



КЫРГЫЗ БАНКЫ

ANNUAL REPORT

2018



Bishkek-2019

Annual Report of the National Bank of the Kyrgyz Republic for 2018

The report of the National Bank of the Kyrgyz Republic for the year of 2018 is prepared in accordance with Articles 54 and 55 of the Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” No.206 of December 16, 2016.

The annual report of the National Bank for 2018 is approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2019-II-10/13-2-(BII)* of March 20, 2019.

The consolidated financial statements of the National Bank for the year ended on December 31, 2018 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No. *2019-II-15/18-1-(BII)* of April 2, 2019.

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Dear Readers!

2018 was marked by the 25th anniversary of the Kyrgyz Republic's national currency – the Kyrgyz som. The decision to introduce own currency of an independent state taken a quarter of a century ago laid the basis for an independent monetary policy. The passed milestone has shown the accuracy of the chosen currency regime, the measures taken in the area of monetary policy, the development of the financial-credit organizations and the non-cash payments system.

In the reporting year, the National Bank continued work focused on maintaining macroeconomic stability and low inflation rates. The monetary policy ensured price stability in the country and, at the same time, was aimed at supporting economic activity. Tactical measures taken by the central bank were focused on improving the monetary policy instruments, as well as on lending to the priority sectors of the economy and the remote regions of the country at lower rates compared to those in the market.

The State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic, with its third stage being implemented by the National Bank in 2018, was also focused on developing the remote regions and reducing the shadow economy. In general, measures were actively taken to increase penetration of the banking and payment operations; there was expansion in the range of services provided by the market participants.

The financial-credit organizations of the Kyrgyz Republic continued their sustainable development, indicating the progressive growth of the key indicators and the potential for increasing the level of financial intermediation. In 2018, the loans interest rates and the dollarization level follow to the downward trend, which was observed during the past few years. In the reporting year, the increase in the banks' minimum capital requirement contributed to strengthening the reliability and stability of the banking system.

In the area of improving the methods to regulate the activity of the commercial banks, in 2018, the National Bank moved to a new qualitative level – a full transition to risk-based supervision was implemented, representing the best international practice focused on systemic risk prevention.

The Annual Report of the National Bank for 2018 presented to your attention was prepared in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” and reflects the activities of the central bank in fulfilling its functions, and includes the financial statements confirmed by an independent international audit.

In preparing this Annual Report, the National Bank traditionally adhered to the principles of openness, reliability and completeness of the submitted information.

Sincerely,

Chairman



T. Abdygulov

ECONOMIC SITUATION
IN THE KYRGYZ REPUBLIC
IN 2018



CHAPTER 1. ECONOMIC DEVELOPMENT OF THE KYRGYZ REPUBLIC IN 2018

In 2018, the economic development of the Kyrgyz Republic still demonstrated stable growth. The inflation rate was moderate and did not exceed the targets of the National Bank. Economic growth was supported by the main sectors of economy. Economic growth was also supported by positive inflow of money transfers and stimulating monetary policy. Balanced fiscal policy conducted by the Government of the Kyrgyz Republic contributed to reduction of the state budget deficit. Active placement of ST-Bonds amid significantly increased demand was the main source of financing the current state budget deficit in the reporting period.

An increase in the trade deficit contributed to growth of the current account deficit in the external economic sector. The current account deficit was funded by capital inflows on the capital account and financial operations. The overall balance of payments was negative. At the end of 2018, the volume of gross international reserves was sufficient to cover 4.5 months of the future imports of goods and services.

1.1. Real Sector of Economy¹

At the end of 2018, the economy of the Kyrgyz Republic demonstrated an upward trend. According to preliminary data of the National Statistical Committee of the Kyrgyz Republic (NSC KR), GDP at then-current prices increased by 3.5 percent (in 2017, the growth was 4.7 percent) and amounted to KGS 557.1 billion.

Table 1.1.1.

Structure of the Gross Domestic Product

	2017			2018		
	Share, percent	Growth rate, percent	Contribution to growth, percentage points	Share, percent	Growth rate, percent	Contribution to growth, percentage points
GDP	100.0	4.7	4.7	100.0	3.5	3.5
Agriculture, forestry and fishery	12.5	2.2	0.3	11.6	2.7	0.3
Industry	18.7	8.9	1.6	18.6	5.5	1.0
Mining	1.0	58.4	0.4	1.0	8.1	0.1
Manufacturing (processing)	15.0	6.7	1.0	15.2	5.0	0.8
Provision (supply) of electricity, gas, steam and conditioned air	2.5	10.1	0.2	2.2	5.0	0.1
Water supply, purification and treatment of waste and generation of secondary materials	0.3	5.3	0.01	0.3	27.7	0.1
Construction	8.6	7.9	0.7	8.8	7.8	0.7
Services	47.1	3.3	1.6	46.8	2.1	1.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.8	7.1	1.3	18.2	5.1	0.9
Transportation and storage of goods	3.9	9.4	0.4	4.0	3.9	0.2
Information and communication	3.1	-16.7	-0.6	3.0	-7.5	-0.2
Other	22.3	2.3	0.5	21.7	0.6	0.1
Net (less subsidies) taxes on products	13.1	4.7	0.6	14.1	3.5	0.5

Source: NSC of KR

The GDP deflator was 1.5 percent against 6.3 percent in 2017. The economic growth was mainly supported by increased production output in the sectors of industry, trade,

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

construction and agriculture. Excluding the enterprises involved in the Kumtor Gold Mine development, GDP growth reached 3.5 percent (in 2017, it was 5.1 percent).

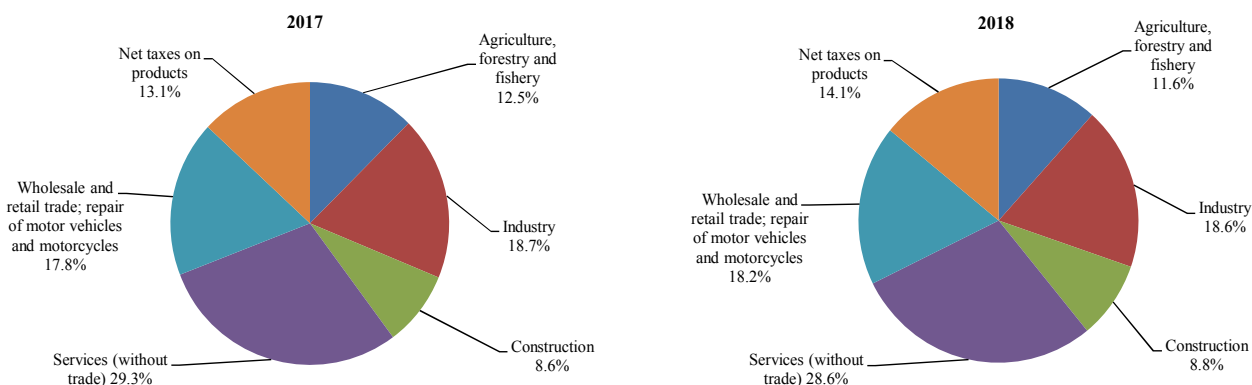
Following the results of 2018, the industrial sector showed 5.5 percent growth. Excluding the enterprises involved in the Kumtor Gold Mine development, the physical output of industrial production increased by 7.3 percent at the end of the year. The contribution of industry to the economic growth was positive and amounted to 1.0 percentage points, having decreased by 0.6 percentage points as compared to 2017.

An increase in the industrial production was caused by the growth in production of basic metals and finished metal articles, production of food products and tobacco, production of rubber and plastics items, other non-metallic Azmineral products, refined petroleum products, textile production, production of wearing apparel and footwear, leather and other leather goods, mining and quarrying, as well as energy, gas, steam and air conditioning supply.

In 2018, the share of industry in the GDP structure was 18.6 percent and did not significantly change as compared to 2017.

Chart 1.1.1.

GDP Sector Composition by Types of Economic Activity



In the reporting period, favorable weather conditions had a positive impact on the volume of production output in the agricultural sector. The real increase in this sector was 2.7 percent against 2.2 percent in 2017. The contribution of agriculture to GDP growth, as in 2017, was 0.3 percentage points and was conditioned by increased production output in crop (by 3.4 percent) and livestock production (by 2.2 percent).

In 2018, the share of agriculture in the GDP structure was 11.6 percent.

The services sector demonstrated growth by 2.1 percent, mainly due to the increase in the volume of wholesale and retail trade, cars and motorcycles maintenance (by 5.1 percent), as well as rise in the volume of transport activities and cargo storage (3.9 percent). However, the reduction in the of information and communication sector (by 7.5 percent) had a restraining impact on the growth in the services sector due to a significant decline in revenues from provision of communications services (by 7.7 percent).

The growth in the total volume of the wholesale, retail trade, and cars and motorcycles maintenance was conditioned by the increase in all sectors of this industry, in particular, in the wholesale and retail trade, except for cars and motorcycles trade.

In 2018, the total volume of gross output in the construction sector increased by 7.8 percent as compared to 2017, which was conditioned by the growth of investments in fixed assets. This sector contributed 0.7 percentage points to the GDP formation, remaining unchanged compared to the level of 2017.

In the reporting period, the volume of capital investments increased by 3.3 percent (in 2017, the increase of the same indicator was 6.6 percent) due to the growth of investments

Industry

Agriculture

Trade and services sector

Construction

Investment

financed by the bank loans (by 2.0 times), foreign grants and humanitarian aid (by 1.4 times), funds of the enterprises and organizations (by 35.7 percent) and funds of the population (by 18.9 percent). At the same time, the decrease in investments funded from the foreign loans (by 42.2 percent), the republican budget (by 26.4 percent), foreign direct investment (by 25.5 percent) and local budget (by 18.8 percent) had a restraining impact on the growth of capital investments.

1.2. Public Finance Sector¹

Fiscal policy

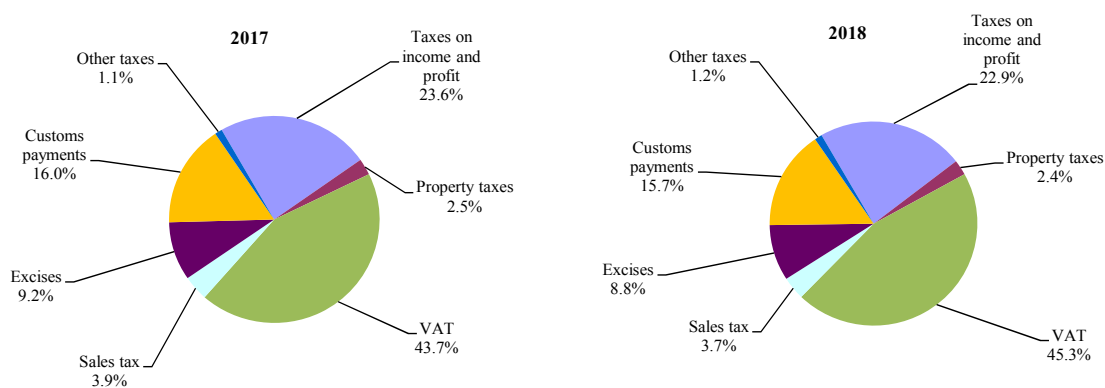
Positive economic growth in the Kyrgyz Republic and in the main trading partner countries, as well as the measures taken to reduce budgetary expenditures, allowed to achieve fiscal consolidation in 2018. The reduction of certain expenditures and the growth of the state budget revenues conditioned decrease in the state budget deficit from 3.1 percent of GDP in 2017 to 1.1 percent of GDP in 2018. The primary state budget balance² was positive due to the more tight fiscal policy conducted during the year.

The state budget revenues from operating activities amounted to KGS 151.5 billion, or 27.2 percent of GDP, having increased by 1.3 percent as compared to 2017. Tax revenues, having the major share in the budget revenue structure, remained the main source of budget resources replenishment. During the year, tax revenues were higher as compared to 2017 and resulted in improved tax administration, as well as favorable external economic conditions. At the same time, the reduction in non-tax revenues and official transfers as compared to the previous year had a restraining impact on the growth of total revenues in 2018.

In 2018 in accordance with the Law of the Kyrgyz Republic “On Introduction of Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, transfer of the National Bank’s profits to the state budget was increased from 70 to 90 percent and amounted to KGS 2.1 billion.

Chart 1.2.1.

State Budget Tax Revenue Structure



In the reporting year, there was a slowdown in growth of state budget expenditures for operational activities and amounted to 3.3 percent (in 2017 – 7.7 percent) mainly due to the reduction of costs for acquisition and use of goods and services.

In accordance with the functional classification of expenses, the expenditures of social security and general public services made the main contribution to the increase in total expenditures. In turn, the reduction of expenditures for public healthcare, economic

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

² Primary balance - state budget deficit/surplus excluding the amount of interest payments for public debt service.

issues, housing and communal services had a restraining impact on the growth of current expenditures.

Capital expenditures of the state budget, including costs related to acquisition, overhaul and creation of all types of fixed assets, stocks and non-production assets, decreased by 29.9 percent or KGS 12.3 billion by the end of the year.

At the end of 2018, the public debt amounted to KGS 311.8 billion or 56.0 percent of GDP against KGS 312.5 billion or 58.9 percent of GDP in 2017. The share of external debt remains significant in the structure of public debt – 85.7 percent; the share of internal debt was 14.3 percent. Public debt service expenses amounted to KGS 24.0 billion or 4.3 percent of GDP, while interest payments amounted to KGS 7.1 billion or 1.3 percent of GDP.

In 2018, the current state budget deficit was financed mainly from domestic sources. Thus, in the reporting period, the Ministry of Finance of the Kyrgyz Republic issued the State Treasury Bills (ST-Bills)¹ and the State Treasury Bonds (ST-Bonds)² to finance the budget deficit. The auctions on a primary placement of ST-Bills and ST-Bonds were held by the National Bank, being the agent for their placement and settlement.

Meanwhile, in the reporting period, the level of financing of the state budget deficit by ST-Bills decreased as compared to 2017. Thus, in 2018, supply of ST-Bills decreased by 38.2 percent compared to 2017 and amounted to KGS 3.1 billion. At the same time, the overall demand decreased from KGS 8.7 billion to KGS 4.5 billion. As a result, the actual placement of ST-Bills amounted to KGS 2.6 billion with a weighted average yield of 5.6 percent (in 2017 - KGS 4.2 billion with a weighted average yield of 5.0 percent). As of the end of 2018, the volume of ST-Bills in circulation decreased by 10.1 percent year-to-date and amounted to KGS 2.6 billion.

The level of financing of the state budget deficit by ST-Bonds increased significantly in the reporting period. In the reporting year, supply of ST-Bonds amounted to KGS 15.2 billion (+63.9 percent per year), the issuer offered ST-Bonds with a maturity of 2, 3, 5, 7 and 10 years. The investors' demand for ST-Bonds increased significantly up to KGS 30.1 billion (in 2017 – KGS 17.0 billion). As a result, the volume of ST-Bonds³ placement amounted to KGS 19.5 billion with a weighted average yield of 11.8 percent (in 2017 – KGS 13.1 billion with a weighted average yield of 13.0 percent). At the end of 2018, the volume of ST-Bonds⁴ in circulation increased by 58.5 percent year-to-date and amounted to KGS 37.6 billion.

In 2018, the auctions for placement of foreign-currency-denominated ST-Bonds were not held. Therefore, the volume of ST-Bonds in circulation has not changed since the first auction and amounted to USD 49.4 million.

1.3. Balance of Payments of the Kyrgyz Republic

According to the preliminary data, in 2018, the current account deficit increased and amounted to USD 701.8 million or 8.7 percent of GDP (in 2017, the current account deficit was 6.2 percent of GDP). Growth of the current account deficit was conditioned by increased deficit of the balance of goods and services amid moderate growth in the net inflow of current transfers.

¹ ST-Bills are the short-term discount government securities of the Government of the Kyrgyz Republic with maturity up to 1 year.

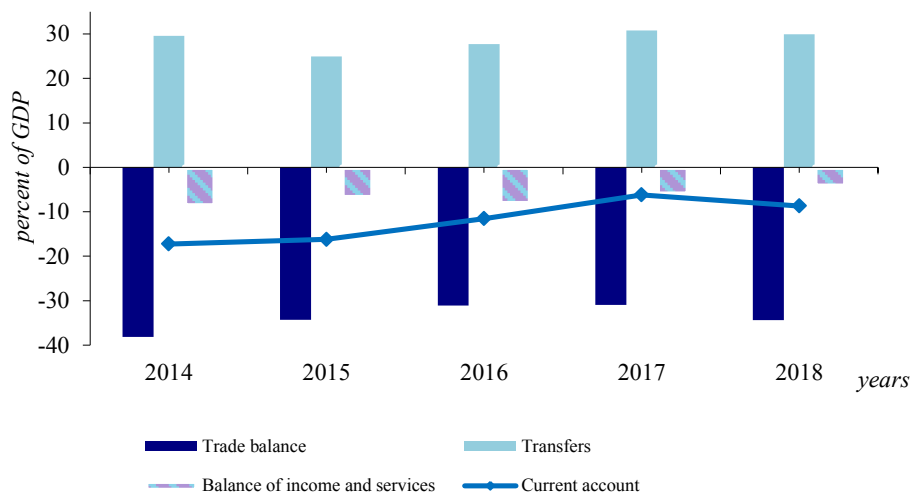
² ST-Bonds are the long-term government securities of the Government of the Kyrgyz Republic with the interest income (coupon) and maturity over one year.

³ Including additional placement.

⁴ Excluding foreign-currency denominated ST-Bonds.

*ST-Bills and
ST-Bonds
market*

Chart 1.3.1.
Current Account



Foreign trade

The reporting period was characterized by an increase in import supplies; meanwhile export remained at the level of 2017. As a result, the trade deficit increased by 16.6 percent (up to USD 2.8 billion).

In the reporting year, export of goods (in FOB prices) increased by 0.1 percent and amounted to USD 1.8 billion¹. Gold remained the largest export item; in the reporting period, its export value decreased by 5.2 percent due to the decline in physical volume of supplies. At the same time, export excluding gold increased by 3.4 percent and amounted to USD 1.2 billion. The increase was noted in the supplies of metal scrap, clothes, portland cement, petroleum products, cotton, coal and a number of other goods. Moreover, the reduction was observed in export of vegetables and fruits, cigarettes, electricity, footwear and other goods.

In the reporting year, export supplies to the EAEU countries increased by 5.0 percent, mainly due to the growth in the supply of clothes, cotton, plastic products, milk and dairy products.

In the reporting year, import of goods (in FOB prices) amounted USD 4.6 billion, having increased by 9.5 percent. The increase in import was caused by growth in supplies of such goods as clothes, footwear, electrical apparatus for line telephony, cast iron and steel and a number of other goods. At the same time, the decrease was noted in import of fabrics, grain, medicaments and other goods. Moreover, in the reporting year, the volume of imported petroleum products decreased by 2.7 percent due to a reduction in physical supplies.

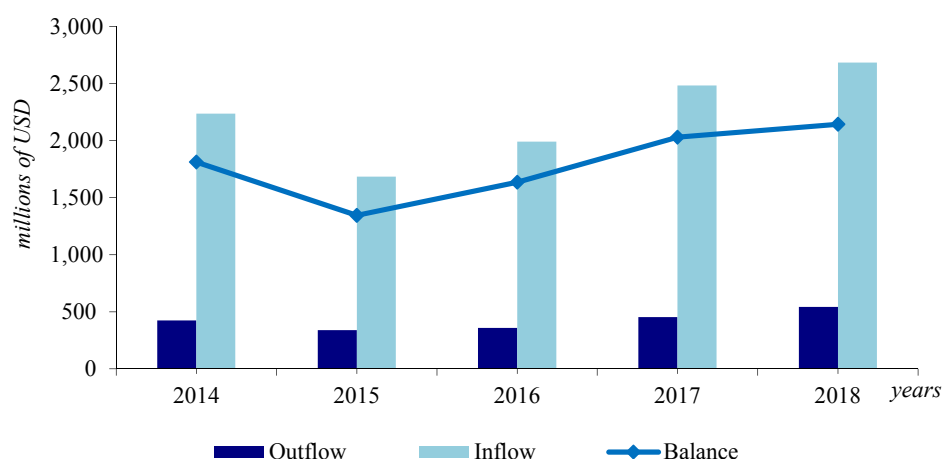
In the reporting year, import supplies from the EAEU countries decreased by 4.5 percent. The reduction was mainly due to a decrease in import of such goods as petroleum products, grain, medicaments, sugar and a number of other goods.

