED FROM TRAININGS PROVIDED TO COMMUNITIES. WELL-BEING IS NOT JUST ABOUT TANGIBLE THINGS BUT ABOUT MENTAL HEALTH TOO.

COMMUNITY TRAINING SUPPORT DEPARTMENT: INITIATIVES & PROJECTS

Apple (2005-2006) — The project was implemented in Tosor and Tamga villages on the southern shore of Issyk-Kul Lake. The project was aimed at the development and recovery of orchard farming in the area, as well as the overall development of orcharding culture in Kyrgyzstan. The project included monthly training sessions and hands-on sessions on how to manage orchards and use farming practices properly.

The project was also aimed at environmental conservation and preservation of unique local varieties of apples. Kompanion launched a special-purpose loan product for participants of the training that allowed households to plant new orchards.

The project helped the community of Tosor village reconstruct their 500-ton fruit storage facility that was subsequently used as an apple collection station.

The project produced the first catalogue of apples raised on the southern shore of Issyk-Kul Lake. Two hundred copies of the catalogue were presented to participants of the project. The catalogue has been very helpful for wholesale purchasers, farmers and fruit nurseries.

Orchards & Plastic (2007-2008) — This project was about protecting the environment of the Issyk-Kul area

from plastic waste. Plastic collection campaigns were conducted all over the area. Kompanion presented the project participants with pressing machines and helped them sell collected plastic waste for recycling. Over 200 tons of plastic waste were collected in the area during the campaigns.

Ecology & Orchards (2009-2010) — This project was dedicated to agricultural waste management and further development of orchard farming in the country. The project covered 30 communities from all regions of the Issyk-Kul area and Kochkor region of Naryn area. Three thousand people were equipped with seasonal orcharding skills and were sensitized to the importance of proper agricultural waste management and organic farming.

Eco-San (Dry Lavatory) (2010-2012) — This initiative was aimed at promoting the use of dry lavatories to save water and prevent water pollution, as well as to enable separation of organic waste and improve sanitation. Six dry lavatories were built under the project. Communities adopted this practice, which helped them reduce soil and water pollution from open toilet pits.

Eco-Garden & Livestock Management — These initiatives have been implemented since 2005. There has



XI APPLE FESTIVAL

2000 households



AIYL, ALGA! Mini Festivals

(7 branches) 1,350 households

2017
—
ongoing

GREEN LOANS

2015
—
ongoing

ASYL MAL Project

2013
—
ongoing

2013 Development Initiatives:

- Eco-Garden
- Livestock & Pasture Land Management

2010
—
ongoing

Technical Support Department
(32 agronomists and veterinarians)

2009
—
2010

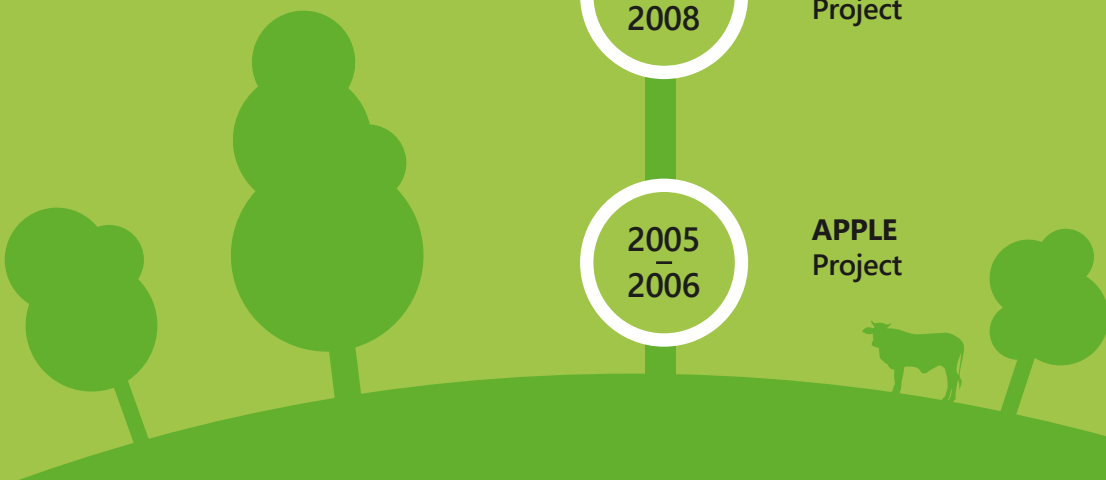
ECOLOGY & ORCHARDS Project

2007
—
2008

ORCHARDS & PLASTIC Project

2005
—
2006

APPLE Project





13 years

OF SUCCESSFUL TRAININGS

been active outreach throughout the country on the importance of using organic fertilizers. Kompanion experts provide hands-on tillage and fertilization trainings in local communities. Farmers learn how to properly recycle organic waste to use it as organic fertilizers or compost, which helps remediate soil and increase soil fertility.