Following the preliminary results of 2018, the increase was noted in export of services by 1.2 percent and in import of services by 5.8 percent. As a result, balance of services deficit increased by 47.2 percent and amounted to USD 135.5 million.

Remittances

Net inflow of current transfers amounted to USD 2.4 billion, having increased by 2.2 percent compared to the same period of 2017. In structure of current transfers, a significant volume of income was provided by remittances of migrant workers. Following the results of 2018, the net inflow of remittances of individuals through money transfer systems amounted to USD 2.1 billion (USD 2.0 billion in 2017).

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

Chart 1.3.2.**Remittances of Individuals through the Money Transfer Systems**

The negative balance of income decreased by 44.0 percent (down to USD 208.1 million). It was formed under the influence of declining incomes on direct investments accrued to be paid to non-residents.

In the reporting period, the balance of the capital and financial account increased by 16.0 percent and amounted to USD 557.8 million. Direct and other investments provided a significant share of receipts on the financial account. Net inflow of foreign direct investment into the country amounted to USD 48.3 million; meanwhile, in 2017, net outflow of funds amounted to USD 78.1 million.

The balance of the item “Other investments” decreased by 59.8 percent compared to 2017 (USD 179.7 million) due to reduction in foreign assets and liabilities of the residents of the Kyrgyz Republic.

Following the results of 2018, the positive balance of the item “Errors and omissions” amounted to USD 139.2 million, which may reflect statistical discrepancies related to the moment of transactions registry, incomplete coverage or using data from various sources.

The balance of payments was negative and amounted to USD 4.8 million (in 2017, the positive balance was USD 147.2 million).

At the end of the reporting year, gross international reserves amounted to USD 2,155.5 million, which corresponded to 4.5 months of coverage of the future volume of import of goods and services.

*Capital account**Overall balance*

ACTIVITY
OF THE NATIONAL BANK
OF THE KYRGYZ REPUBLIC
IN 2018



CHAPTER 2. MONETARY POLICY

During 2018, inflation in the Kyrgyz Republic remained moderate and fluctuated within the range from 0.5 to 3.5 percent. The high supply of food products both imported and domestically produced conditioned low price growth.

Restrained price growth for goods and services in 2018 and positive inflationary forecasts for the medium term allowed the National Bank to conduct a stimulating monetary policy.

The National Bank eased its interest rate policy by decreasing the National Bank policy rate from 5.00 percent to 4.75 percent in May 2018, keeping it at that level until the end of the reporting year.

In the reporting period, the National Bank continued financing priority sectors of the economy, as well as for the purpose of developing the regions of the country.

In 2018, measures to improve and optimize monetary policy tools were taken in order to increase the efficiency of the monetary policy transmission mechanism.

Following the regime of a floating exchange rate, the National Bank during 2018 participated in the domestic foreign exchange market to prevent sharp exchange rate fluctuations.

In the reporting year, the policy was still carried out in the area of transparent monetary policy measures taken to form a better understanding of the public and to increase confidence in the monetary policy conducted by the National Bank.

International reserves were managed taking into account liquidity and security priorities to fulfill the objectives of the monetary policy. The National Bank carried out operations on purchase of gold in the domestic market to increase the volume of international reserves.

2.1. Goal and Objectives of Monetary Policy

The National Bank's goal

In accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, the objective of the National Bank is to achieve and maintain price stability through appropriate monetary policy.

Ensuring stable prices and fostering a favorable inflationary environment play an important role in maintaining macroeconomic stability, which is an essential condition for the long-term economic development of the Kyrgyz Republic.

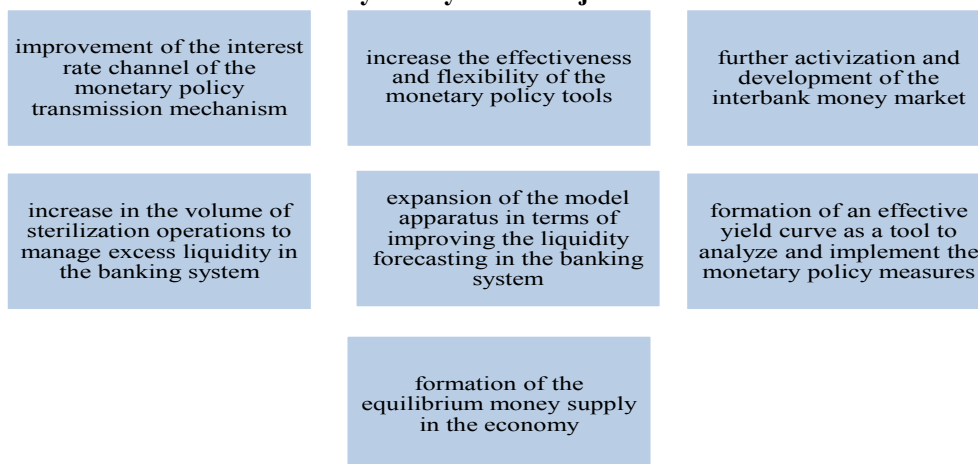
Monetary policy main objectives

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

In 2018, the National Bank took measures to improve the monetary policy transmission mechanism, enhance the interbank money market, and increase the efficiency and flexibility of monetary policy instruments within the framework of implementing designated plans of the National Bank for gradual transition to the inflation targeting regime in the medium term.

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

Monetary Policy Main Objectives in 2018:



2.2. Monetary Policy Implementation

In 2018, the monetary policy was focused on ensuring moderately low inflation, which contributed to maintaining positive real economic growth in the Kyrgyz Republic.

The National Bank implemented monetary policy using the whole range of monetary policy instruments to maintain price stability.

Tactical monetary policy measures were focused on increasing the influence of the National Bank on the money market short-term interest rates, which form the value of “long-term money”.

The policy rate of the National Bank (key rate) remained the main monetary policy instrument, the decisions on it were made on the basis of inflation analysis and forecasts, its internal and external factors.

Taking into account the slowdown in inflation processes and existing macroeconomic conditions in the country, the National Bank continued easing its interest rate policy in the reporting year. In May 2018, the policy rate of the National Bank was reduced from 5.00 percent to 4.75 percent and kept unchanged during the second half of the year.

The rates of the interest rate corridor were adjusted: the rate on “overnight” credit determining the upper level (ceiling), was reduced from 6.25 to 6.00 percent, the rate on “overnight” deposit being the low level (floor), was raised from 0.25 to 1.50 percent due to changed key rate, as well as to increase influence on the money market rates.

In 2018, the monetary policy was implemented under the conditions of retention of excess liquidity in the national currency in the banking system. The average daily volume of this indicator before the sterilization operations conducted by the National Bank did not change compared to 2017 and amounted to KGS 13.0 billion, after sterilization operations – KGS 0.7 billion (in 2017 – KGS 1.3 billion). Excess reserves were formed in the banking sector mainly due to the inflow of funds through monetary and budget channels.

Under these conditions, in 2018, the National Bank increased its operations to absorb the excess liquidity of the banking system through conducting operations in the open market and placing of the commercial banks’ available funds on “overnight” deposits at the National Bank. In 2018, the average daily volume of excess liquidity withdrawn from the banking system amounted to KGS 12.3 billion (in 2017 – KGS 11.7 billion).

An increase in the maturity period of notes of the National Bank improved the effectiveness of measures to withdraw excess liquidity. 91-day notes absorption prevailed in the general structure of the sterilization operations conducted by the National Bank. Under such circumstances, there was a decrease in the volume of placement of the commercial banks’ available funds on overnight deposits at the National Bank. The

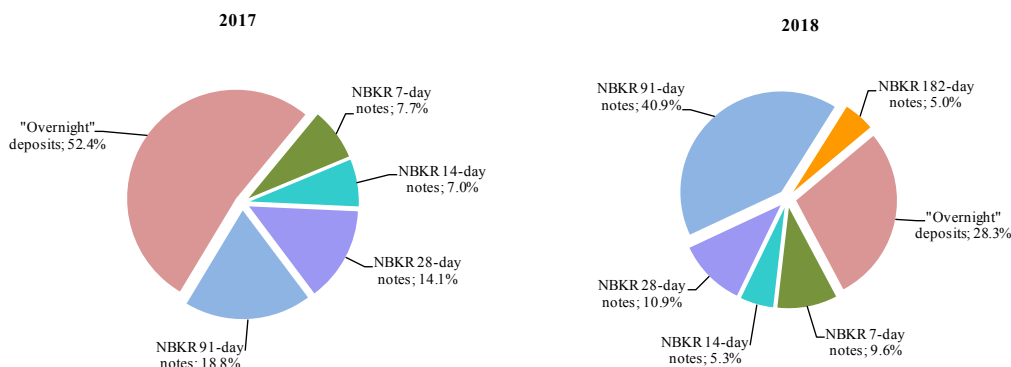
Interest rate policy

Liquidity regulation

average daily volume of “overnight” deposits placed with the National Bank amounted to KGS 3.9 billion (in 2017 – KGS 7.7 billion). At the same time, the average daily volume of notes in circulation increased from KGS 4.0 billion in 2017 up to KGS 8.6 billion in 2018.

Chart 2.2.1.

Structure of National Bank Sterilization Operations



The National Bank kept conducting a policy focused on expanding lending to the real sector of economy for supporting measures to stimulate the economy.

Lending policy

The lending funds were provided to the regions of the republic and priority sectors of the economy through monetary policy instruments. At the end of 2018, the total amount of credit resources¹ provided to the banking system amounted to KGS 3.3 billion. The debt of the financial organizations on loans previously issued by the National Bank to maintain positive rates of economic growth in the Kyrgyz Republic as of December 31, 2018 amounted to about KGS 9.2 billion.

Communication policy

Communication policy is among the key instruments of the monetary policy conducted by the National Bank. The National Bank contributes to formation of the rational inflationary expectations and expectations regarding future decisions in the monetary sphere among economic entities through active informational work with the general public.

In the reporting year, in order to improve the effectiveness of its monetary policy, the National Bank continued:

- publishing the strategic and monetary policy targets for the near future on the official website of the National Bank;
- issuing regular press releases on the decisions on the policy rate of the National Bank;
- holding regular press conferences on monetary policy issues involving the National Bank management.

The periodic monetary policy reports provided extensive coverage of the measures taken by the National Bank, current assessments of the economic growth in the Kyrgyz Republic and expectations for the future.

2.2.1. Open Market Operations

The National Bank notes

During 2018, the National Bank notes were the main instrument used by the National Bank in the open market. Notes are discount securities of the National Bank with various maturities placed at the auctions to regulate liquidity in the banking system.

¹ Issued at the credit auctions for refinancing and loans to the international organizations established by the Kyrgyz Republic jointly with other states within the EAEU.

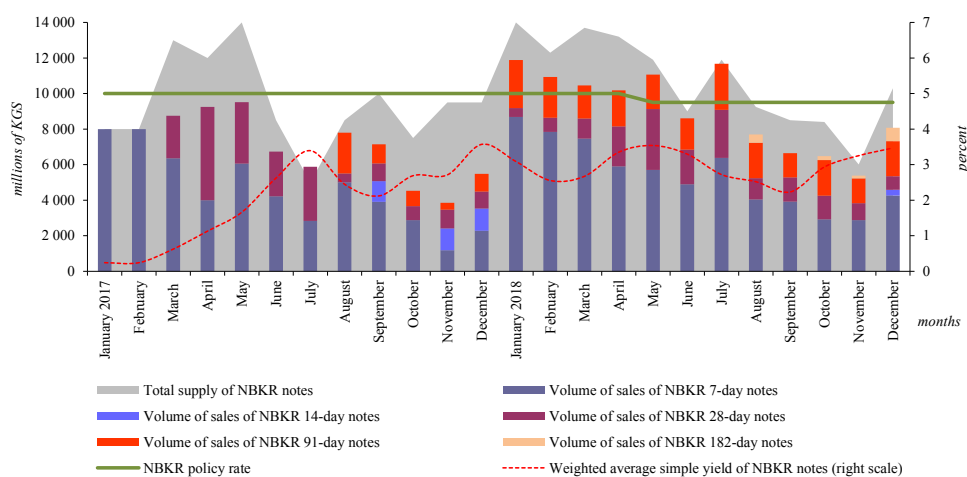
In the reporting period, the market of the National Bank notes was represented by 7-, 14-, 28-, 91-day notes. In addition, the National Bank started issuing notes with maturity of 182 days since August 2018 to continue developing the interbank market and provide more efficient liquidity management in the banking system.

In 2018, the volume of notes supply increased by 13.2 percent compared to 2017 and amounted to KGS 128.5 billion. At the same time, the volume of notes supply for additional placement amounted to KGS 2.7 billion. In the reporting year, the volume of demand for notes increased by 11.8 percent, up to KGS 134.4 billion. Demand for additional placement of notes amounted to KGS 2.4 billion. The total sales of notes, taking into account the additional placement, increased by 28.4 percent compared to 2017 and amounted to KGS 109.1 billion.

The largest volume of sales of notes compared to the total volume was accounted for the National Bank notes with a maturity of 7 days (59.5 percent), sales of notes with a maturity of 14 days amounted to 0.3 percent, 28 days – 16.8 percent, 91 days – 21.9 percent, and 182 days – 1.5 percent.

Chart 2.2.1.1.

Sales Volume of Notes of National Bank and Policy Rate Developments



Depending on the ratio of supply and demand, during the reporting period, the weighted average yield of the National Bank notes was characterized by multidirectional dynamics. As a result, the total weighted average yield of this asset increased by 1.0 percentage points compared to 2017 and amounted to 3.0 percent.

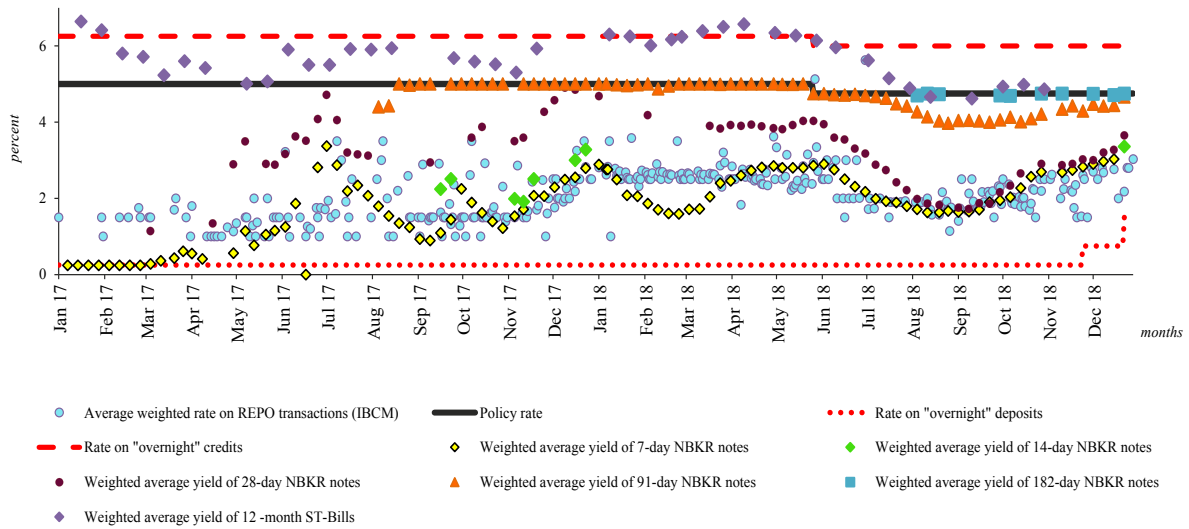
At the end of 2018, the volume of the National Bank notes in circulation increased by 53.9 percent year-to-date and amounted to KGS 8.0 billion. The commercial banks with a share of 96.6 percent (-1.1 percentage points), institutional investors – 2.6 percent (+0.3 percentage points) and resident legal entities – 0.9 percent (+0.8 percentage points) were the main notes holders as of the end of the reporting period.

2.2.2. Operations in the Interbank Money Market

In general, in the reporting year, the current rates (up to 1 year) of the interbank money market were within the interest rate corridor set by the National Bank, demonstrating a gradual convergence towards the key rate. This was facilitated by the measures taken by the National Bank to increase the influence of the monetary policy interest rate channel on the financial sector.

In some periods of 2018, there were multidirectional dynamics of short-term interest rates in the money market amid seasonal increase in excess reserves of the commercial banks.

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

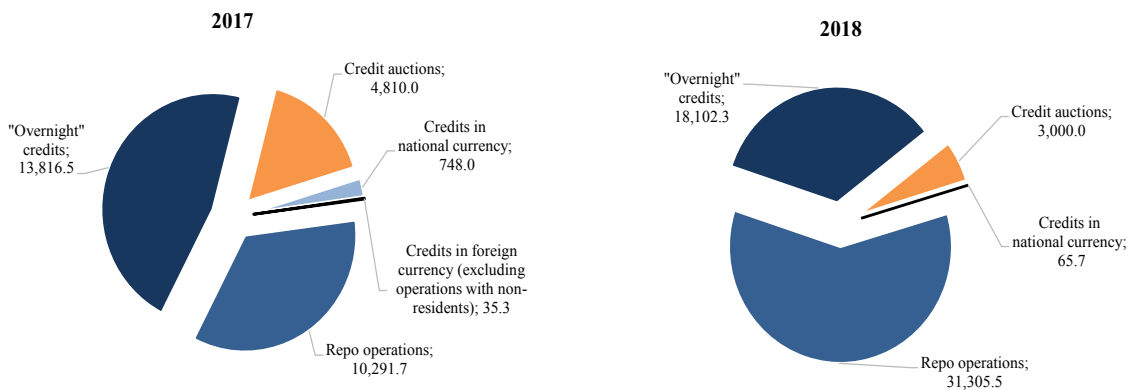


Interbank credit market

Measures taken by the National Bank to extend the maturity of notes led to a noticeable revival of the participants in the interbank credit market, in particular in the segment of repo transactions. In 2018, the volume of borrowing on repo terms increased threefold, from KGS 10.3 to 31.3 billion.

In the reporting year, the total volume of operations in the national currency in the interbank credit market (including loans issued by the National Bank) increased by 76.7 percent compared to the same indicator of 2017 and amounted to KGS 52.5 billion.

Chart 2.2.2.2.
 Volume of Domestic Interbank Credit Market Transactions
 (millions of KGS)



In the reporting period, the weighted average interest rate on repo operations increased by 0.6 percentage points up to 2.4 percent. The loans transactions in the national currency were conducted on an interest-free basis; meanwhile there were no loan transactions in foreign currency.

The average maturity of repo transactions decreased from 10 to 5 days, while that of loans in the national currency – from 71 to 9 days.

Table 2.2.2.1.

Weighted Average Interbank Market Interest Rates and the National Bank Rates (over the period)
(percent)

	2017	2018
Interbank market rates		
Rates of credits in national currency	3.4	0.0
Rates of credits in foreign currency	2.6	-
Rates of repo operations	1.8	2.4
National Bank operations rates		
"Overnight" credits rates	6.3	6.2
"Overnight" deposits rates	0.3	0.3
Credit auctions rates	5.0	5.2

Taking into account the policy conducted by the Government of the Kyrgyz Republic to increase the issuance of long-term government securities (over 1 year), in 2018, as opposed to the previous years, the short-term government securities segment of the money market was represented by the state treasury bills with a maturity of 12 months. During the reporting year, the rates on this instrument fluctuated around the policy rate set by the National Bank.