Pasture Land Management — This initiative has been implemented since 2010. The Bank's team sensitizes communities to sustainable and smart use of pasture lands, including cattle feeding tips (using pasture forage to feed cattle, for example). The training program covers such topics as protecting cattle from infectious and invasive diseases; pasture land management and grazing. Kompanion experts share the results of proper grazing pressure and explain that the quality of cattle can be significantly improved by reducing the number of livestock. After the trainings, rural communities of Kochkor region (Naryn area) adopted the practice of putting pastures on a "standstill period" of one to three

years in order to prevent degradation of pasture lands and improve pasture land grass cover. This initiative was the main subject of discussion at the roundtable meetings of community leaders held in Naryn and Issyk-Kul areas.

Beccari Pit (2018) — The Bank helped two communities of Ak-Su region (Issyk-Kul area) build Beccari pits. This project allowed proper disposal of cattle carcasses and animal waste through biothermal decontamination. This prevents pasture lands contamination and contributes to preservation of pasture lands.

Drip Irrigation — This training has been provided since 2018. The Kompanion team helps communities calculate an economic benefit of using drip irrigation. The technique has been implemented in the gardens of Kompanion's Balykchi Branch, as well as in nine school gardens in Issyk-Kul, Talas and Chui areas. The system saves water and efforts of farmers, especially in dry areas. ■

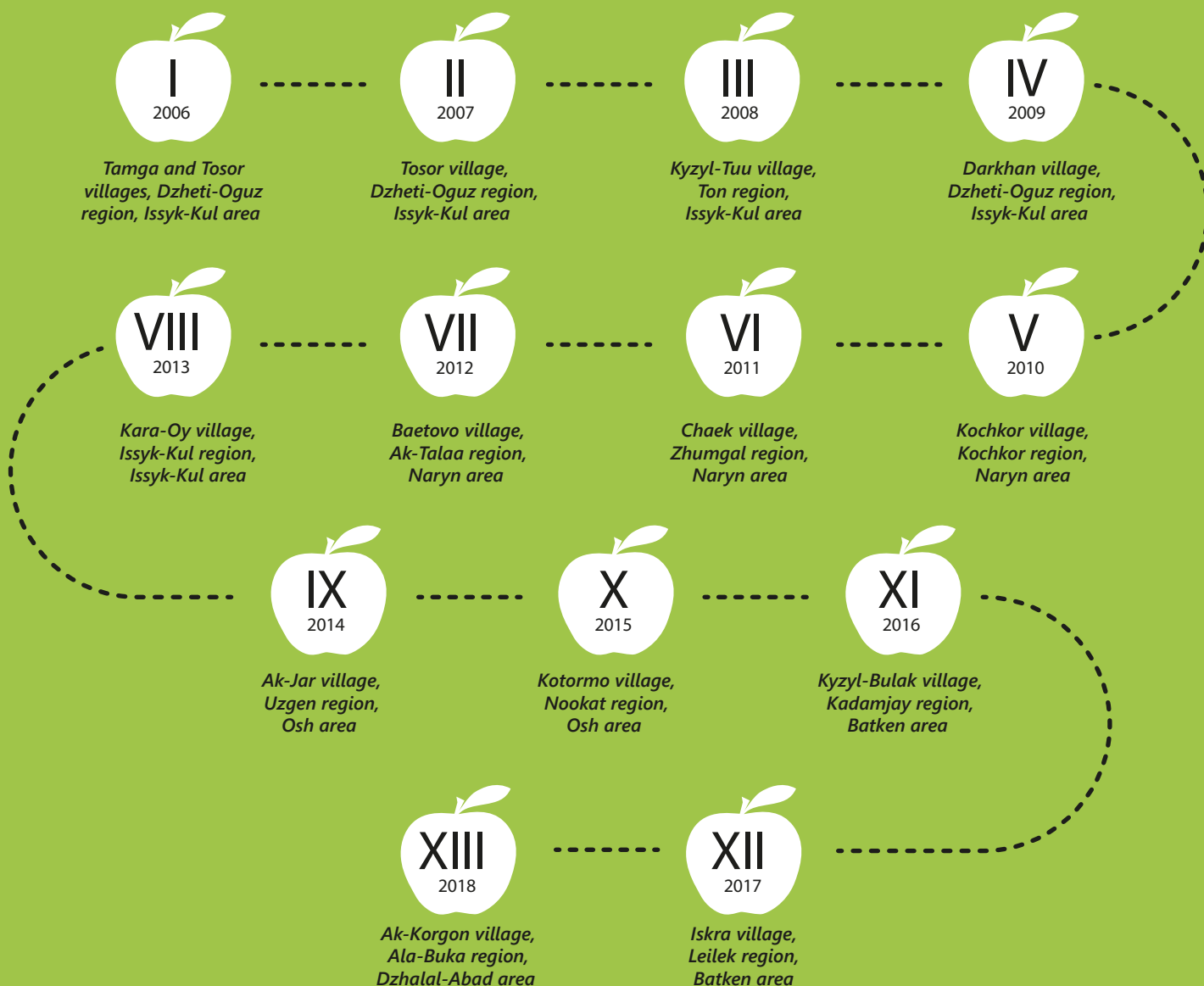


APPLE FESTIVALS

Kompanion has been conducting annual Apple Festivals since 2006. The first festival was fueled by the desire of Kompanion's team to help rural communities of Issyk-Kul area develop orchard farming in the area and strengthen market relationships between buyers and sellers of agricultural products.

Interest of local farmers in this project has inspired Kompanion to make the Festival an annual event. ▪

THE APPLE FESTIVALS HAVE BEEN A GREAT PLATFORM FOR PEOPLE TO NETWORK AND RECEIVE FREE ADVICE FROM KOMPANION'S AGRONOMISTS AND VETERINARIANS.



SUCCESS STORIES



Bolot Toktosunov has been working at Kompanion's Karakol Branch as a Business Development Officer (Live-stock) since 2009.

Bolot is a father of five. He lives in his birthplace of Mikhailovka village of Tiup region, Issyk-Kul area.

Bolot received his honours degree in livestock management from Issyk-Kul Agricultural College and a degree in livestock engineering from Skriabin Kyrgyz Agricultural Institute. In 2014, he published his pre-PhD thesis and 11 research articles on zoo-technics and livestock product manufacturing, as well as received a patent for an invention. Bolot is presently pursuing a PhD and has been conducting research on indigenous Kyrgyz horses (preservation and rational use).

"Before Kompanion, I worked in a government institution. After getting a job at Kompanion, it struck me how much our country needed our knowledge. Almost every rural family has a household. We teach people how to properly manage their households to really benefit from their livestock. We also sensitize people to the importance of ethno-ecological farming."



Talant Borzhikov, a resident of Sovetskoe village (Ak-Su region, Issyk-Kul area) and a participant in Livestock Management training.

I was born in Sovetskoe village of Ak-Su region in 1979. After graduating from the Karakol Branch of Moscow University, I worked as a tax officer at the local tax office of Ak-Su region. Then I was a forest ranger in Karakol. Now I have my own household, cattle and four hectares of land where I plant crops and livestock feed. I sell dairy, meat, potatoes and cattle.

I thought I knew everything about household management and cattle breeding before I took Kompanion Bank's trainings. After ten training sessions, though, I realized how much had been lost on me. For example, the importance of disinfection, overalls and personal hygiene that prevent you from getting infected. I

had no idea how to feed my cattle properly or how to build sheds. Basically, it was basic stuff that we'd unknowingly been neglecting.

I've changed my attitude towards household management after participating in the trainings: I bought overalls; I disinfect my premises in the Fall and in the Spring; I pay attention to the quality of my cattle feed; I have repaired my shed.

Now we get more milk and have a healthier calf crop.

"Kompanion Bank's team has taught us how to generate monthly income by managing our household wisely. With this knowledge behind me, I want to move forward: build a shop, buy a big fridge to collect milk from local farmers and build a big shed for cattle. I hope I will be able to get a loan from Kompanion Bank to put my plans into action."

Impact Measurement System

In 2012, Kompanion Bank's team came up with a unique Impact Measurement System (IMS) to measure and evaluate the impact of financial and development services on our clients' households and businesses, as well as monitor and understand the impact of the Bank's activities on self-sustainability of communities and financial inclusion. The system allows managing the Bank's initiatives using large amounts of quantitative and qualitative data to ensure maximum positive change within communities.