Government securities market

In the long-term segment of the financial market, the Ministry of Finance of the Kyrgyz Republic placed state treasury bonds with a maturity from 2 to 10 years, during 2018, the rates thereof demonstrated a downward trend.

2.2.3. Operations on Banks Refinancing

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

The National Bank has the following types of refinancing instruments:

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

In 2018, the volume of extended “overnight” credits amounted to KGS 18.1 billion, whereas, in 2017, the volume thereof amounted to KGS 13.8 billion.

In 2018, the National Bank offered funds in the amount of KGS 12.0 billion to the commercial banks within the framework of the credit auctions to promote the

economic development in the Kyrgyz Republic and decrease the interest rates on credits, meanwhile, the approved volume based on the results of the credit auctions amounted to KGS 3.0 billion (in 2017 – KGS 4.8 billion). These funds were sent by the commercial banks for projects lending in the regions of the Kyrgyz Republic, as well as to implement the project of the Government of the Kyrgyz Republic “Agriculture Financing”.

In addition, in the reporting period, the National Bank extended credits in the amount of KGS 300.0 million (in 2017 – KGS 72.5 million) to the international organizations established by the Kyrgyz Republic jointly with other states within the EAEU to support a long-term economic development.

In the reporting year, the National Bank extended credits for liquidity support totaling KGS 571.7 million (in 2017 – KGS 538.3 million).

In 2018, the “intraday” credits, 7-day credits, as well as the credits of last resort were not extended to the commercial banks.

Table 2.2.3.1.

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

	Q1	Q2	Q3	Q4	Total
"Overnight" credits					
2017	-	50.0	538.2	13,228.3	13,816.5
2018	10,493.9	7,608.4	-	-	18,102.3
Credit auctions					
2017	500.0	4,130.0	180.0	-	4,810.0
2018	664.9	2,335.1	-	-	3,000.0
Credits for liquidity support					
2017	-	-	-	538.3	538.3
2018	-	141.4	430.2	-	571.7
Credits to international organizations:					
2017	49.5	23.0	-	-	72.5
2018	100.0	-	150.0	50.0	300.0

*Amount of credits actually issued for the indicated period

2.2.4. Domestic Foreign Exchange Market Operations

Foreign exchange interventions

There was relatively stable situation in the domestic foreign exchange market during 2018. The National Bank continued to adhere to the regime of floating exchange rate and implemented foreign exchange interventions to smooth the sharp exchange rate fluctuations. The National Bank participated in the foreign exchange auctions under the influence of external factors in the form of a worldwide increase in the volatility of foreign currencies.

In 2018, the official US dollar-Kyrgyz som exchange rate increased by 1.5 percent, from KGS 68.8395 to KGS 69.8500 per USD 1.

In the first quarter of the reporting year, the supply of foreign currency exceeded demand thereof in the domestic foreign exchange market, which resulted in a short-term strengthening of the national currency. In the first quarter, the National Bank purchased USD 20.6 million and sold USD 5.4 million.

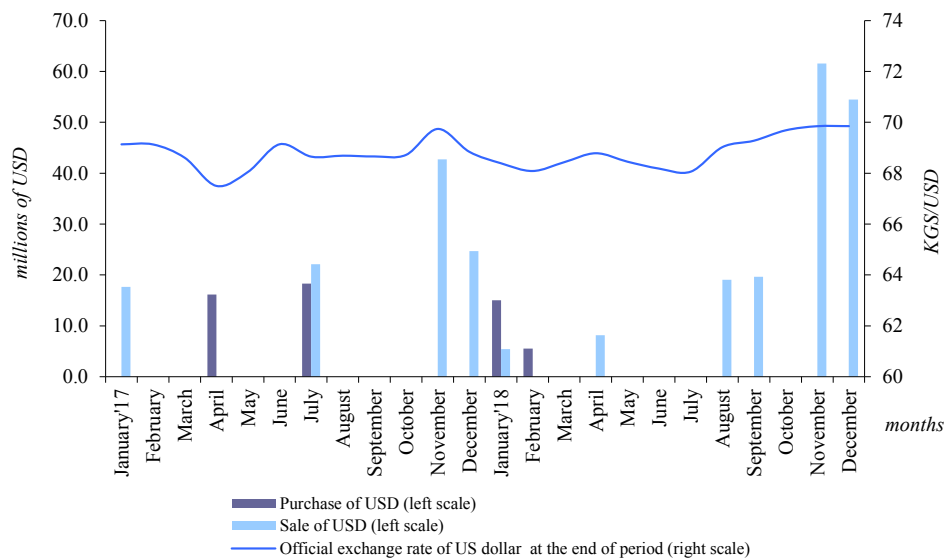
At the beginning of the second quarter, there was an excess of demand for foreign currency over supply thereof. The National Bank sold USD 8.2 million to smooth sharp fluctuations of the exchange rate.

Since the middle of the third quarter, demand for foreign currency was still observed as a result of increased volatility in the world financial markets. The National Bank

conducted operations on sale of foreign currency in the amount of USD 38.7 million to mitigate the pressure on the exchange rate.

Chart 2.2.4.1.

Foreign Exchange Operations of National Bank in 2018



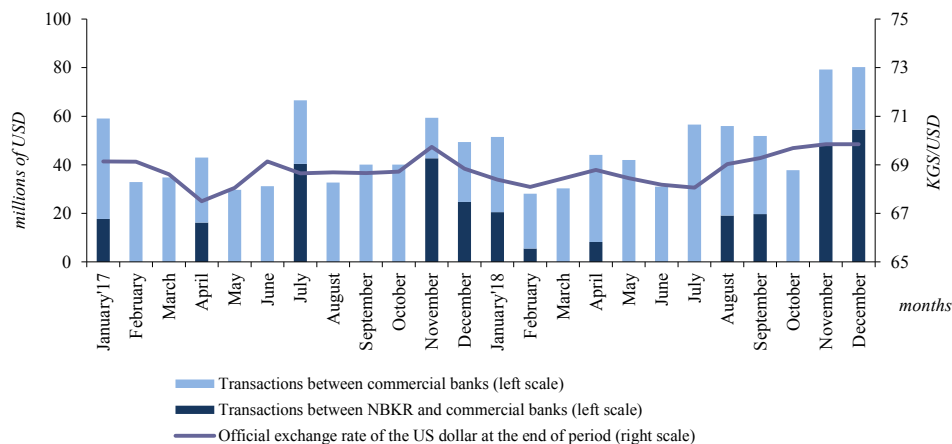
In the fourth quarter, an increase in demand for foreign currency put some pressure on the exchange rate. Exchange rate fluctuations were smoothed through the operations of the National Bank. During this period, the National Bank sold USD 116.0 million, including the sale of cash US dollars in the amount of USD 13.7 million.

In general, in 2018, the National Bank sold USD 168.3 million (including the sale of US dollars in cash in the amount of USD 13.7 million), purchased USD 20.6 million. Net sales amounted to USD 147.7 million.

In the reporting period, the total volume of operations on purchase/sale of foreign currency in the interbank foreign exchange market¹ and operations of exchange offices increased by 30.5 percent, up to KGS 738.6 billion. The increase in the volume of operations was observed in all currencies. The largest volumes of operations were conducted in US dollars (+28.7 percent) and in Russian rubles (+32.5 percent).

Total volume of operations in the foreign exchange market

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

Chart 2.2.4.2.**Exchange Rate Movement and Volume of Interbank Foreign Exchange Auction Transactions****Swap-operations**

The aggregate volume of swap-operations conducted by the commercial banks in the domestic market and with non-resident banks increased by 2.9 percent compared to the indicator of 2017 and amounted to USD 660.3 million. The National Bank did not conduct swap-operations during the reporting period.

Exchange rate movement at exchange offices

Since the beginning of 2018 till December 31, the weighted average selling rate of US dollars in cash in the exchange offices increased by 1.4 percent and amounted to KGS 69.7795 per US dollar at the end of the year. Since the beginning of the year, the weighted average selling rate of euro in the exchange offices on the contrary decreased by 2.7 percent, down to KGS 80.1094 per euro, Russian ruble – by 15.7 percent, down to KGS 1.0034 per ruble, and that of Kazakh tenge – by 11.6 percent, down to KGS 0.1843 per tenge.

2.2.5. Reserve Requirements**RR definition**

Reserve requirements (RR) being among the instruments of monetary regulation and, along with other instruments are used to achieve target inflation rates.

RR standards

In the context of its definition, RR is the amount of money that the commercial banks and microfinance companies attracting deposits are obliged to maintain for a certain period of time (28 days), according to the requirements established by the National Bank.

The Board of the National Bank determines the ratio of the required reserves and the procedure of fulfillment thereof depending on the monetary policy conditions.

In 2018, the RR differentiated approach was remained for the commercial banks and microfinance companies attracting deposits. During the reporting year, the ratios of reserve requirements were not changed and remained at 4.0 percent for the liabilities in the national currency, the currencies of the EAEU member-states and CNY; at 12.0 percent for the liabilities in other foreign currencies.

The rules for calculating and complying with the reserve requirements, as well as penalties application in case of non-compliance of the reserve requirements, were kept during 2018.

The minimum threshold amount of money in a correspondent account with the National Bank valid for the commercial banks to comply with the RR on a daily basis remained at the level of 90.0 percent of the amount of the bank's required reserves defined for the appropriate period.

During 2018, the National Bank imposed penalties for non-compliance with the RR in relation to:

- one commercial bank for non-compliance with the RR norms generally for the base period;
- five commercial banks for non-compliance with the daily minimum level of the volume of required reserves.

2.3. Management of International Reserves

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

The decision-making in the part of defining the bank’s investment strategy, the portfolio structure of international reserves, the ratio of risk and the return on investment instruments, as well as a choice of the bank’s counterparties was made by the Board and the Investment Committee of the National Bank. In 2018, the Investment Committee held 15 meetings on international reserves management. Criteria were set, as well as the requirements and restrictions imposed on counterparties, types of instruments, and the size and maturity of investment were established to minimize the risks emerging during international reserves management.

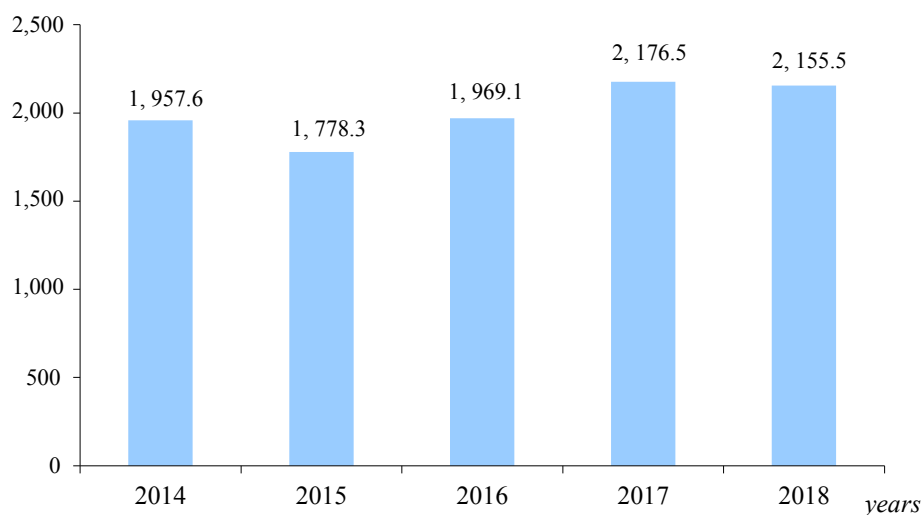
Management of international reserves was regulated by the Investment Policy and the Risk Management Policy in International Reserves Management and the Methods to Determine Limits for Counterparties in International Reserves Management.

At the end of 2018, gross international reserves amounted in the equivalent of USD 2,155.5 million, having decreased by USD 21.0 million or 1.0 percent over the year. The international reserves of the National Bank comprise the assets in gold, SDR and the currency portfolio.

Volume of international reserves

Chart 2.3.1.

Dynamics of Gross International Reserves
(millions of USD)



The payments on the external liabilities of the Kyrgyz Republic; the changes in the exchange rates of currencies which are part of international reserves; the changes in the prices for precious metals; income from management of international reserves; the operations for purchase on gold in the domestic market of Kyrgyzstan; foreign exchange operations of the National Bank carried out in the domestic market of the country; and

receipt of foreign currency in favor of the Government of the Kyrgyz Republic influenced the volume of gross international reserves during 2018.

Table 2.3.1.

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

	2017	2018
Currency portfolio	78.9	72.3
Gold	13.3	21.4
Special Drawing Rights	7.8	6.3
Total	100.0	100.0

In 2018, the international reserves currency portfolio consisted of following currencies: Australian dollars, British pounds, US dollars, Euros, Canadian dollars, Chinese yuans, Norwegian kroner, Russian rubles, Singapore dollars, Swiss francs, South Korean won, and Japanese yen.

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

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

Working portfolio placement

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

Investment portfolio management

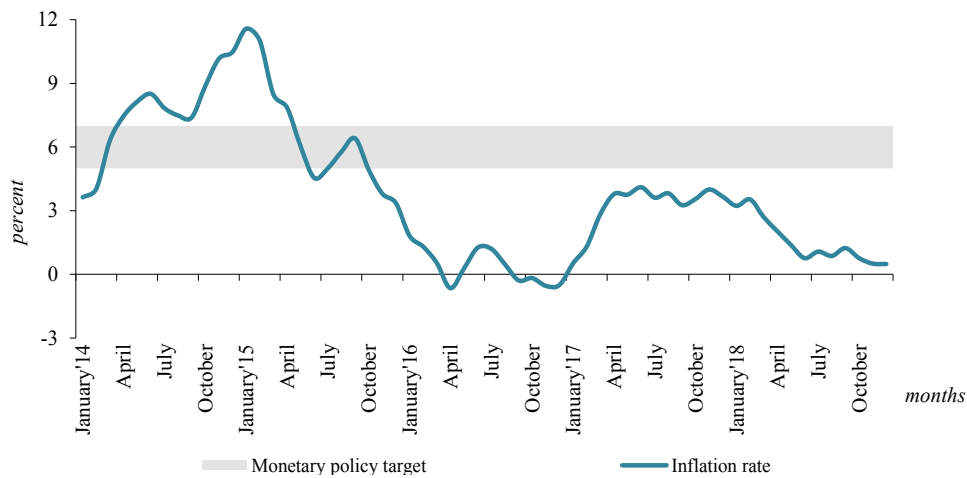
The investment portfolio was managed in accordance with the approved benchmark portfolio of international reserves. The National Bank placed the international reserves in securities, time deposits, as well as in one-day repo operations. The securities portfolio included the government securities of individual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

2.4. Monetary Policy Results

Inflation

The monetary policy conducted by the National Bank ensured retention of the price stability in the country during 2018. Macroeconomic conditions in the republic also contributed to such situation due to the high supply of basic food products of foreign and domestic production and moderate economic growth, which together shaped low inflation dynamics.

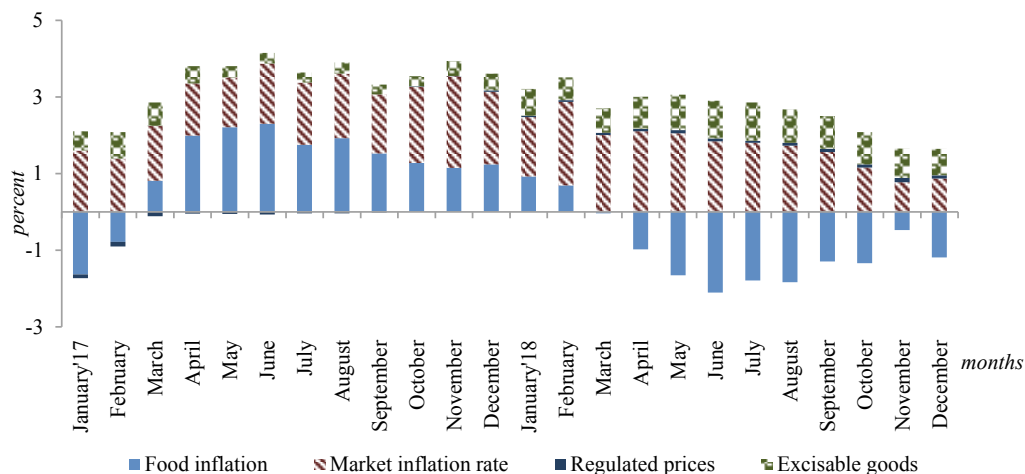
In the reporting year, the inflation rates did not exceed the medium-term targets of the monetary policy. In 2018, the annual average inflation rate was 1.5 percent; in December 2018, consumer price level increased by 0.5 percent compared to December of the previous year.

Chart 2.4.1.**Inflation Rate in the Kyrgyz Republic**

The decrease in prices for food products due to persistence of favorable situation in the foreign and domestic food markets was the main factor contributing to the low inflation rate. The price index for food products fell by 2.6 percent (December 2018 to December 2017). The prices for flour, fruits and vegetables decreased among the main types of food products.

Prices for non-food goods and services remained moderate. At the end of the year, the rate of non-food inflation was 1.4 percent (December 2018 to December 2017). Prices for alcoholic beverages and tobacco products increased by 6.4 percent, meanwhile the prices for paid services grew by 4.1 percent.

In 2018, market inflation rate¹ reflecting price movement not dependent on short-term factors and administrative decisions, was approximately 4-5 percent.

Chart 2.4.2.**Contribution to CPI Growth**

In general, in 2018, the short-term interest rates of the money market in the national currency fluctuated within the limits of the interest rate corridor established by the National Bank.

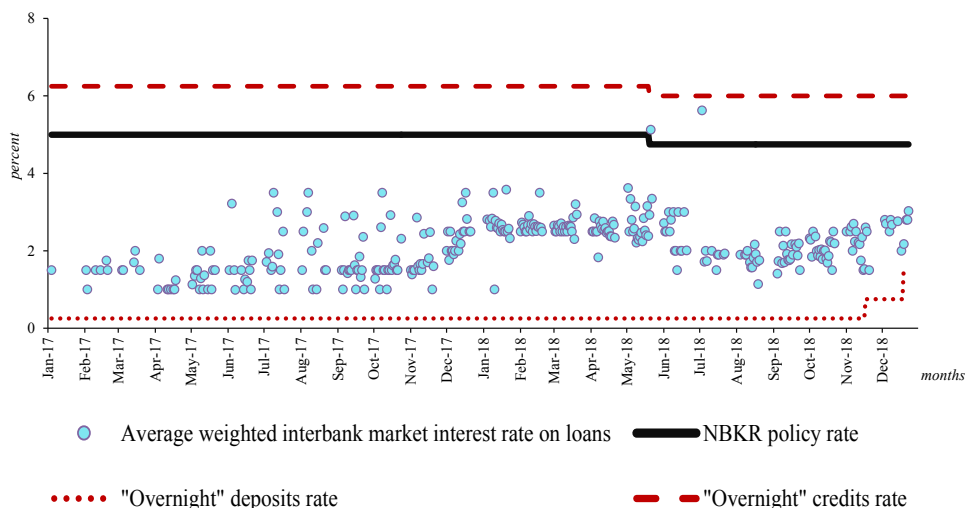
¹ The NSC calculations: goods and services are excluded from the general price index, prices for which are subject to significant seasonal/short-term fluctuations or determined by the administrative decisions of state bodies.

Money market

Implementation of the objectives focused on improving the transmission mechanism of the monetary policy and development of the interbank money market conditioned gradual approach of the short-term interest rates of the money market in the national currency to the policy rate of the National Bank (key rate). Taken measures narrowed a gap between the money market rates and the key rate. At the end of the reporting period, the lower rate of the interest rate corridor (the rate of “overnight” deposits) was increased twice from 0.25 to 1.5 percent to further develop the money market.

Chart 2.4.3.

Dynamics of Rates in the Interbank Credit Market



Monetary base

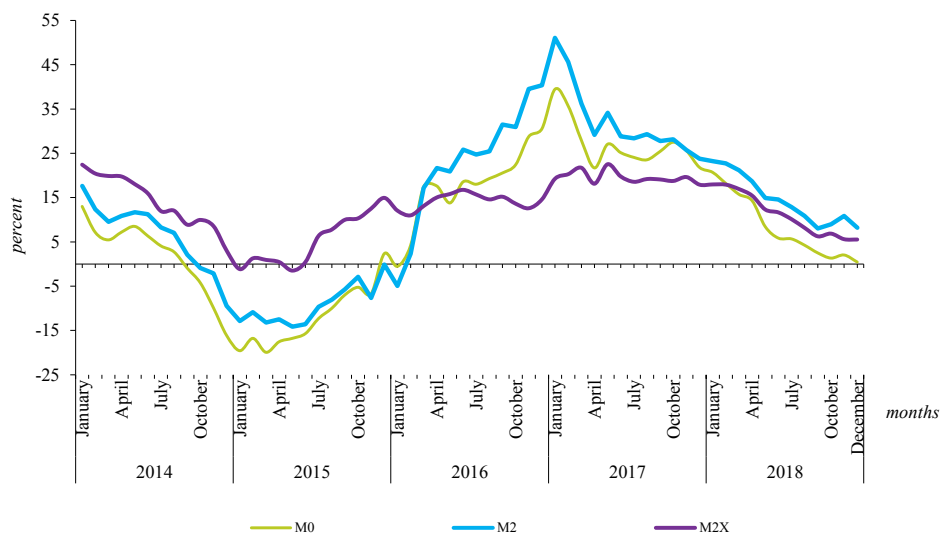
In 2018, the monetary base increased by 6.3 percent or KGS 6.3 billion and amounted to KGS 106.3 billion at the end of the year. The operations of the National Bank made the main contribution to the monetary base growth, while the operations of the Government of the Kyrgyz Republic reduced it by KGS 0.9 billion amid conducted fiscal consolidation.

Monetary aggregates

Monetary aggregates were still characterized by the positive growth. At the end of 2018, M2X monetary aggregate (broad money supply, including deposits in foreign currency) increased by 5.5 percent and totaled KGS 204.1 billion. The increase in this money aggregate, at the end of the reporting year was due to the expansion of money outside banks (monetary aggregate M0) by 0.4 percent, the volume thereof amounted to KGS 84.8 billion, and the increase of the deposits in the national currency by 19.4 percent. At the end of 2018, broad money supply in the national currency (M2 monetary aggregate) increased by 8.2 percent and totaled KGS 154.6 billion.

Chart 2.4.4.

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



The monetization factor of the economy, reflecting the financial resource capacity in the economy, is characterized by the upward trend. In 2018, this indicator was 36.6 percent.

Monetization factor

CHAPTER 3. DEVELOPMENT AND REGULATION OF FINANCIAL-CREDIT ORGANIZATIONS

In 2018, the National Bank continued active work on improving the tools and mechanisms for conducting supervisory activities to increase the effectiveness of banking supervision. In accordance with the international practice, a new supervision approach has been implemented – risk-based supervision, the purpose of which is to prevent the commercial banks inherent risks, depending on the nature, systemic significance and complexity of the bank.

In the reporting year, the National Bank continued conducting actions aimed at sustainable development and enhancing the role of the banking, non-banking sectors in the economy of the Kyrgyz Republic, focused on maintaining the efficiency, safety and reliability of their activities, creating the conditions to improve the regional and price affordability of the banking, payment and microfinance services, reducing the weighted average interest rates on loans, and further expansion of the services provided in accordance with the Islamic principles of financing.

Improvement was observed in the key performance indicators of the financial-credit organizations. The increase in assets, credit portfolio and resource base of the commercial banks and non-banking financial-credit organizations contributed to the ongoing development of the sector in 2018 and demonstrated some potential to further improve the level of financial intermediation.

Measures taken by the National Bank and the Government of the Kyrgyz Republic contributed to further decline of the dollarization level in the banking sector.

3.1. Development and Regulation of the Commercial Banks Operation

3.1.1. Overview of the Banking System Development¹

In 2018, the main indicators of the banking sector continued to grow: assets, credit portfolio, deposits, and capital compared to 2017. Reduced interest rates on loans, as well as other factors, increased the availability of borrowed funds for the individuals and organizations that also reflected on growth of financing by the banks. There was a growth in the volume of deposits that indicated enhancement of public confidence in the banks. An increase in the size of banks' capital in the reporting period contributed to strengthening of the banking system reliability and stability.

At the end of 2018, 25 commercial banks operated in the Kyrgyz Republic. Among the operating commercial banks, 18 banks had foreign capital. The share of foreign capital decreased by 2.5 percentage points as compared to 2017 and constituted 47.3 percent of the total authorized capital of the banking system.

During the reporting period, total assets of the banking system increased by 12.1 percent and amounted to KGS 222.0 billion by the end of the year. The main share of banks' assets, accounted for the loans, rose by 2.9 percentage points compared to 2017 and made up 57.6 percent.

*Banking system
assets*

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

Table 3.1.1.1.

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

Asset category	2017		2018	
	<i>billions of KGS</i>	<i>Share, percent</i>	<i>billions of KGS</i>	<i>Share, percent</i>
Loans and financial lease to clients	108.3	54.7	127.9	57.6
Correspondent accounts and deposits with other banks	25.6	12.9	24.5	11.0
Securities portfolio	17.7	8.9	21.7	9.8
Cash	13.1	6.6	15.5	7.0
Correspondent account with the NBKR	11.5	5.8	13.9	6.3
Fixed assets	10.6	5.4	12.0	5.4
Loans to financial and credit organizations	1.1	0.6	1.1	0.5
Securities purchased under repurchase (REPO) agreement	0.4	0.2	0.4	0.2
Investments and financial participation	0.3	0.2	0.4	0.2
Special LLP*	-8,1	-4,1	-9,4	-4,2
Other assets	17.5	8.8	14.0	6.3
Total	198.0	100.0	222.0	100.0

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

In the reporting period, the volume of highly liquid funds placed by the commercial banks in cash, short-term assets and on correspondent accounts of the National Bank increased by 7.4 percent and amounted to KGS 53.9 billion, or 24.3 percent of the total assets at the end of 2018.

In 2018, the aggregate credit portfolio of the banks¹ increased by 18.1 percent and amounted to KGS 127.9 billion. The credit portfolio increased due to the growth of moneylending in the national currency by 18.1 percent, up to KGS 79.4 billion, and in foreign currency by 18.0 percent, up to KGS 48.5 billion in KGS equivalent.

At the end of the reporting year, the total volume of short-term loans increased by 21.8 percent, and the volume of loans with a maturity of more than one year increased by 17.9 percent resulting in a slight increase in the credit portfolio duration from 31.3 to 31.8 months.

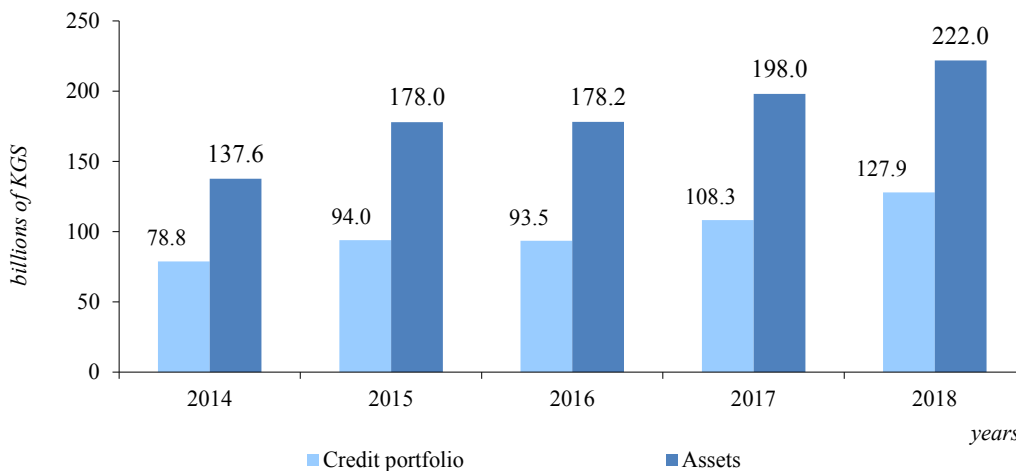
The number of borrowers increased by 11.6 percent and amounted to 407.0 thousand legal entities and individuals.

Credit portfolio

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

Chart 3.1.1.1.

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

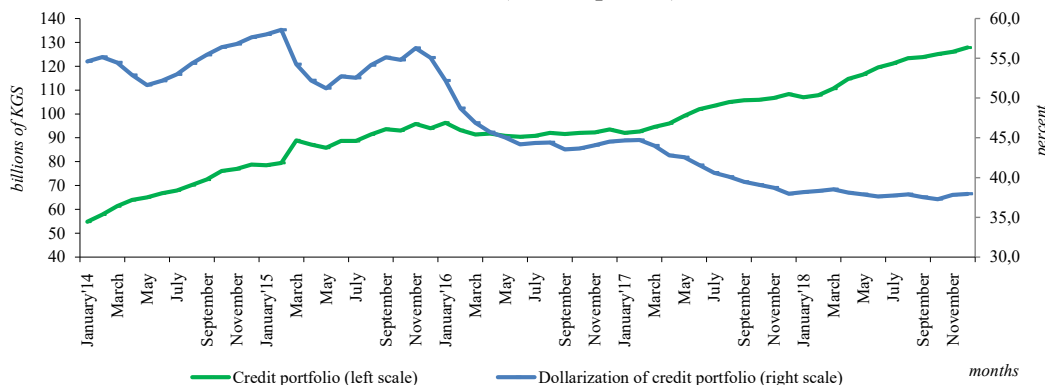


Credit portfolio dollarization

As a result of measures taken by the National Bank and the Government of the Kyrgyz Republic, the level of dollarization in the banking sector continued falling. Following the results of 2018, the level of dollarization of the credit portfolio declined by 0.1 percentage point compared to 2017 and amounted to 37.9 percent.

Chart 3.1.1.2.

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

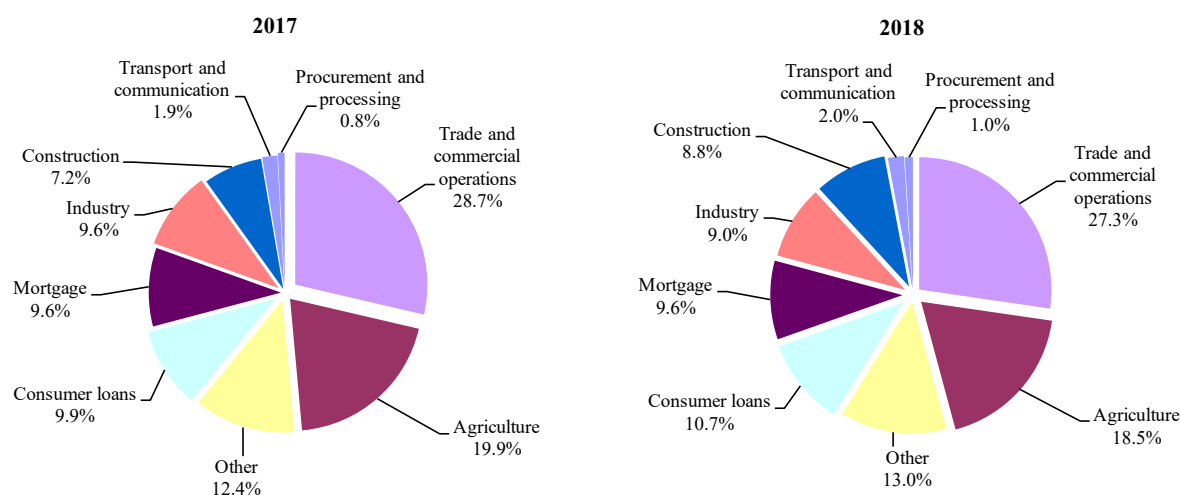


Sectoral structure of the credit portfolio

The volume of lending to the main sectors of economy continued increasing. The loans were mainly extended in such sectors as: trade and commercial operations (+KGS 3.9 billion), construction (+KGS 3.5 billion), consumer loans (+KGS 3.0 billion), agriculture (+KGS 2.1 billion), mortgage (+KGS 1.9 billion), industry (+KGS 1.1 billion).

Chart 3.1.1.3.

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



The volume of credit portfolio increased in all regions of the Kyrgyz Republic. In Bishkek city, the credit portfolio increased by KGS 11.8 billion, in Osh city and Osh oblast – by KGS 2.2 billion, in Chui oblast – by KGS 1.5 billion, in Jalal-Abad oblast – by KGS 1.4 billion, in Issyk-Kul oblast – by KGS 1.0 billion.

Regional structure of credit portfolio

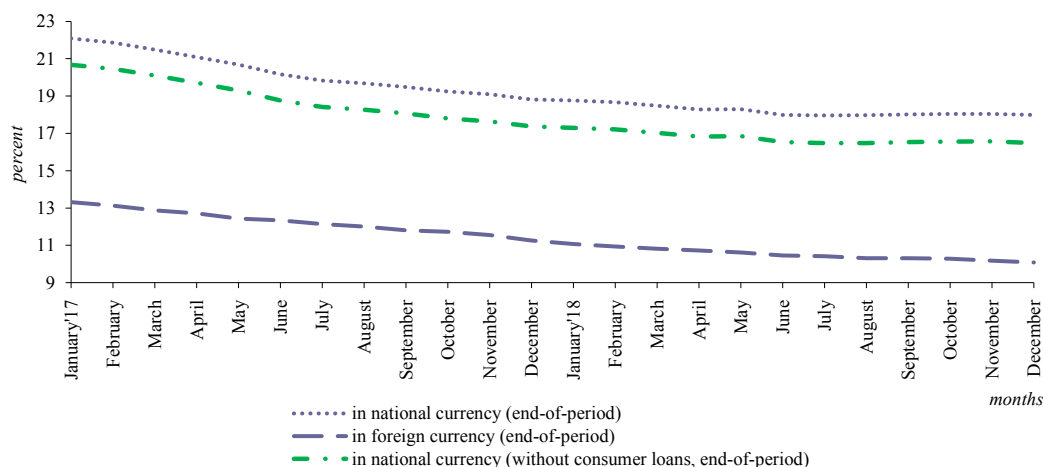
Table 3.1.1.2.

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

	2017		2018	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Bishkek city	60,557.3	56.2	72,358.8	56.9
Osh city and Osh oblast	13,079.6	12.1	15,287.1	12.0
Jalal-Abad oblast	10,419.3	9.7	11,807.6	9.3
Chui oblast	7,790.6	7.2	9,332.2	7.3
Issyk-Kul oblast	6,237.4	5.8	7,206.1	5.7
Batken oblast	3,679.8	3.4	4,174.1	3.3
Naryn oblast	3,046.3	2.8	3,621.6	2.8
Talas oblast	2,966.9	2.8	3,444.4	2.7
Total	107,777.2	100.0	127,232.1	100.0

*The credit portfolio is given including accrued discount

At the end of the reporting year, the weighted average interest rates on the credit portfolio of commercial banks decreased and amounted to 18.0 percent in the national currency (-0.8 percentage points), and those in foreign currency – by 10.1 percent (-1.2 percentage points). The weighted average interest rate on the credit portfolio (excluding consumer loans) in the national currency also decreased and amounted to 16.5 percent (-0.9 percentage points) at the end of the year.

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

The total volume of newly issued loans by the commercial banks increased by 7.3 percent compared to 2017 and amounted to KGS 113.7 billion. This annual increase was due to growth in the volume of loans in national currency by 9.5 percent, up to KGS 76.6 billion and those in foreign currency – by 3.1 percent, up to KGS 37.1 billion in KGS equivalent.

The weighted average interest rates on newly issued loans demonstrated decline during the year. The average interest rate in the national currency was 19.5 percent, having decreased by 0.3 percentage points, meanwhile this indicator in foreign currency decreased by 0.8 percentage points and amounted to 9.7 percent.

Performing assets and LLP

The volume of “performing” assets was 92.3 percent of total assets or KGS 190.5 billion, meanwhile that of “non-performing” assets was 7.7 percent or KGS 15.9 billion. The share of “non-performing” loans in the credit portfolio decreased slightly and amounted to 7.5 percent or KGS 9.6 billion.

In the reporting period, the amount of allocations to LLP amounted to 1.1 percent of the credit portfolio (in 2017 – 0.6 percent) amid growth in the volume and quality of the credit portfolio.

Table 3.1.1.3.**Classification of Banks’ Assets, Off-Balance-Sheet Liabilities and Loans***(in percent, unless stated otherwise)*

Category	Assets and off-balance liabilities		Loans	
	2017	2018	2017	2018
Total performing	92.7	92.3	92.4	92.5
<i>including:</i>				
Standard	62.7	62.4	46.4	47.6
Satisfactory	15.0	13.6	21.7	19.1
Under supervision	15.0	16.3	24.3	25.7
Total non-performing	7.3	7.7	7.6	7.5
<i>including:</i>				
Substandard	3.8	4.3	3.3	3.5
Doubtful	1.0	1.0	1.4	1.6
Losses	2.5	2.4	2.9	2.5
Total	100.0	100.0	100.0	100.0

At the end of 2018, the total volume of liabilities of the commercial banks increased by 12.6 percent, up to KGS 186.6 billion. The liabilities in foreign currency decreased by 2.8 percent compared to 2017 and amounted to 42.7 percent of total liabilities at the end of 2018.

Table 3.1.1.4.

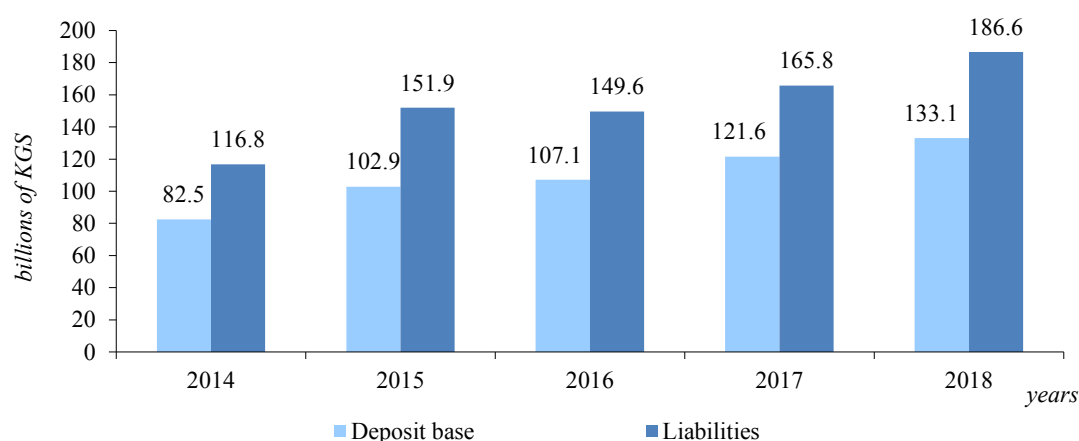
Structure of Liabilities of Commercial Banks (end-of-period)

Liability category	2017		2018	
	billions of KGS	Share, percent	billions of KGS	Share, percent
Term deposits	39.1	23.6	45.6	24.4
Settlement accounts	39.0	23.5	40.7	21.8
Demand deposits	30.2	18.2	32.2	17.3
Loans received	19.9	12.0	22.8	12.2
Government deposits	6.2	3.8	4.8	2.6
Deposits of non-residents	7.1	4.3	9.7	5.2
Liabilities to the NBKR	5.5	3.3	7.8	4.2
Government loans	3.4	2.1	3.9	2.1
Settlement accounts and deposits of banks	1.3	0.8	1.9	1.0
Securities sold under repurchase (repo) agreements	0.4	0.2	0.4	0.2
Other liabilities	13.6	8.2	16.7	9.0
Total	165.8	100.0	186.6	100.0

The share of the deposit base in the gross volume of liabilities decreased by 2.0 percentage points compared to 2017 and amounted 71.3 percent.