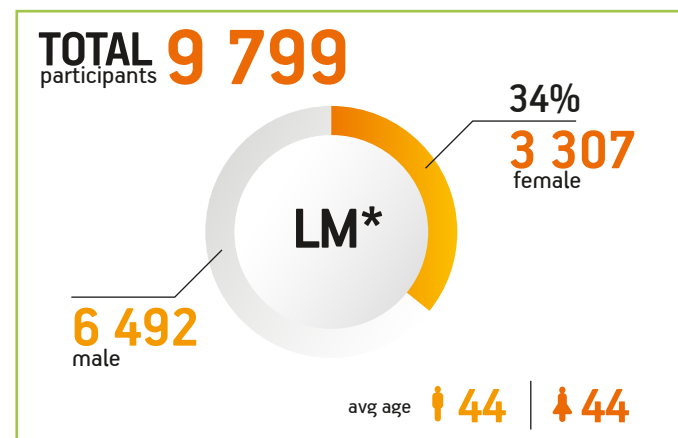
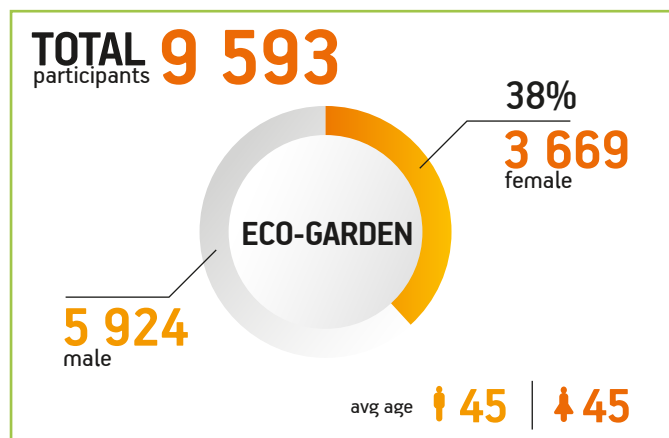
The IMS collects and analyzes the following data:

engagement in the Bank's initiatives; inclusion of vulnerable groups; responsibility and transparency; logistics at the local level; etc. The IMS also monitors a number of specific impact metrics to make sure that current programs of the Bank are managed efficiently, as well as to obtain new knowledge and design new programs tailored to the needs of beneficiaries. The metrics evaluate the customer experience of participating in the Bank's initiatives by showing positive impact on various areas of life and activities of participants, including environmental impact and personal well-being.

To collect data for the IMS, the Bank polls 1,800 people annually.

To measure changes, the Bank conducts baseline and endline surveys by polling 900 people before and after trainings.

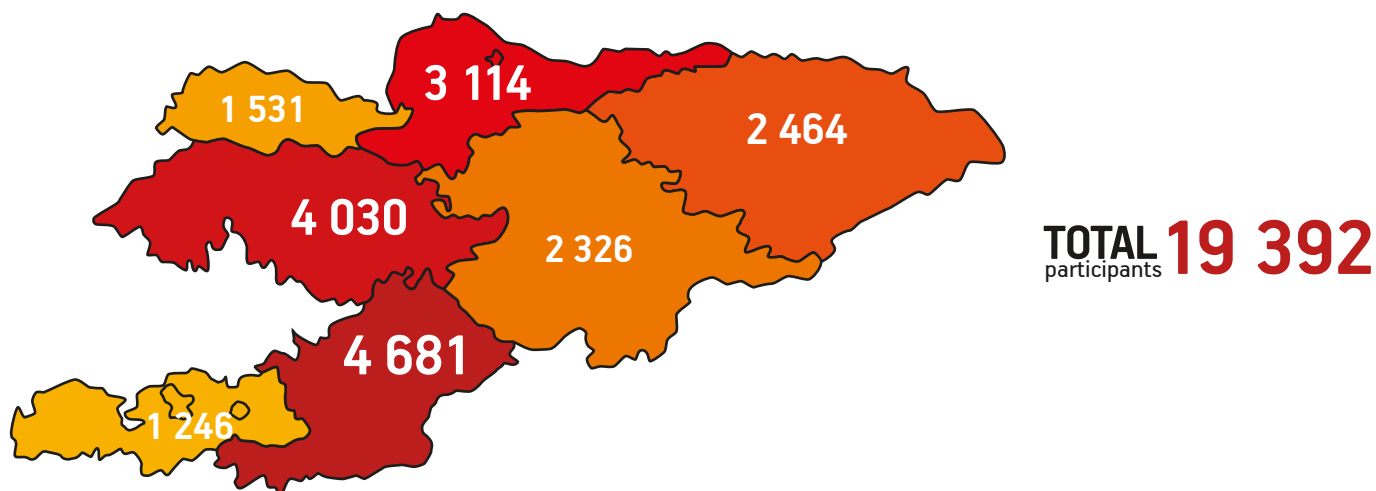
Training participants profile (2014-2018).