Chart 3.1.1.5.

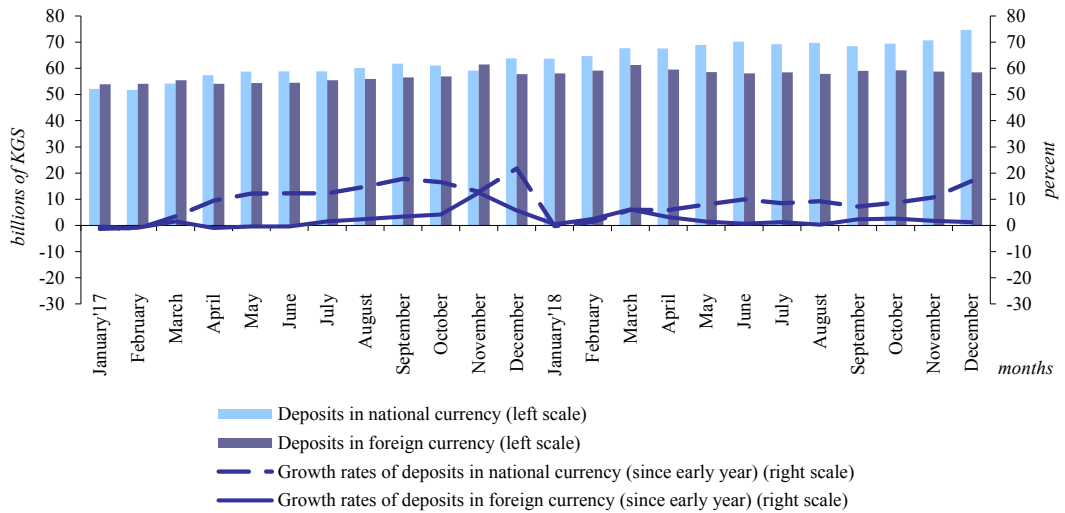
Dynamics of Liabilities and Deposit Base



At the end of 2018, the total volume of the deposit base of the commercial banks' customers increased by 9.5 percent year-to-date and amounted to KGS 133.1 billion. The volume of deposits in the national currency increased by 16.9 percent, up to KGS 74.6 billion, those in foreign currency – by 1.3 percent, up to KGS 58.5 billion in KGS equivalent.

Chart 3.1.1.6.

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



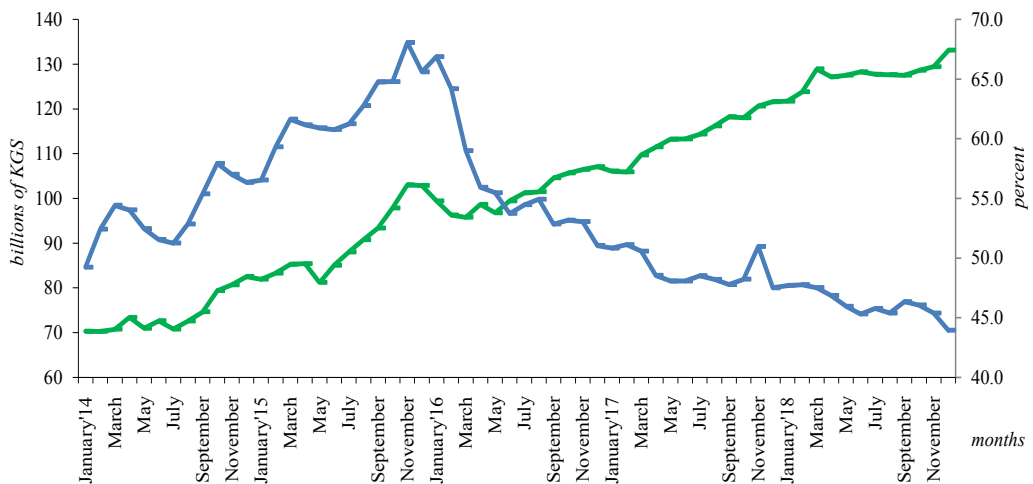
At the end of the year, the number of depositors increased by 14.3 percent compared to 2017 and amounted to 2.5 million legal entities and individuals.

Dollarization of the deposit base

The level of dollarization of the deposit base decreased by 3.6 percentage points compared to 2017 and amounted to 43.9 percent due to measures taken by the National Bank and the Government of the Kyrgyz Republic to provide de-dollarization of the economy.

Chart 3.1.1.7.

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



General structure of deposit base

The structure of deposits demonstrated increase of long-term deposits (over a year), the share thereof amounted to 11.7 percent, and short-term deposits (26.0 percent in the total volume of deposits).

As a result, the duration of the deposit base changed slightly: from 4.8 in 2017 to 5.0 months in 2018, and the same indicator for term deposits remained unchanged, at 13.2 months.

At the end of 2018, the weighted average interest rate on deposits in the national currency was 6.2 percent, having decreased by 0.1 percentage point over the year. The same indicator on deposits in foreign currency decreased down to 1.5 percent (-0.5 percentage points).

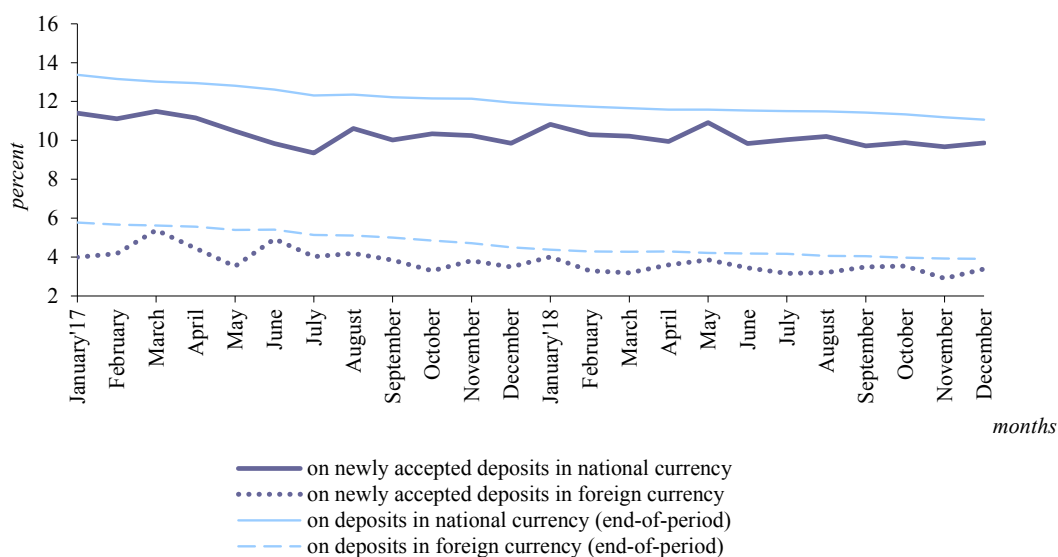
In 2018, the volume of deposits¹ newly accepted by the banks amounted to KGS 601.2 billion, having increased by 14.0 percent compared with 2017. Deposits in the national currency increased by 13.3 percent, up to KGS 328.3 billion, those in foreign currency – by 14.7 percent, up to KGS 272.9 billion. The main inflow of deposits was provided by the receipt of funds on demand accounts.

During 2018, the average interest rate on newly accepted deposits in the national currency decreased by 0.3 percentage points compared to 2017 and amounted to 2.4 percent, meanwhile the same rate in foreign currency decreased by 0.2 percentage points, down to 0.4 percent.

At the same time, the average interest rate on newly accepted term deposits in the national currency decreased by 0.4 percentage points compared to 2017, down to 10.1 percent, and those in foreign currency decreased by 0.7 percentage points, down to 3.4 percent.

Chart 3.1.1.8

Weighted Average Interest Rates on Term Deposits of Banks



In 2018, net total capital² of the commercial banks increased by 8.6 percent and amounted to KGS 36.5 billion. The value of paid-up authorized capital³ increased by 7.3 percent, up to KGS 23.5 billion.

Indicators of capital adequacy of the banking sector reflect stability of the banking sector. At the same time, the actual level of capital adequacy in the banking sector (K 2.1.) formed at the end of 2018, exceeded the established standard (at least 12 percent) by almost 2 times indicating that there was potential to further increase the level of financial intermediation.

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

² Estimate indicator, including authorized capital of the bank, the financial result of the activity implemented in the reporting and previous years, created reserves, except for investments in the subsidiaries and the capital of other financial-credit organizations. This indicator is applied when calculating the values of economic standards established by the National Bank of the Kyrgyz Republic.

³ Ordinary and preference shares are included into this category.

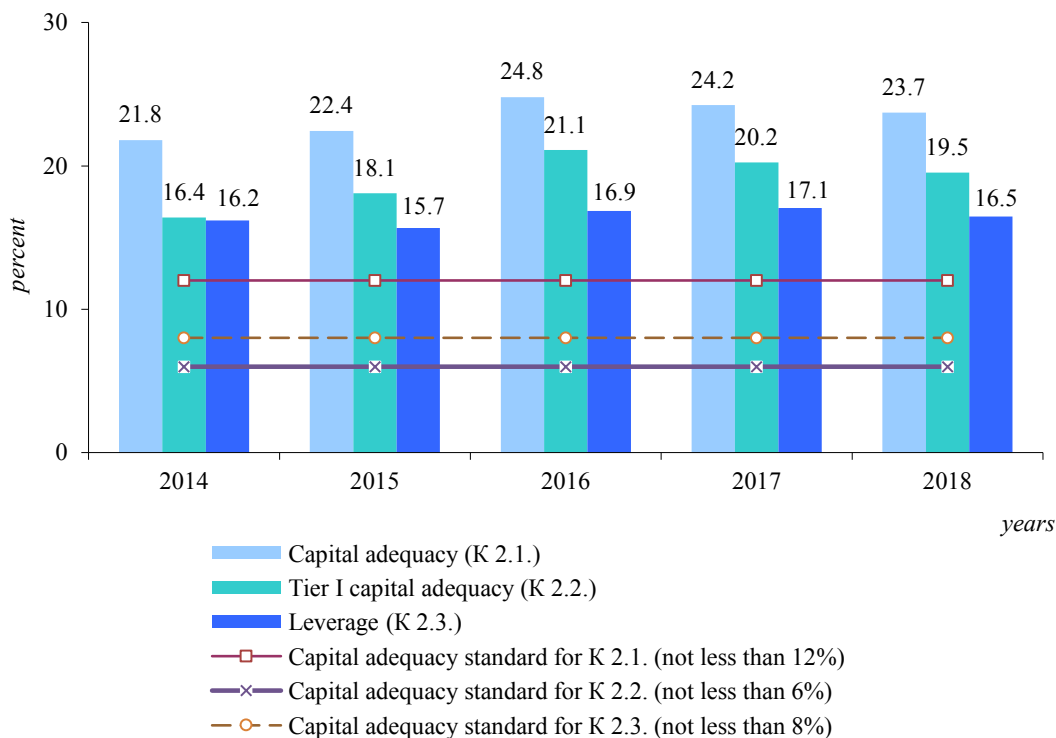
*Deposit
interest rates*

*Newly accepted
deposits*

*Capital of
commercial banks*

Chart 3.1.1.9.

Dynamics of Capital-Based Indicators of Banks

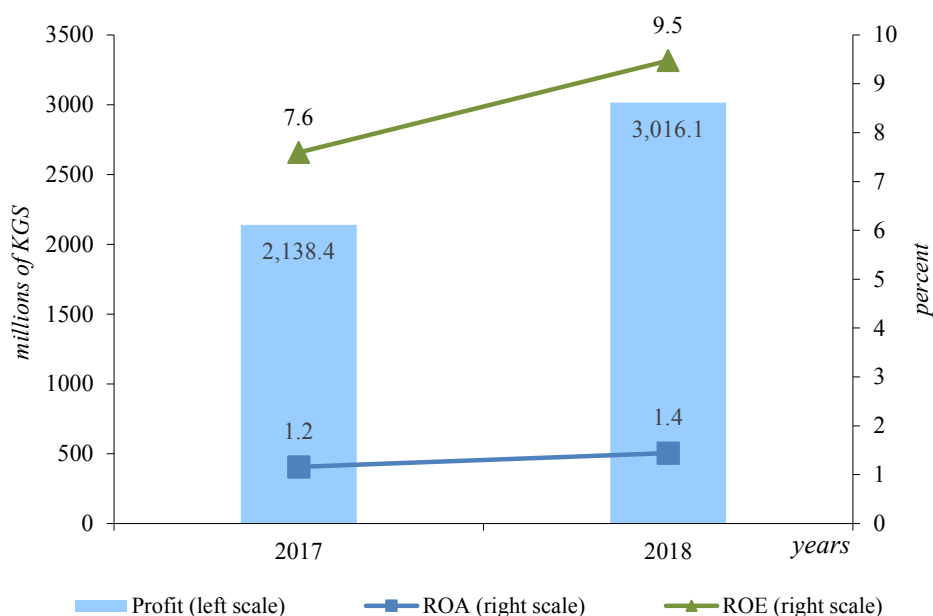


At the end of 2018, net profit of the banking system increased by 41.0 percent compared to 2017 and totaled KGS 3.0 billion.

Table 3.1.1.5.Volume of Income and Expenses of Banks
(billions of KGS)

Category	2017	2018
Total interest income	19.5	21.3
Total interest expenses	7.7	7.5
Net interest income	11.8	13.7
Allocations to LLP (loans)	0.6	1.4
Net interest income after allocations to LLP	11.2	12.3
Total non-interest income	10.0	11.0
Total non-interest expenses	5.7	6.1
Total other operating and administrative expenses	12.5	13.5
Net operating income (loss)	3.0	3.8
Allocations to LLP (on other assets)	0.5	0.4
Net income (loss) before tax	2.5	3.5
Profit tax	0.3	0.5
Net income (loss)	2.1	3.0

In 2018, return on assets (ROA) increased from 1.2 percent to 1.4 percent, return on equity (ROE) increased from 7.6 percent to 9.5 percent reflecting an increase in the efficiency of the banks activity.

Chart 3.1.1.10.**Indicators of Banks Profitability****3.1.2. Licensing of the Commercial Banks**

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

During 2018, two banks were granted a permit to conduct operations with refined gold measuring bullions issued by the National Bank, one of them was also authorized to conduct operations with precious metals of other issuers in an impersonal form (in non-cash form). Moreover, one bank was given a license to conduct banking operations in accordance with the Islamic principles of banking and financing through the “Islamic window” in the national and/or foreign currency.

As part of the oversight activities conducted in 2018, the National Bank worked with the shareholders of the commercial banks to form capital in accordance with the requirements of the banking legislation, according to it the deadline to form a minimum authorized capital in the amount of at least KGS 600 million was set for the existing banks (including branches of non-resident banks) till July 1, 2018.

Issue of license

Authorized capital of banks

*Branches, Savings
and Field Cash
Offices*

Table 3.1.2.1.

Number of Branches, Savings Offices and Field Cash Offices

	Number of Branches		Number of Savings Offices		Number of Field Cash Offices	
	2017	2018	2017	2018	2017	2018
Bishkek city	68	70	265	268	38	39
Batken oblast	25	25	72	70	7	10
Jalal-Abad oblast	49	49	174	170	15	22
Issyk-Kul oblast	39	40	64	55	16	17
Naryn oblast	20	20	23	23	2	3
Osh oblast	59	59	201	200	20	24
Talas oblast	18	17	22	21	5	7
Chui oblast	41	41	81	78	26	32
Total	319	321	902	885	129	154

During 2018, the commercial banks opened 3 branches, 22 savings offices and 34 field cash offices in the country. At the same time, 1 branch, 39 savings offices and 9 field cash offices of various commercial banks were closed.

3.1.3. Supervision of the Commercial Banks

In the reporting year, the National Bank started implementing risk-based supervision practically over the activities fulfilled by the commercial banks.

Risk-based supervision is an international best practice based on a bank's risk assessment in various areas of the bank's operations and an internal control system assessment, identifying the areas of highest risk and applying supervisory measures.

In 2018, supervision over the commercial banks was carried out within the frameworks of a supervision strategy over the activities of the commercial banks in the Kyrgyz Republic, using the principles of risk-based supervision and taking into account the financial condition, quality of management and compliance with the prudential standards and other requirements prescribed by law. Systemic risks of the banking sector are assessed as moderate.

In 2018, the total capital adequacy ratio was formed in the amount of 23.7 percent with the established standard of "not less than 12 percent". The excess of this indicator over the established level reflects a stable functioning of the banking sector, as well as availability of the potential to expand the range of financial services provided by the banking system.

Table 3.1.3.1.

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

	2017	2018
Net total capital, <i>billions of KGS</i>	33.6	36.5
Net risk assets, <i>billions of KGS</i>	138.5	153.8
Total capital adequacy ratio, <i>percent</i>	24.2	23.7
Total capital adequacy ratio standards (not less), <i>percent</i>	12.0	12.0
Number of banks with capital adequacy ratio more than 30 percent, <i>units</i>	12	8
Number of banks with capital adequacy ratio from 20 to 30 percent, <i>units</i>	7	10
Number of banks with capital adequacy ratio under 20 percent, <i>units</i>	6	7

Capital indicators

Credit risk is assessed based on the classification of assets and off-balance sheet liabilities¹. The ratio of special reserves to non-performing loans, bearing the risk of defaulting to the credit portfolio made up 4.1 percent, having decreased by 0.4 percentage points year-to-date.

Credit risk

Currency risk is assessed based on the ratio of assets and liabilities in foreign currency, and their share in the total assets or liabilities of the commercial banks. At the end of 2018, the foreign currency assets of the banking system amounted to KGS 87.3 billion or 38.0 percent of total assets. The liabilities of the commercial banks in foreign currency amounted to KGS 78.8 billion or 43.3 percent of total liabilities.

Currency risk

Table 3.1.3.2.

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

	2017	2018
Assets in foreign currency, <i>billions of KGS</i>	79.6	87.3
Share of foreign currency assets in total assets structure, <i>percent</i>	40.2	39.5
Liabilities in foreign currency, <i>billions of KGS</i>	75.4	78.8
Share of foreign currency liabilities in total liabilities structure, <i>percent</i>	45.5	43.3

Liquidity risk is considered in terms of coverage of the liabilities by the assets in each maturity period, making it possible to assess the need for the funds according to the existing gap by assets and liabilities. At the end of 2018, the negative gap by maturities of assets and liabilities was observed in all periods up to 30 days, 91-180 days and 181-365 days.

Liquidity risk

Table 3.1.3.3.²

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

2017*	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	69.2	11.9	10.9	19.5	92.8	204.2
Liabilities	87.8	7.8	13.1	18.4	34.3	161.3
Amount of excess assets over liabilities	-18.7	4.1	-2.2	1.1	58.5	42.9
in percent of the total volume of assets	27.0	34.6	20.2	5.6	63.1	21.0

* - data as of 31 December 2016, inclusive

2018*	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Assets	71.8	11.2	16.9	19.2	110.4	229.6
Liabilities	93.2	8.8	18.1	21.1	40.7	182.0
Amount of excess assets over liabilities	-21.4	2.4	-1.1	-1.9	69.6	47.6
in percent of the total volume of assets	29.8	21.7	6.7	10.0	63.1	20.7

* - data as of 31 December 2017, inclusive

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

² Data are given based on Section 12 PRBR.

AML/CFT

The value of the liquidity ratio in the banking system was 67.0 percent with the standard established for the commercial banks not less than at 45.0 percent. Additional “quick” liquidity ratio (K3.3) for certain banks is valid in order to prevent the risks.

In 2018, as a part of the existing bilateral agreement with the State Financial Intelligence Service under the Government of the Kyrgyz Republic, there was regular exchange of information on observance of the requirements of the legislation on anti-money laundering and combating the financing of terrorism and (AML/CFT) by the commercial banks.

In the reporting year, the Report on mutual evaluation of the National System of the Kyrgyz Republic on combating the financing of terrorism and anti-money laundering was approved at the 28th Plenary meeting of the Eurasian Group on combating money laundering and financing of terrorism (EAG). In 2018, the National Bank initiated implementation of the recommendations that were based on the EAG mutual evaluation of the AML/CFT national system of the Kyrgyz Republic and were focused on improving the AML/CFT national system.

As part of the Interagency plan for implementation of the Action plan to reduce the risks of money laundering and financing of terrorism for 2018-2019, the National Bank approved an Action Plan to improve the activities of the National Bank on oversight and regulation of the organizations supervised by the National Bank.

Inspections

In 2018, the National Bank also carried out inspections of the commercial banks using risk-based supervision approaches. The inspections included mainly assessment of the risk management system, corporate governance and internal control in the bank, taking into account capital adequacy, the quality of assets and contingent liabilities, liquidity, profitability, the bank’s exposure to operational and market risks, and compliance by the banks with the legislation of the Kyrgyz Republic including on AML/CFT.

3.1.4. Enforcement Measures

In 2018, appropriate measures were applied according to the results of the revealed violations/deficiencies in the activities of the banks within the framework of supervision over the commercial banks’ activities. The measures taken were focused on reducing banking risks, improving the quality of risk management, strengthening internal control, bringing the banks activities in line with the banking legislation of the Kyrgyz Republic, as well as ensuring reliability, stability and improving the efficiency of the activities of the banks.

Penalties were applied to individual banks and the officers thereof for violations of the banking legislation of the Kyrgyz Republic, including AML/CFT.

In 2018, the Supervision Committee of the National Bank held 52 meetings and discussed 198 issues on activities of the commercial banks. The Supervision Committee took supervisory response measures and measures to limit the activities of specific commercial banks, as well as fit and proper testing of officials of the commercial banks.

Within the framework of implementing the requirements of the legislation and the regulatory legal acts of the National Bank regarding the minimum amount of the authorized and equity (regulatory) capital of the commercial banks, enforcement measures were applied to seven commercial banks in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”.

3.1.5. Supervision and Regulation Methodology of the Commercial Banks Activity

In 2018, improvement of the legal framework governing activities of commercial banks, including the financial-credit organizations operating in accordance with the Islamic principles of banking and financing, was aimed at reducing risks, bringing the legal framework in compliance with the laws of the Kyrgyz Republic and international standards

for banking regulation, and improving supervision over the activities implemented by the commercial banks.

The National Bank approved amendments and additions to the Regulation “On Licensing of Banks Activities” providing for additional requirements for the banks shareholders, the bank officials subject to mandatory coordination with the National Bank. Requirements were established for submission of the documents on the origin of sources of funds, information about related and affiliated persons, drawing up schemes for the bank owners to determine the ultimate owners (beneficiaries).

Licensing of banks activities

In addition, the banks were given an opportunity to open additional points of client servicing to provide consulting services and receive applications. Changes were introduced in the procedure for obtaining a permit to conduct additional banking operations in order to improve licensing procedures. The rules to agree the amendments and additions to the charter of the banks were also revised.

Amendments and additions were approved in certain regulatory legal acts of the National Bank on the issue of capital adequacy ratio in order to introduce certain elements of Basel III international standards developed by the Basel Committee on Banking Supervision, as well as to prepare the banking sector for competitiveness as part of building a common financial market for the Eurasian Economic Union, to reduce the level of dollarization in the economy and the interest rates on loans. Approved amendments are focused on, among other things, stimulation of the commercial banks to participate in the state programs related to financing of agriculture, export-oriented and import-substituting enterprises.

Prudential standards and requirements

The procedure for calculating the liquidity ratio, including short-term and instant liquidity, has been changed by amending the Regulation on prudential standards and requirements compulsory for the commercial banks of the Kyrgyz Republic. The amendments also concern the volume of loans issued to the joint liability group.

As part of measures to introduce risk-based supervision over the commercial banks, amendments and additions were introduced into a number of regulatory legal acts on risk management in the commercial banks concerning identification of policies and processes related to risk appetite of the banks, as well as measuring, establishing, managing the risk limits. In addition, the Instruction on implementation of banking supervision was approved, it provides for the requirements for conducting inspections in accordance with the policy of the National Bank for implementation of the risk-based supervision.

Risk management

The National Bank provided an opportunity for the commercial banks to place cash in foreign currency on the deposit accounts opened in the National Bank, provided that the cash depositing procedure and conditions established by the regulator are observed.

Amendments and additions were approved in a number of regulatory legal acts on bank accounts, operational risk management, prudential standards and requirements, and pre-trial settlement of disputes between the National Bank of the Kyrgyz Republic and the commercial banks to reduce the risks in the activities conducted by the banks, as well as to bring the regulatory legal acts of the National Bank in compliance with the regulatory legal acts of the Kyrgyz Republic.

The National Bank adopted amendments and additions to some regulatory legal acts on the issues of lending and collecting collateral within the framework of bringing them in compliance with the laws of the Kyrgyz Republic.

Amendments and additions were introduced into the Regulation “On enforcement measures applied to the banks and some other financial-credit organizations licensed by the National Bank of the Kyrgyz Republic”, which established the procedure for applying enforcement measures to the banks that violate the requirements for the timely formation of the minimum authorized capital and/or the prudential standard for equity (regulatory) capital.

Enforcement measures

*Islamic principles
of financing*

The Instruction for consideration of cases on violations was approved to bring the regulatory legal acts of the National Bank in compliance with the requirements of the Code of the Kyrgyz Republic on violations.

In the reporting year, measures were still taken to improve the regulatory legal acts on regulation of the banks operating in accordance with the Islamic principles of financing.

Amendments were approved in the Regulation “On the Islamic principles of financing implemented in the Kyrgyz Republic within the framework of a pilot project” and “On operations carried out in accordance with the Islamic principles of financing” to expand the list of operations to attract funds by the banks operating in accordance with the Islamic principles of financing.

A new version of the Regulation “On minimum requirements for risk management in the banks operating in accordance with the Islamic principles of financing” was adopted to improve the risk management system of the banks operating in accordance with the Islamic principles of financing.

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

3.2.1. Overview of Non-Banking Financial-Credit Organizations Development¹

Following the results of 2018, there was an increase in basic indicators of non-banking financial-credit organizations (NBFCOs) sector, in particular, assets, credit portfolio and resource base.

As of the end of 2018, 664 non-banking financial-credit organizations, including specialized financial-credit organization (hereinafter – SFCO), microfinance organizations (hereinafter – MFOs), credit unions (hereinafter – CUs), exchange offices and credit bureau operated in the territory of the Kyrgyz Republic.

According to the regulatory reporting, the total NBFCOs² assets increased by 31.2 percent in 2018 and amounted to KGS 20.1 billion as of the end of the reporting year.

Table 3.2.1.1.

Structure of NBFCOs Assets (end-of-period)

Asset Category	2017		2018	
	<i>millions of KGS</i>	<i>Share, percent</i>	<i>millions of KGS</i>	<i>Share, percent</i>
Loans and financial lease to clients	12,204.4	79.6	16,252.9	80.8
Correspondent accounts and deposits in other banks	1,232.7	8.0	1,461.8	7.3
Other assets	607.0	4.0	863.5	4.3
Loans to financial and credit organizations	527.7	3.4	712.7	3.5
Investments and financial participation	658.3	4.3	694.3	3.5
Fixed assets	314.4	2.1	361.6	1.8
Cash	201.3	1.3	198.4	1.0
Securities portfolio	54.0	0.4	111.1	0.6
Special LLP*	-465.5	-3.0	-535.5	-2.7
Total	15,334.40	100	20,120.90	100.0

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

¹ According to periodic regulatory reporting (PRR) of the non-banking financial-credit organizations.

² Without considering the credit portfolio of the SFCO.

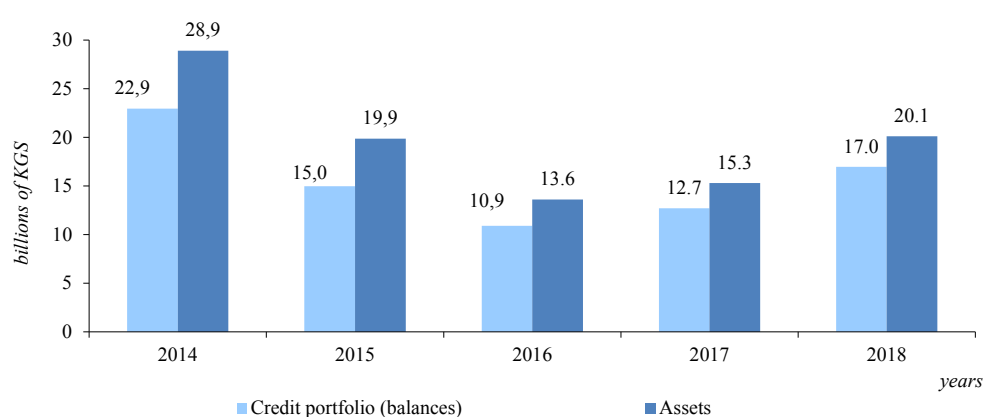
During the reporting period, the volume of liquid assets placed by NBFCOs in cash, short-term assets and on settlement accounts in the commercial banks increased by 15.7 percentage points and amounted to KGS 1.6 billion or 8.2 percent of total assets at the end of 2018.

The credit portfolio of non-banking financial-credit sector increased by 33.3 percent compared to 2017 and amounted to KGS 17.0 billion. The share of the credit portfolio in the NBFCOs assets increased by 1.3 percentage points compared to 2017 and amounted to 84.3 percent. At the end of 2018, the volume of the portfolio under the Islamic principles of financing (hereinafter – IPF) amounted to KGS 902.0 million or 4.5 percent of total NBFCOs assets. At the end of 2018, the number of NBFCOs borrowers amounted to 364,756 persons, having increased by 92,735 persons, or 34.1 percent compared to 2017.

Credit portfolio

Chart 3.2.1.1.

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



In the reporting period, the bulk of the NBFCOs credit portfolio by regions was extended in Bishkek, Osh and Chui, Osh oblasts.

Table 3.2.1.2.

NBFCOs Credit Portfolio Behavior by Regions (end-of-period)
(millions of KGS)

Category	2017		2018	
	millions of KGS	percent	millions of KGS	percent
Total performing	12,095.3	95.0	16,246.0	95.8
Total non-performing	636.8	5.0	719.7	4.2
<i>including:</i>				
Substandard	221.9	1.7	193.7	1.1
Doubtful	94.2	0.7	121.3	0.7
Losses	320.8	2.5	404.7	2.4
Total credit portfolio	12,732.1	100.0	16,965.7	100.0

At the end of 2018, the weighted average rates on the credit portfolio of the microfinance organizations did not change significantly and amounted to 30.4 percent (-0.7 percentage points), those of credit unions – 27.4 percent (+1.5 percentage points).

Amid growth of credit portfolio, the volume of “performing” loans increased over the year by KGS 4.1 billion and amounted to KGS 16.2 billion and that of “non-performing” loans remained unchanged and amounted to 4.2 percent against 5.0 percent at the end of 2017.

Table 3.2.1.3.

NBFCOs Credit Portfolio Quality

Liability category	2017		2018	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Loans received, including:	4,473.6	76.7	7,132.0	79.7
<i>from banks of Kyrgyzstan</i>	778.6	13.4	945.5	10.6
<i>from other financial and credit organizations of Kyrgyzstan</i>	944.9	16.2	1,133.3	12.7
<i>from international financial organizations and donors</i>	86.5	1.5	203.7	2.3
<i>from international financial and credit organizations</i>	2,177.0	37.3	4,454.0	49.7
<i>from the Government of Kyrgyzstan</i>	486.6	8.3	395.6	4.4
Other liabilities	1,224.5	21.0	1,668.2	18.6
Subordinated debts	118.7	2.0	137.2	1.5
Term deposits	14.5	0.2	17.5	0.2
Demand deposits	1.0	0.0	2.0	0.0
Total	5,832.2	100.0	8,956.9	100.0

In the aggregate credit portfolio of NBFCOs, the share of MFOs (microfinance companies, microcredit companies, microcredit agencies) increased from 92.1 percent (KGS 11.7 billion) to 94.1 percent (KGS 16.0 billion), and the share of CUs decreased from 7.8 percent (KGS 1.0 billion) to 5.9 percent (KGS 1.0 billion).

SFCOs

The activity of SFCOs is focused on extending loans to support the system of financing in the rural area within the framework of CU lending. At the end of 2018, the credit portfolio of SFCOs decreased by 7.5 percent compared to 2017 and amounted to KGS 411.1 million.

Credit unions

At the end of 2018, the aggregate credit portfolio of credit unions (CUs) remained at the level of 2017 and amounted to KGS 1.0 billion. In the structure of the credit portfolio the main share of loans fell on lending to agriculture – 35.7 percent, trade – 24.9 percent (in 2017 – 40.3 and 22.9 percent, respectively). The number of CUs borrowers decreased by 6.6 percent over the year and totaled 8,573 people at the end of 2018.

As of the end of 2018, seven CUs had deposit licenses. The volume of deposits attracted from CUs participants increased by 26.6 percentage points and amounted to KGS 19.5 million, while liabilities to other FCOs decreased by 6.5 percentage points and amounted to KGS 411.4 million.

Microfinance organizations

The aggregate credit portfolio of microfinance organizations (MFOs) increased by 36.1 percentage points and amounted to KGS 16.0 billion by the end of 2018. In general, the MFOs credit portfolio consists of short- and medium-term loans. The main sectors of MFOs moneylending included agriculture – 28.3 percent (24.5 percent as of the end of 2017) of the aggregate credit portfolio, consumer loans – 24.3 percent (29.9 percent as of the end of 2017), and services – 18.9 percent (11.1 percent as of the end of 2017). The main sources of MFOs lending included capital and funds attracted from the international financial institutions and foreign organizations. The number of borrowers increased by 35.5 percent and amounted to 356,183 persons at the end of 2018.

NBFCOs liabilities

At the end of 2018, the volume of NBFCOs liabilities increased by 53.6 percent, up to KGS 9.0 billion.

In the structure of NBFCOs liabilities, the share of liabilities to foreign entities amounted to 52.0 percent. At the same time, liabilities in the foreign currency amounted to 27.5 percent of total liabilities. At the end of 2018, the volume of attracted funds under the PIF amounted to KGS 702.8 million, or 7.8 percent in the structure of NBFCOs liabilities.

Table 3.2.1.4.

Structure of NBFCOs Liabilities (end-of-period)

Category	2017	2018
Total interest income	3,859.4	4,590.9
Total interest expenses	651.3	854.9
Net interest income	3,208.0	3,736.0
Allocations to LLP (loans)	72.0	273.7
Net interest income after allocations to LLP	3,136.0	3,462.3
Total non-interest income	226.5	769.9
Total non-interest expenses	1,484.8	1,736.5
Total other operating and administrative expenses	398.0	538.2
Net operating income (loss)	1,479.7	1,957.5
Allocations to LLP (on other assets)	11.5	17.7
Net income (loss) before tax	1,468.2	1,939.8
Profit tax	137.7	182.4
Net profit (loss)	1,330.5	1,757.4

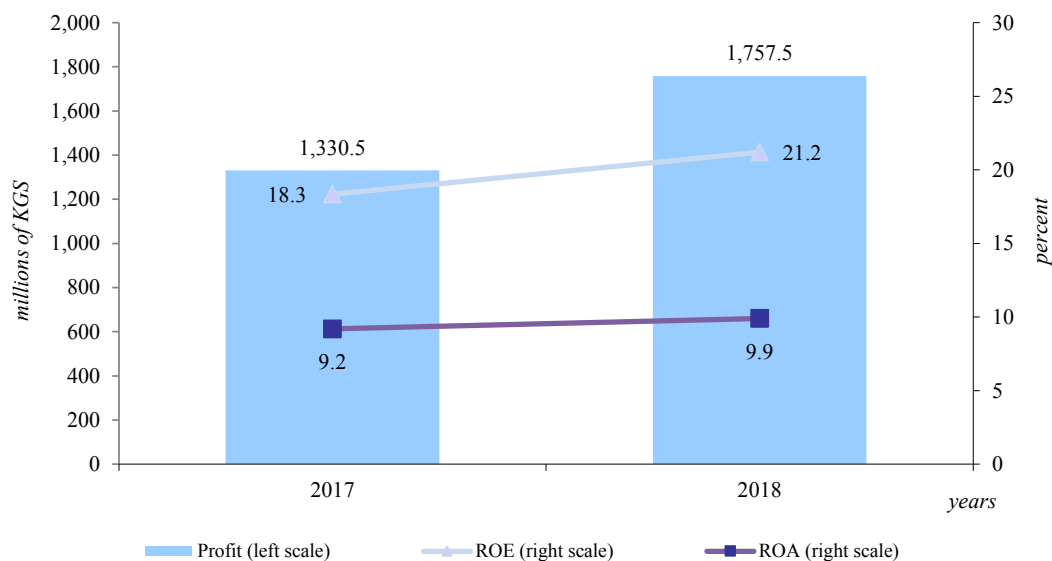
The total amount of paid-up authorized capital of non-banking financial-credit organizations amounted to KGS 4.0 billion and remained almost unchanged as compared to the results of 2017 (KGS 3.9 billion). At the same time, the equity capital of NBFCOs increased by 15.0 percent or KGS 1.3 billion and amounted to KGS 8.9 billion.

Table 3.2.1.5.

Structure of Income and Expenses
(millions of KGS)

	2017		2018	
	millions of KGS	Share, percent	millions of KGS	Share, percent
Bishkek city	3,471.2	27.3	4,456.0	26.3
Osh oblast and Osh city	2,712.6	21.3	3,724.0	22.0
Chui oblast	2,078.8	16.3	2,498.2	14.7
Jalal-Abad oblast	1,397.2	11.0	2,009.5	11.8
Issyk-Kul oblast	1,267.5	10.0	1,846.1	10.9
Naryn oblast	891.5	7.0	1,142.3	6.7
Batken oblast	563.0	4.4	809.1	4.8
Talas oblast	347.7	2.7	477.9	2.8
Outside Kyrgyzstan	2.6	0.0	2.5	0.0
Total	12,732.1	100.0	16,965.7	100.0

At the end of 2018, the net profit of NBFCOs amounted to KGS 1.7 billion, having increased by KGS 0.4 billion, or 32 percent, compared to 2017.

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

In 2018, return on assets (ROA) increased from 9.2 percent to 9.9 percent, return on equity (ROE) increased from 18.3 percent to 21.2 percent. The growth of these indicators demonstrates an increase in the effectiveness of the NBFCOs sector.

3.2.2. Licensing of Non-Banking Financial-Credit Organizations

At the end of 2018, the system of non-banking financial-credit organizations (NBFCOs), subject to licensing and regulation by the National Bank, comprised one specialized financial-credit organization (SFCO), 106 credit unions (CUs), 142 micro-finance organizations (including eight microfinance companies (MFCs), 95 microcredit companies (MCCs), and 39 microcredit agencies (MCAs)) and 413 exchange bureaus and two credit bureaus.