* Livestock Management.

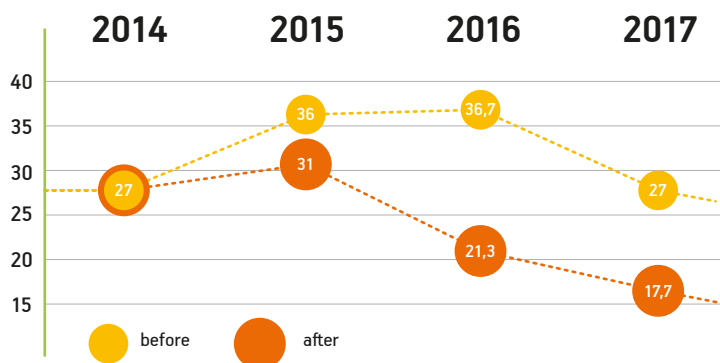
Kompanion's initiative trainings have been delivered since 2014. About 4,000 people from vulnerable and remote villages take these trainings annually. The trainings have been provided in two directions: orchard and livestock management. The distribution of participants between the topics is about even. Average age is 44; women account for 36% of total participants. There has been an increasing trend in the number of female participants over the past few years.

Geography.



Usage of chemicals in orcharding before & after trainings (2014-2017), %.

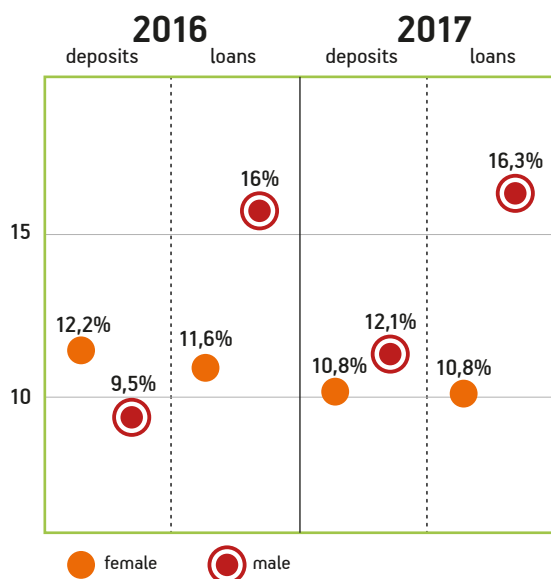
Source: Poll.



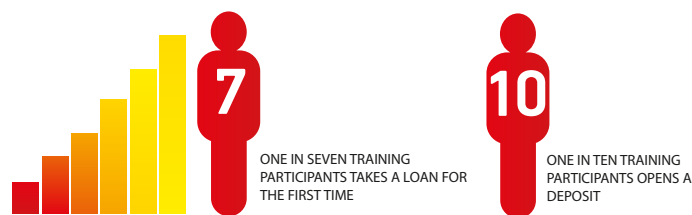
There has been a downward trend in the number of households using chemicals in orcharding after having visited Kompanion's trainings.

After-training financial literacy rate (2016-2017).

Source: Poll.



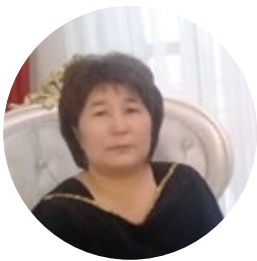
AVERAGE:



After the Kompanion trainings, men show more interest in using financial services than women.



SUCCESS STORIES



Nazira Makenova, resident of Zhyrgalan village of Ak-Suu district of Issyk-Kul region, participant of Livestock Management training.

I was born in Mikhailovka village, Tiup district, and currently live in Zhyrgalan village. After graduation from school I got married and now I have three children.

Together with my husband we started a Salamat guest house, it is a seasonal business, we work only in summer. We have our own household – we keep cattle, which is our main source of income.

In the past Zhyrgalan was a mining town in the mountains. The main source of income for local residents was work at the mine, no one kept cattle. But after the Soviet dissolution, the mine closed and all the leading specialists moved closer to the city or to other mines. Difficult times for our countrymen had come. Everyone had been making ends meet as best as they could: someone started cattle breeding, someone left to the nearest villages for seasonal work at building sites or in fields. Cattle from all the nearby villages were brought to Zhyrgalan every summer. Pastures were trampled, leading to mass disease in the herd. We had good pastures near the village, but we had no knowledge or experience in cattle breeding.