At the end of 2018, the total amount of paid-up authorized capital of MFOs amounted to KGS 3,789.4 billion (MFCs – KGS 921.6 million, MCCs – KGS 2,867.8 million), at the end of 2017, this totaled KGS 3,785.6 billion (MFCs – KGS 766.7 million, MCCs – KGS 3,018.9 million).

Activity of the SFCOs, microfinance companies, credit unions, exchange bureaus and credit bureaus is carried out based on the license of the National Bank, the microcredit companies and microcredit agencies operate based on a certificate of accounting registration and are entitled to receive a license for carrying out certain operations.

In the reporting year, the National Bank issued 222 licenses to the exchange bureaus (including the exchange bureaus with expired previous license), six licenses to the exchange bureaus operating on a seasonal basis, 33 additional exchange bureaus were registered. Moreover, four certificates of accounting registration were issued to the MCCs, one license – to the MFC, one license – to the credit bureau, and one additional license – to the MCC for purchase and subsequent sale of debt obligations (factoring).

For failure to comply with the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank, one certificate of accounting registration of the MCC, two certificates of accounting registration of the MCA and three licenses of the exchange bureaus were withdrawn. Three certificates of accounting registration of the MCCs were cancelled due to termination of activity, and one certificate of accounting registration was

cancelled due to reorganization into the MFC, eight certificates of accounting registration of the MCAs, four licenses of the CUs (one license of the CU was canceled due to merging with another CU), 208 licenses of exchange bureaus, including 128 licenses, were cancelled due to license expiration.

Table 3.2.2.1.

Number of NBFCOs, Exchange Bureaus and Credit Bureaus

Title	2014	2015	2016	2017	2018
SFCO	1	1	1	1	1
Microfinance organizations (MFC, MCC and MCA)	215	171	162	150	142
Credit unions	135	125	116	110	106
Exchange bureaus	290	329	394	396	413
Credit bureaus	0	0	0	1	2
Total NBFCO	641	626	673	658	664

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

3.2.3. Supervision over Non-Banking Financial-Credit Organizations

In 2018, supervision over activities of non-banking financial-credit organizations was aimed to ensure the qualitative growth of the sector, to increase the availability of microfinance services and to decrease credit risks, which generally contributed to financial sustainability and stability of the non-banking financial-credit organizations.

Supervision over the NBFCOs activities is carried out by means of conducting off-site (remote) supervision and inspections. The National Bank applies risk-based methodologies to risk prevention in the NBFCOs' activity at early stages in implementation of supervision.

In 2018, the National Bank conducted 37 targeted inspections of the MFOs mainly to reveal credit risk and on the issues of consumer rights protection, 32 targeted and 20 full-scope inspections of the CUs, one targeted inspection of the SFCO, within the framework of which counter inspections of the CUs were conducted.

Moreover, during the reporting period, the National Bank carried out 163 inspections of the exchange bureaus for compliance with the requirements of the legislation of the Kyrgyz Republic, including the requirements for AML/CFT and identification of unlicensed activities.

3.2.4. Enforcement Measures

Corresponding enforcement measures were applied to the NBFCOs within the framework of off-site supervision, as well as based on the results of inspections conducted in 2018. All measures taken were focused on reducing the risks in the microfinance market, increasing the level of transparency, stability and reliability of the microfinance market, reducing the cost of financial resources for the NBFCOs, and bringing the activities of the NBFCOs in conformity with the laws of the Kyrgyz Republic.

In 2018, the Supervision Committee of the National Bank discussed 38 issues on the NBFCOs activities and took supervisory response measures, in particular, suspended the certificates of nine NBFCOs, revoked the certificates of three NBFCOs and imposed a fine on one NBFCO.

Two officials of the NBFCO were brought to administrative responsibility, as well as the exchange bureaus being fined for a total amount of KGS 420 thousand for violation

of the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank, including in the field of AML/CFT.

Moreover, fines were imposed on 26 individuals for carrying out the foreign exchange operations without a license from the National Bank totaling KGS 2.6 million according to the Administrative Responsibility Code of the Kyrgyz Republic.

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

Main directions of microfinance sector development for 2018-2021

During 2018, measures were taken being provided for in the Main Directions of Microfinance Sector Development for 2018-2021, the goal of these measures is to ensure a favorable economic, legislative and regulatory environment for the institutional development of a viable, sustainable and socially responsible microfinance sector as an essential tool for financing small-sized business development and private entrepreneurship, increasing employment and welfare of the population.

In the reporting year, work was continued to improve the regulatory legal framework governing the activities of the non-banking financial-credit organizations.

Amendments and additions were approved in terms of restructured loans, as well as requirements were simplified for the use of classification categories depending on the maturity of the overdue payments of debt to bring in compliance with the best international practice the regulatory legal acts of the National Bank regulating the activities of the microfinance organizations that are not entitled to accept deposits from the individuals, legal entities and credit unions, including those operating under the Islamic principles of financing.

Amendments and additions were introduced into the Instruction on conducting inspections in the microfinance organizations that do not attract deposits and in other legal entities supervised by the National Bank of the Kyrgyz Republic to arrange the process of conducting inspections in the exchange bureaus.

Islamic principles of financing of the NBFCOs

Amendments were approved in the regulatory legal acts focused on regulating the activities of the non-banking financial-credit organizations conducting operations in accordance with the Islamic principles of financing to further develop these principles. Thus, amendments and additions, whereby the maximum aggregate amount of financing was increased and the restrictions on raising funds from the legal entities and individuals were excluded, had been adopted.

Amendments were approved in the Regulation “On operations carried out by the microfinance organizations and credit unions in accordance with the Islamic principles of banking and financing” regarding entry into force of the “Commodity Murabaha” transaction being used by the financial-credit organizations as a tool to raise funds including investment. These amendments are focused on expanding the list of operations being consistent with the Islamic principles of financing.

NBFCOs licensing

In 2018, amendments were approved in the Regulation “On licensing the microfinance companies’ activities”, envisaging the opportunity for the commercial banks to reregister the microfinance companies to further provide certain banking services.

Moreover, the requirements to acquire five or more percent of the microfinance company’s shares by the shareholders were defined concretely, the procedure to approve the officials was revised, and additional requirements were introduced in terms of lifting restrictions in the licenses as part of improving licensing procedures for the microfinance companies.

Exchange bureaus licensing

The Board of the National Bank approved a number of amendments and additions in the Regulation “On the procedure for issuing a license to conduct exchange operations with foreign currency in cash” in the course of combating against unlicensed currency exchange activities and to arrange and simplify the procedure for obtaining a license to carry out the exchange operations with foreign currency in cash.

Thus, the requirements for the exchange bureaus applying for a new license instead of expired one have been simplified. The opportunity to open at least four additional exchange bureaus has been provided.

The requirements for working capital have been reduced from KGS 1 million to KGS 500 thousand in respect of the exchange bureaus that intend to carry out foreign exchange operations in cash during certain periods (less than 4 consecutive months during one calendar year, for example, in the tourist areas in summer and/or winter), for additional exchange bureaus – from KGS 1 million to KGS 200 thousand.

3.3. Protection of Consumer Rights

In accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, the National Bank regularly took measures focused on protecting the rights of the consumers of banking, microfinance and payment services.

Following the results of analysis and monitoring of the regulatory legal acts in the field of the consumers’ rights protection, amendments and changes were introduced into certain regulatory legal acts focused on disclosing information about the service being provided, working with customer data and responsible lending.

As a result of timely measures taken by the National Bank and the Government of the Kyrgyz Republic, the commercial banks were given preferences in respect of loans repayment by the citizens affected by heavy snowfall in the Issyk-Kul and Naryn oblasts and fires in the territory of the Osh Bazary shopping center in Bishkek city and in the central market in Jalal-Abad city.

Work was carried out to ensure accessible financial services for the people with disabilities, including access to infrastructure, in accordance with the requirements arising from the Law of the Kyrgyz Republic “On the Rights and Guarantees of Persons with Disabilities”.

Particular attention was paid to the issues of ensuring proper procedure for consideration of the applications and providing legal advice to the citizens. In 2018, the National Bank considered 555 applications, 396 applications thereof on the activities of the commercial banks, 58 applications of the non-banking financial-credit organization, and 101 applications on other issues. Legal advice was provided in the form of personal reception to over 400 citizens – consumers of financial services.

Regional departments of the National Bank have considered 48 applications from the citizens.

Measures were taken to ensure a unified practice and mechanisms for considering the applications by the financial-credit organizations. Interaction on protection of the consumers’ rights is implemented with the public organizations.

Measures to enhance consumers’ rights protection

Consideration of applications of the financial services consumers

CHAPTER 4. PAYMENT SYSTEM

In 2018, the payment system of the Kyrgyz Republic operated in a stable and sustainable regime.

The National Bank continued working to ensure the efficiency, security and reliability of the payment systems through improving the regulatory legal framework on the payment system, payment system oversight and control over uninterrupted interbank payments, as well as development of the new payment and financial technologies.

The third stage of the State Program to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic for 2018-2022 (the State Program to Increase the Share of Non-cash Payments and Settlements) and an action plan for implementation thereof was approved by a joint resolution of the Government and the National Bank to achieve an optimal and equilibrium ratio of cash and non-cash circulation by developing the retail payments market (including innovative payment instruments) and increasing the level of penetration of banking and payment services in the remote regions of the country. In the remote regions, the project on payment of pensions, allowances and wages using POS-terminals to the people holding bank payment cards through 190 postal offices of the State Enterprise “Kyrgyz pochty” was implemented in more than 530 settlements of the country.

In 2018, the National Bank continued regulating the structure of cash in circulation by satisfying the need of the economy in banknotes and coins of the national currency.

4.1. Payment System Development

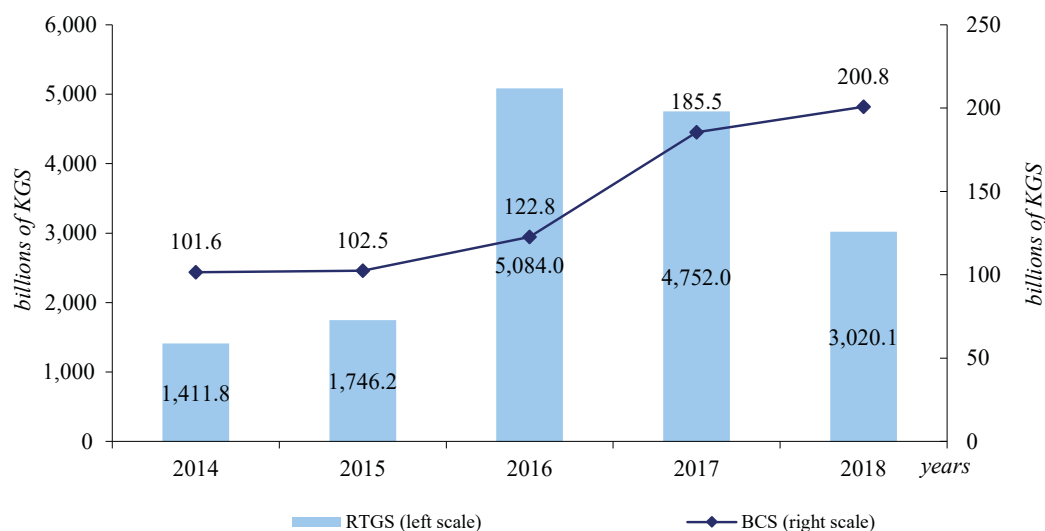
4.1.1. Non-cash Payments

Payment system

In the Kyrgyz Republic, non-cash payments were made in the payment system via the Real Time Gross Settlement System (RTGS), the Bulk Clearing System (BCS), the system of payments with the use of payment cards, e-money payment system, the remittance system and crossborder payments.

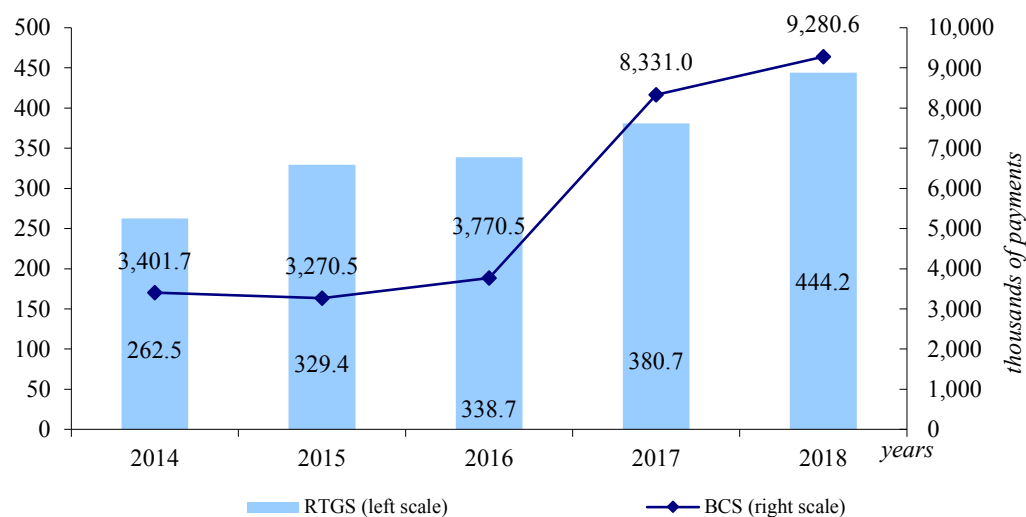
The National Bank of the Kyrgyz Republic, the commercial banks, the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, the Interstate Bank, the Deposit Protection Agency, the Social Fund, the State Accumulative Pension Fund, CJSC “Central Depository” and CJSC “Interbank Processing Center” were the participants of the interbank payment systems.

In 2018, the payments made through the interbank payment systems (RTGS and BCS) amounted to 9.7 million payments totaling KGS 3,220.9 billion.

Chart 4.1.1.1.**Volume of Payments via Interbank Payment Systems (RTGS and BCS)**

In the reporting period, the volume of payments via the BCS increased by 8.2 percent due to the increase in state budget payments via the Single Treasury Account opened in the National Bank.

The volume of interbank payments via the RTGS decreased by 36.4 percent due to the reduction in the volume of operations via the automated trading system.

Chart 4.1.1.2.**Number of Payments via Interbank Payment Systems (RTGS and BCS)**

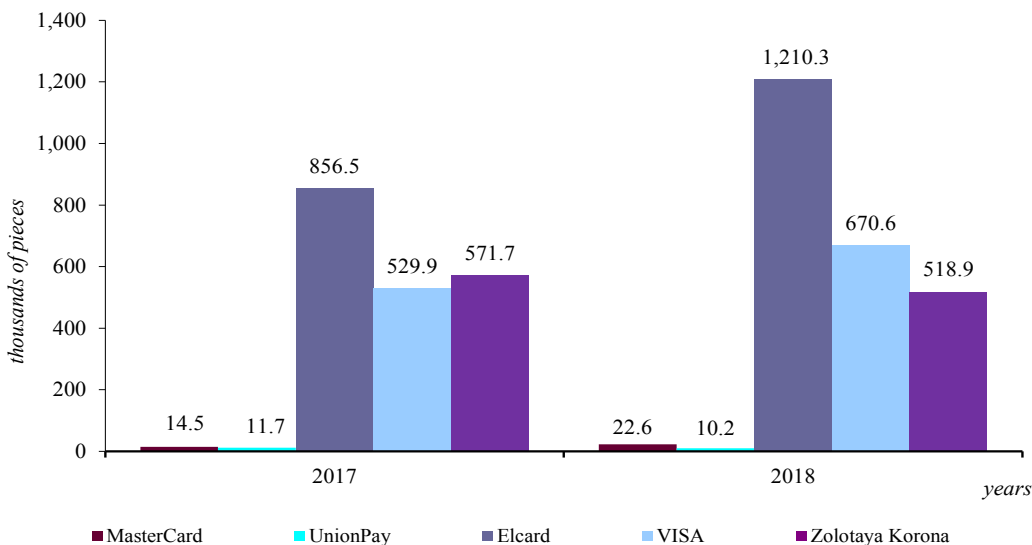
In the reporting period, the number of payments via the RTGS increased by 16.7 percent and the number of payments via the BCS increased by 11.4 percent compared to 2017.

The total number of issued payment cards amounted to 2.4 million, having thus increased by 20.0 percent over the year, of which the number of cards of the national payment system “Elcard” amounted to 1.2 million. The growth of issued bank payment cards “Elcard” by 33.3 percent compared to 2017 was mainly due to measures implemented within the framework of the State Program to Increase the Share of Non-cash Payments and Settlements.

National payment card “Elcard”

Chart 4.1.1.3.

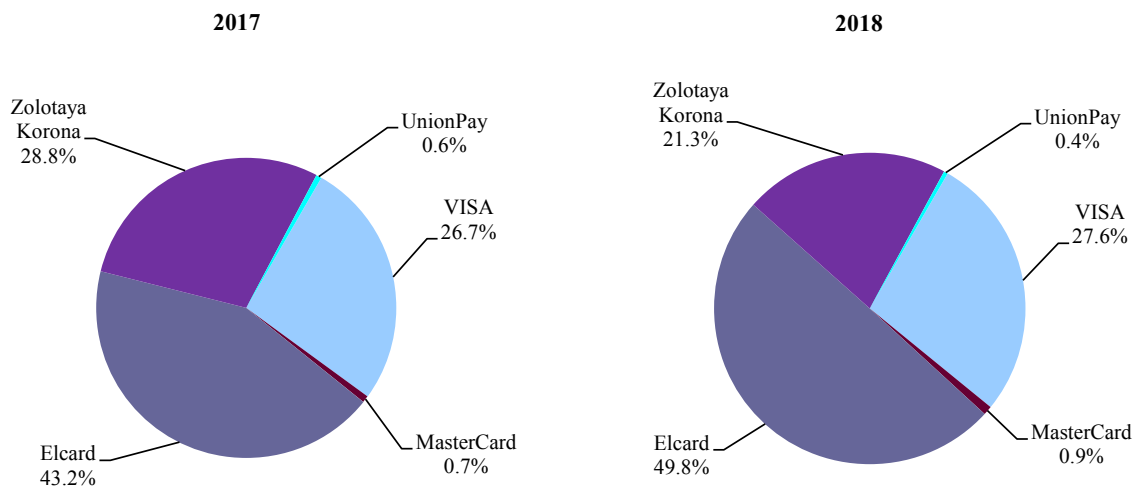
Dynamics of Number of Bank Payment Cards (end-of-period)



In the reporting period, 38.0 million operations to the amount of KGS 196.2 billion were conducted with the use of payment cards, the number of operations increased by 31.9 percent and the volume of operations increased by 33.6 percent compared to 2017.

Chart 4.1.1.4.

Ratio of Number of Bank Payment Cards

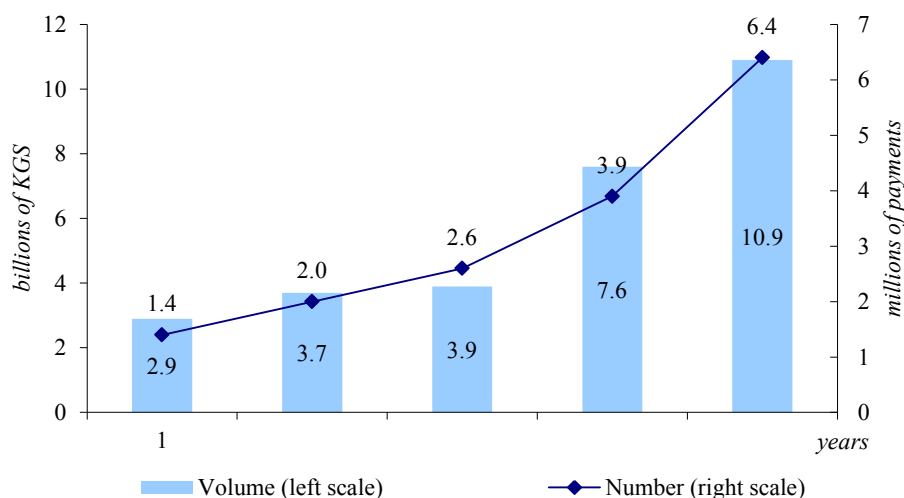


Operations with the use of bank payment cards

In 2018, the volume of the merchants' operations with the use of cards increased by 64.1 percent compared to 2017, meanwhile the volume of operations increased by 43.4 percent. The growth was conditioned by the joint work of the National Bank and the Government to create favorable conditions for increasing non-cash payments in the form of sales tax exemption when making non-cash payments for the goods and business incentives implemented by the commercial banks.