Before the training, income from our household was small, we did not keep records of expenses, and our livestock was not up to standard in order to generate an income. In 2015 I heard about the one-year livestock trainings from Kompanion Bank. Two groups of 15 people were formed; participants chose me as leader of a group.

At the training we learned how to build sheds and stock up food items in the right way. We learned which food items are better for cattle and how to deal with pests and diseases in cattle.

During our studying, we repaired our shed, began to prepare pasture hay, buy feed, and as a result milk yield increased and we started to pay more attention to breeding of variety.

Previously we didn't think too much of animal diseases in the village, we thought it was the work of veterinarians and the veterinary station in the region. At the training we learned that people also can sicken from animal diseases. So, we started to analyze the situation with the villagers. Every spring cattle are brought to our pastures, including both healthy and sick animals. After grazing season the carcasses of many sick animals remain on the pastures. Later, these places generate new cattle infection. Kompanion Bank helped us to deal with this too – it financed the construction of Beccari pits in our village. Now our families and children are protected from the spread of infectious animal diseases.

“With Kompanion's help we have learned a lot and now we confidently look to the future! Of course, we still have a lot to learn, but we have access to knowledge through Kompanion.”

My husband and I have big plans for the next five years: to improve our guest house to the proper level, to develop tourism, to increase pedigree livestock and to learn foreign languages.

Social Impact

Increasing financial literacy of the population (*statistical data, conducted trainings and events*).

Business development officers of Kompanion Bank have been conducting trainings on family budget planning since 2013. About 11 thousand trainings were held in 5 years, and more than 34 thousand people took part. During these trainings participants gain necessary knowledge on the following subjects: benefits of maintaining a family budget, objectives of planning and drawing up a family budget (step-by-step algorithm, budget structure); family finance management methods (envelope method, creation of a reserve fund).

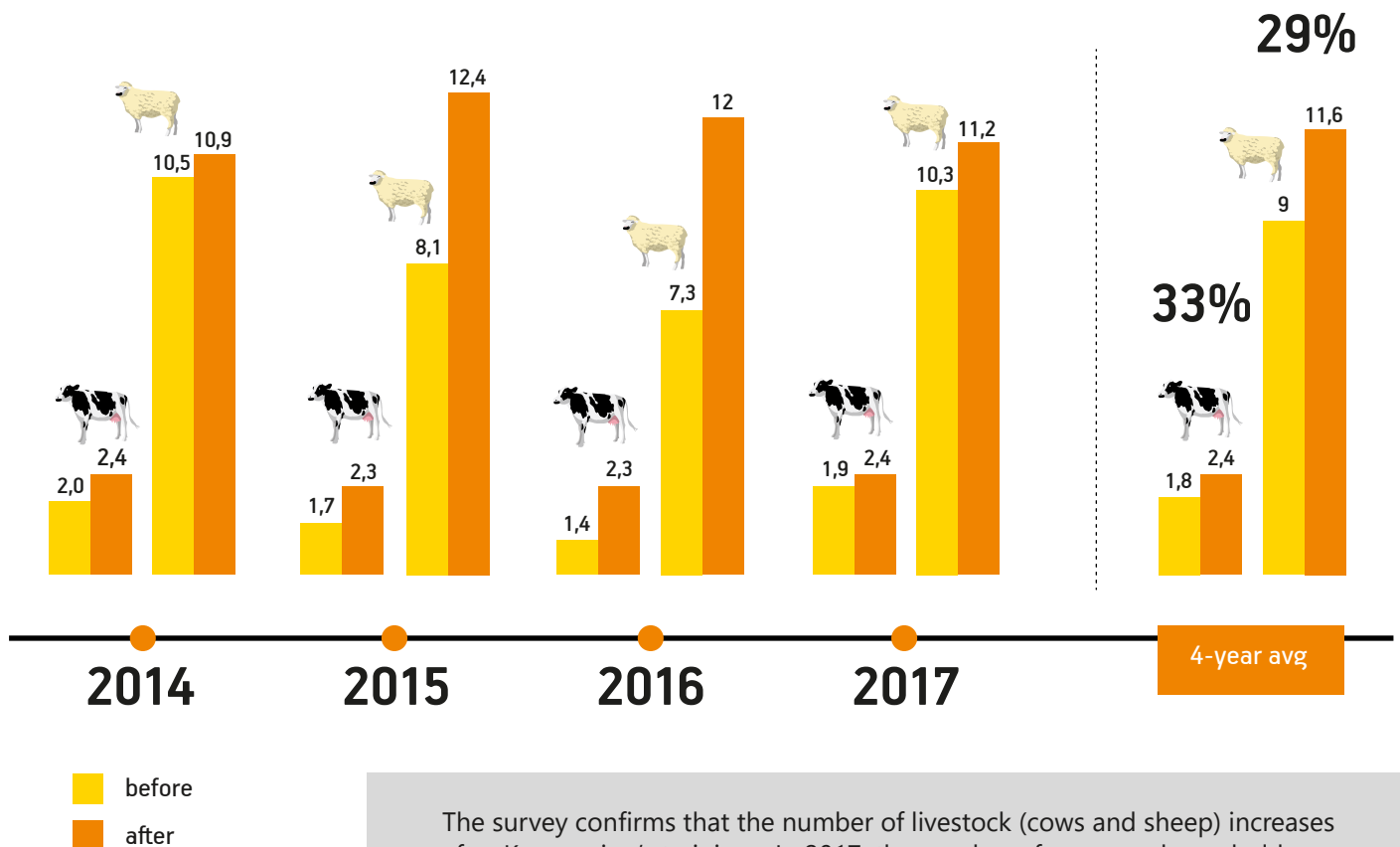
Since 2016 the Bank has been actively involved in World Savings Week, initiated by the National Bank of the Kyrgyz

Republic and the German Savings Banks Foundation. In total, over 200 financial literacy trainings were conducted during this period. In 2018 Kompanion was one of the organizers of a game for increasing financial literacy during Money Week. About 40 schoolchildren aged 12 to 16 participated in this game. Participants passed several educational stations and solved fascinating financial problems.

During the project, which took place in October 2018, the Bank's team conducted 44 financial literacy trainings in the more remote regions of the county. In total, 642 schoolchildren and 232 parents participated in the training. The training provided insights into how to draw up your personal financial plan, manage your family budget and consume sustainably.

Changes in livestock number (per household) among training participants.

Source: Poll.

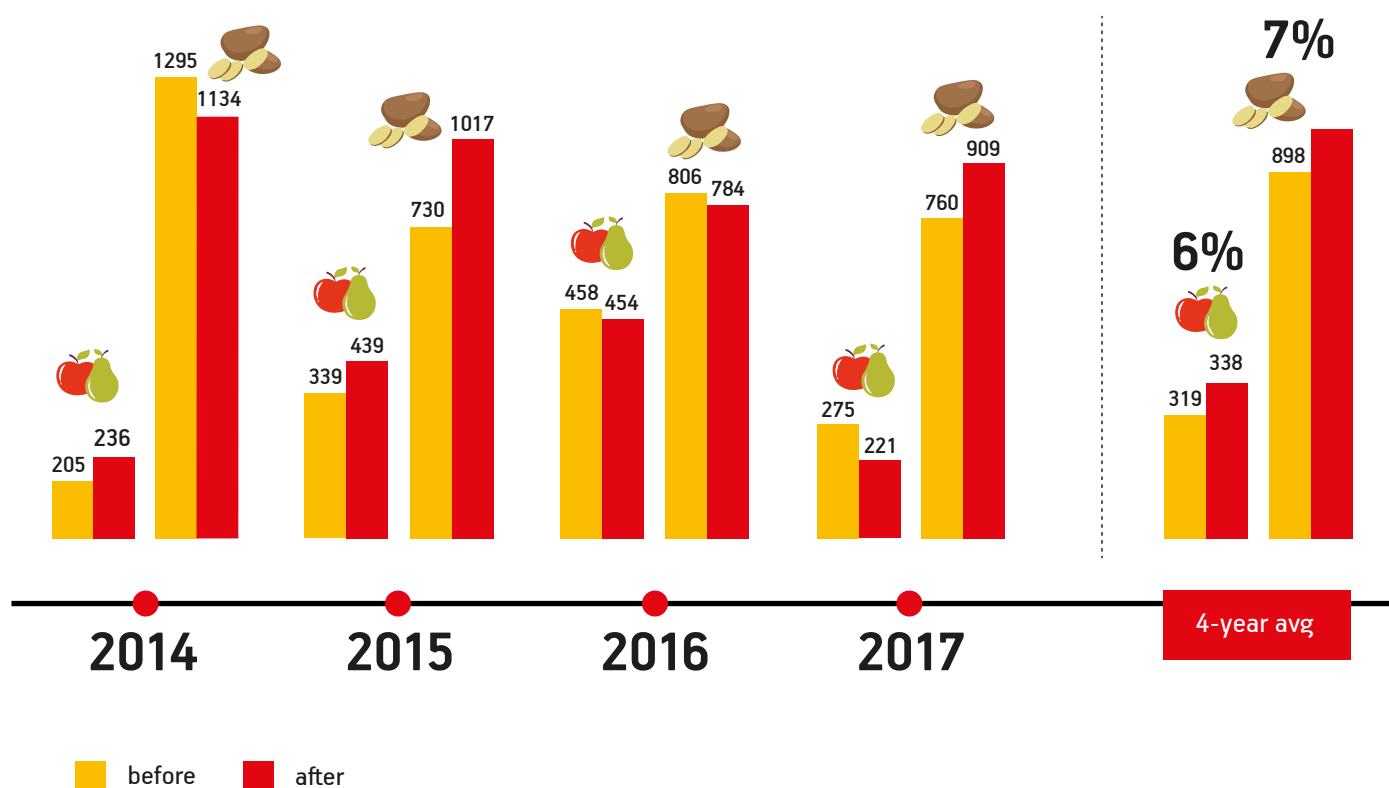


The survey confirms that the number of livestock (cows and sheep) increases after Kompanion's trainings. In 2017, the number of cows per household increased from 1.9 to 2.4; the number of sheep increased from 10.3 to 11.2.

Doors Open Days were conducted in 35 of the Bank's offices across Kyrgyzstan, which attracted more than 1,000 people. Visitors were given tours around the Bank where they got a glimpse of how Kompanion works, learned more about the history of the Kyrgyz national currency and about the overall development of the banking system. The Bank's team held trainings for participants of the Financial Fair, where they explained how to save, accumulate and maximize their funds and use financial tools wisely. ▪

Crop yield (per household) among training participants, kg.

Source: Poll.



The survey reports increasing crop yield (fruits, potato) after Kompanion's trainings. The 4-year average includes a 6%-increase in fruit yield and a 7%-increase in potato yield.

SUCCESS STORIES



Gaifulina Nazgul, client of Kompanion Bank and participant of Eco-Garden training.

I was born in Tamga village of Dzhety-Oguz district of Issyk-Kul region.

I started my work with Kompanion in 2004. I am a pastry chef, but this job did not bring me much income and I had to raise two children.

Kompanion helped me a lot – not only with training, but also with financing. When issuing a loan, the Bank's team taught me how to spend the funds. I was able to build my

own house, plant an orchard, buy a car for my business and start cattle breeding.

The knowledge and experience that the Kompanion team shared with me helped me a lot in life. Now I can give practical advice on agronomy and livestock breeding to my neighbors – young families.

I have big plans for the next few years. I need to raise my children, expand my business, establish contacts with large fruit purchasers and also acquire pedigree cattle.



Ashiraly Dzholdoshev, agronomist of Nookan Branch.

I was born in 1961 in Rakhmanzhan village of Nookan district of Jalal-Abad region, where I still live today. I have four children and five wonderful grandchildren. In 1978 I was

enrolled in the Scriabin Kyrgyz Agricultural Institute and received a degree in agronomy.

I have been working in Kompanion Bank since February 2009. When we come to communities to conduct training, people think that we are there to talk to them about loans. But when we start talking about agronomy and livestock they become so enthusiastic. Many farmers feel the need

for consultations, almost everyone. As a result of my work at Kompanion I could travel around the entire southern region providing training.

I really like my work because I feel my involvement in the improvement of living conditions for those people for whom we hold our training. I think that my work at Kompanion Bank, at least locally, contributes to the preservation of the environment in the region: water, air and soil for future generations.

Over the entire period of working in the Bank, I have gained many friends and obtained an enormous amount of invaluable experience and skills. I express my gratitude to Kompanion Bank for this!

WAY FORWARD

As defined by Kompanion Bank's Business Strategy 2019–2021, we will continue to provide non-financial services to strengthen local communities and facilitate their socioeconomic development.

The Bank's Community Training & Support Department will continue to provide initiative training that have proved successful in building up both farming and financial literacy skills among local communities, adding to the quality of daily life in the rural areas and ensuring their financial self-sufficiency.

The initiative trainings will be expanded to reach middle-income communities and help them learn new up-to-date agricultural skills and practices. The training sessions will be seasonal and will be provided to both clients of the Bank and unbanked residents of the community. The overarching goal of Kompanion's training is to redefine farming for communities, taking it to a whole new level and to offer them more ways to increase and diversify their income.

In the near term, the Community Training & Support Department will be focused on the Financial Inclusion Program for Unbanked Communities & Migrants. The Program will help foster a family budgeting and savings culture among communities. To measure the social impact and the long-term viability of the Program, the Bank will continue to use its proprietary Impact Measurement System.