Chart 4.1.1.5.

Dynamics of Growth in the Volume of Transactions of Merchants



At the end of 2018, the bank payment cards were accepted for servicing by 1,583 ATMs and 10,046¹ POS-terminals (of which 8,103 POS-terminals were installed at merchants and 1,943 POS-terminals were installed in the branches and savings offices of the commercial banks) throughout the territory of the Kyrgyz Republic.

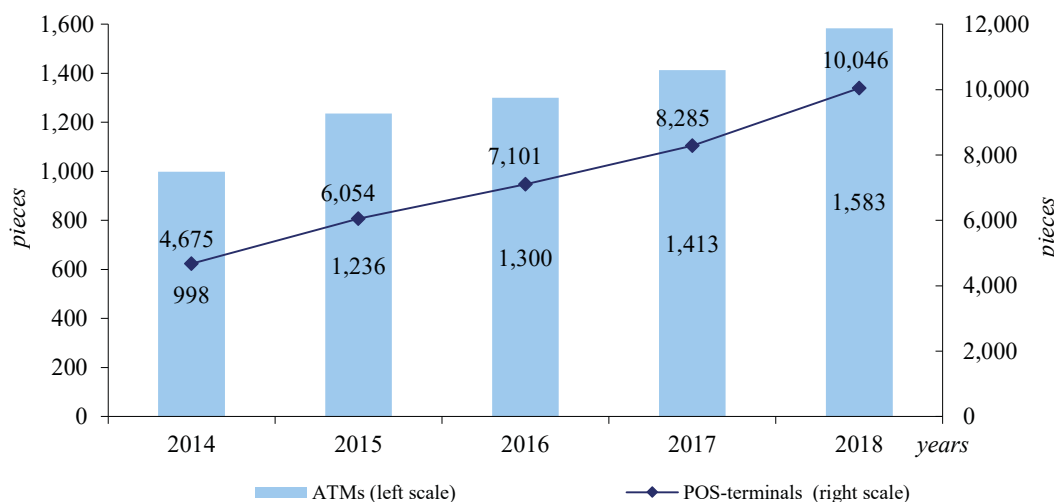
Card acceptance and servicing infrastructure

A breakdown by systems shows that:

- the cards of the national payment system “Elcard” were accepted for servicing by 1,583 ATMs and 10,046 POS-terminals;
- the cards of the international system “Zolotaya Korona” were accepted in 209 ATMs and 1,342 POS-terminals;
- the cards of the international systems Visa and MasterCard were accepted in 583 ATMs and 4,846 POS-terminals;
- the cards of the international systems “UnionPay” were accepted in 249 ATMs and 1,237 POS-terminals.

Chart 4.1.1.6.

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



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

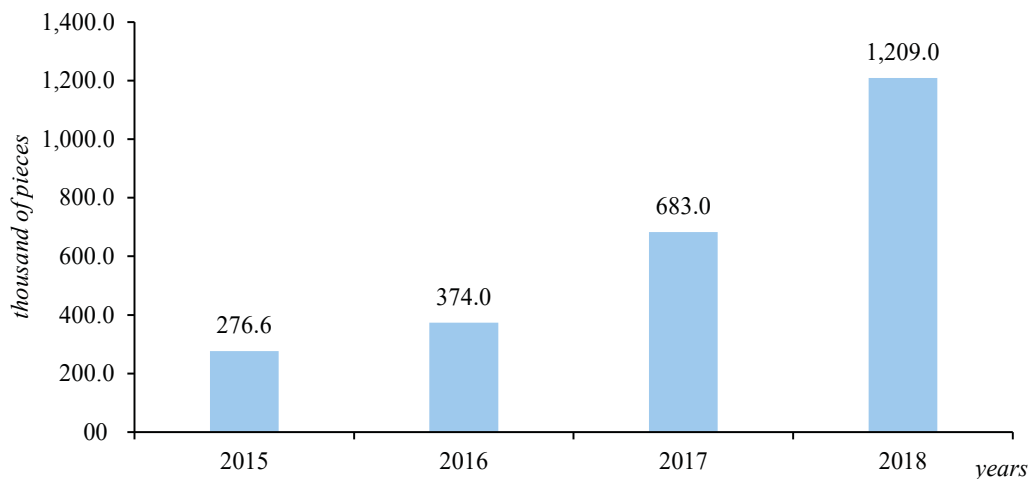
E-money

In 2018, e-money demonstrated an upward trend due to simple and convenient use thereof. Nine commercial banks were the issuers of e-money, there were ten operating e-money payment systems.

As of the end of 2018, the number of e-purses increased by almost 1.8 times compared to 2017 and amounted to more than 1.2 million purses.

Chart 4.1.1.7.

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



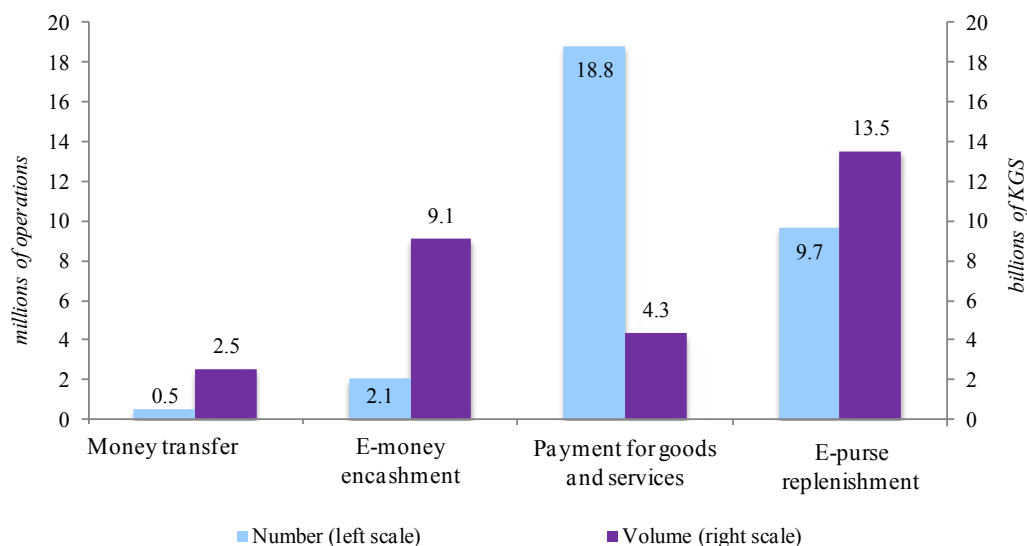
In the reporting year, the volume of e-purses replenishment increased approximately by two times compared to 2017 and amounted to more than KGS 13.5 billion, meanwhile the number of e-purses replenishments increased by 2.0 percent and totaled 9.7 million operations.

In the reporting year, the volume of operations on payment for the goods and services increased by 89.5 percent compared to 2017 and amounted to KGS 4.3 billion, meanwhile the number of operations increased by two times and totaled 18.8 million operations.

In 2018, the amount of money transfers between e-purses increased almost by two times compared to 2017 and amounted to KGS 2.5 billion, the number of money transfers increased by 2.2 times and totaled about 0.5 million operations.

Chart 4.1.1.8.

Number and Volume of Transactions via E-purses



4.1.2. Operators of Payment Systems and Payment Organizations

In 2018, the National Bank continued licensing the activities of the payment systems¹ operators, payment organizations² and registration of the international payment system operators.

In the reporting period, the National Bank issued three licenses for carrying out activities of the payment system operator and two licenses for carrying out activities of the payment organization.

Payment organizations accepted payments in favor of the third parties using cash-in payment terminals, agent network and e-money. At the end of 2018, the number of cash-in payment terminals of payment organizations and their agents was 5,748, the number of web-kassa of payment organizations and their agents – 240.

Generally, in 2018, the number of transactions conducted through the payment system operators/payment organizations decreased by 4.6 percent compared to 2017 and totaled 174.1 million transactions, meanwhile the volume of payments increased by 13.4 percent compared to 2017 and amounted to KGS 29.2 billion.

Eleven scheduled and nine unscheduled inspections were conducted in order to provide the smooth and secure functioning of the payment system through assessment of the financial status of the payment systems operators and payment organizations, analysis of compliance with the legislation of the Kyrgyz Republic.

In the reporting year, the National Bank registered two operators, one issuer of e-money international systems and four operators for the international remittance systems. Generally, six international payment systems with the use of payment cards, seven e-money international systems and 37 operators of remittance systems were registered in the republic at the end of 2018, 19 thereof are the operators of local remittance systems, 18 – the operators of the international remittance systems.

4.1.3. Payment System Oversight

Within the Kyrgyz Republic payment system oversight, according to the established criteria of importance, the payment systems of high relevance and priority for the financial system of the country were identified in 2018. So, RTGS and BCS were recognized as the systemically important payment systems, and RTGS, BCS and “Elcard” – as the national payment systems.

According to the monitoring results, the systemically important payment systems operated in the normal regime. The level of financial risks in the RTGS and BCS remained minimal due to the sufficiently high level of liquid assets on the correspondent accounts of the participants in the National Bank in relation to turnovers in the system.

Uninterrupted operation of the retail payment systems (including the national payment system “Elcard”) which process a large number of regular and small payments of the population (card payment systems and remittances systems) is an important factor of the financial system stability in the country. In 2018, the accessibility ratio³ of the cards of the payment system “Elcard” was 99.3 percent, which is rather high indicator for the information systems (95.0 percent is usually taken as a planned accessibility ratio).

In order to ensure the effective and safe functioning of the national payment systems within the EAEU, the National Bank, as part of the working group on coordination of the national payment systems development, continued working in the following areas:

Operation of the national payment systems

Integration of payment systems

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

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

³ Accessibility ratio is an ability of the system users to have access to the services and information. System downtime, due to technical failures, preventive maintenance, reduces system accessibility.

in integration of the national payment cards (mutual acceptance of “Elcard” and “Mir” cards was conducted in the infrastructure of the pilot banks), in introduction of the international standards on the financial messaging formats (ISO 20022 standard), the channels for financial communications, development of financial technologies and cooperation in the sphere of cyber security.

4.1.4. Measures to Increase the Share of Non-cash Payments

In the reporting year, the National Bank continued coordinating and monitoring the implementation of the Action Plan on the State Program to Increase the Share of Non-cash Payments and Settlements during the work of the Interagency Commission on increasing the share of non-cash payments and settlements, which includes the National Bank, the ministries, departments and local self-government authorities, commercial banks, payment system operators and the representatives of business communities.

In 2018, at the end of implementation of the Action Plan on the State Program to Increase the Share of Non-cash Payments and Settlements the following results have been achieved:

- social benefits¹ were paid to 121.2 thousand people through the bank payment cards (29.5 percent of the total number of recipients), while in 2017, the social benefits were received by 78.5 thousand people (18.6 percent of the total number of recipients);
- pensions through the accounts in the commercial banks² were paid to 329.2 thousand people, accounting for 50.5 percent of the total number of pensioners, this indicator increased by 10.9 percent compared to 2017;
- the commercial banks imported into the country 188 ATMs, 2,070 POS-terminals and 307 payment terminals as part of the Law “On Amendments and Addenda to the Tax Code of the Kyrgyz Republic” adopted in 2018, which provides for exemption of the commercial banks from VAT, when they import bank equipment.

Installation of POS-terminals in the merchant enterprises, the number of which has reached 8,103 at the end of the year 2018 (having increased by 21.9 percent year-to-date), also provided reduction of the level of dollarization in the economy of the country by means of increasing non-cash payments in the national currency.

In 2018, the National Bank provided an opportunity for the population to withdraw cash from the payment cards at the cash desks of the merchant enterprises through POS-terminals under an agency agreement with the commercial banks. This service contributes to convenient and quick provision of access to money for any holder of a bank payment card, on the one hand, and increasing the number of customers and their purchases for the merchant enterprises, on the other hand.

Almost a third of the country’s settlements in the remote regions are covered by the project on payment of pensions, allowances and wages through POS-terminals to the people holding bank payment cards and making payments for utilities, paying taxes and other payments through 190 postal offices of the State Enterprise “Kyrgyz pochty”.

4.2. Cash Circulation

One of the main functions of the National Bank of the Kyrgyz Republic is the timely provision of the economy with the cash. To achieve it, the National Bank regulates the structure of cash in circulation through the commercial banks.

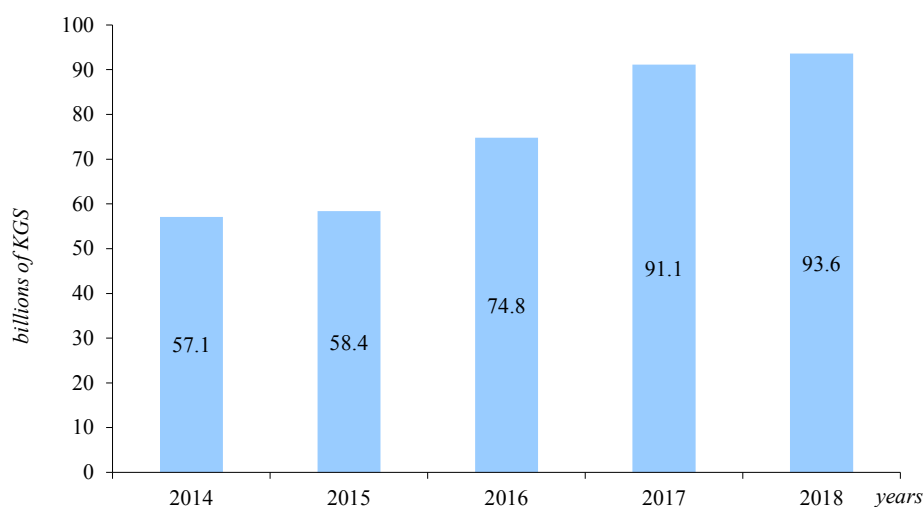
In 2018, the total amount of cash in circulation increased by 2.7 percent and amounted to KGS 93.6 billion.

¹ According to the data of the Ministry of Labor and Social Development of the Kyrgyz Republic.

² According to the preliminary data of the Social Fund of the Kyrgyz Republic.

Chart 4.2.1

Developments in Cash in Circulation (end of period)



In 2018, receipt of cash in cash departments of the commercial banks totaled KGS 1,699.2 billion and increased by 17.9 percent compared to 2017. Payment of cash from the cash departments of the commercial banks increased by 17.1 percent and amounted to KGS 1,706.4 billion.

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

Table 4.2.1.

Movement of Cash via Cash Departments of Commercial Banks by Regions

	Receipt, billions of KGS		Disbursement, billions of KGS		Recoverability, percent	
	2017	2018	2017	2018	2017	2018
Total	1,441.1	1,699.2	1,456.9	1,706.4	98.9	99.6
Bishkek city	668.1	817.0	655.0	799.3	102.0	102.2
Batken oblast	65.6	74.9	65.5	74.8	100.2	100.1
Jalal-Abad oblast	154.5	175.9	167.2	186.0	92.4	94.6
Issyk-Kul oblast	79.2	89.4	82.9	93.5	95.5	95.6
Naryn oblast	31.5	39.5	35.0	43.0	90.0	91.9
Osh city	190.7	219.3	194.8	221.8	97.9	98.9
Osh oblast	82.2	88.5	81.9	88.1	100.4	100.5
Talas oblast	34.5	37.0	39.8	42.4	86.7	87.3
Chui oblast	134.8	157.7	134.8	157.5	100.0	100.1

In 2018, the work was continued on issuance of banknotes and coins, withdrawal and destruction thereof.

In 2018, the cash turnover was represented by 364.7 million sheets of banknotes and 357.0 million coins. The share of banknotes accounted for 98.6 percent, and the share of coins – 1.4 percent of the total amount of money in circulation in 2018. The structure of banknotes and coins by denomination in circulation is presented in Table 4.2.2.

Table 4.2.2.

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

Face value	up to 5 Soms	10 Soms	20 Soms	50 Soms	100 Soms	200 Soms	500 Soms	1000 Soms	2000 Soms	5000 Soms	Total
2017	0.7	0.6	0.5	0.9	1.7	3.9	11.7	45.0	1.0	34.0	100.0
2018	0.8	0.6	0.6	0.8	1.6	3.7	10.3	40.8	7.9	32.9	100.0

In 2018, the number of detected counterfeit banknotes totaled 1207 pieces amounting to KGS 120.5 thousand (in 2017 – 26 pieces amounting to KGS 35.3 thousand). The level of counterfeiting amounted to 3.3¹ fakes per one million of the genuine banknotes being classified as a minimum 1st level (0-10 fakes/ million).

The law enforcement agencies initiated criminal proceedings against each case of counterfeiting and carried investigative activities.

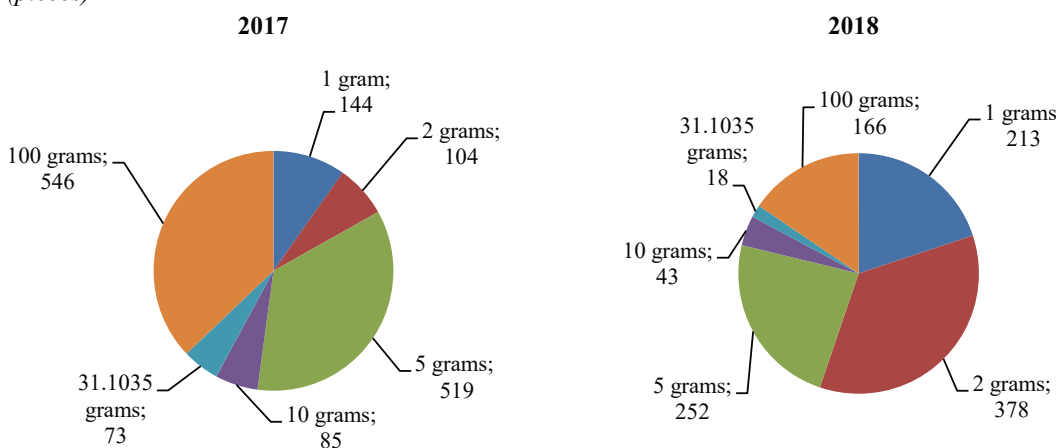
Selling of refined gold measuring bullions

The National Bank continued selling the refined gold measuring bullions with the fineness of 999.9 and the weight of 1, 2, 5, 10 grams 31.1035 grams (1 Troy ounce) and 100 grams within the framework of implementing the Concept on creation and development of the market of precious metals in the Kyrgyz Republic focused on forming the market of new savings and investment tools for the population and the enterprises of the republic, on attracting investments to the bank market, and on developing industrial potential of gold mining branch in Kyrgyzstan.

In 2018, the volume of sold refined gold measuring bullions made 19.8 kg and amounted to KGS 60.6 million (in 2017 – 60.7 kg in the amount of KGS 172.5 million). In the reporting period, the volume of re-purchased refined gold measuring bullions made 13.5 kg and amounted to KGS 41.4 million (in 2017 – 48.4 kg in the amount of KGS 139.8 million).

Chart 4.2.2.

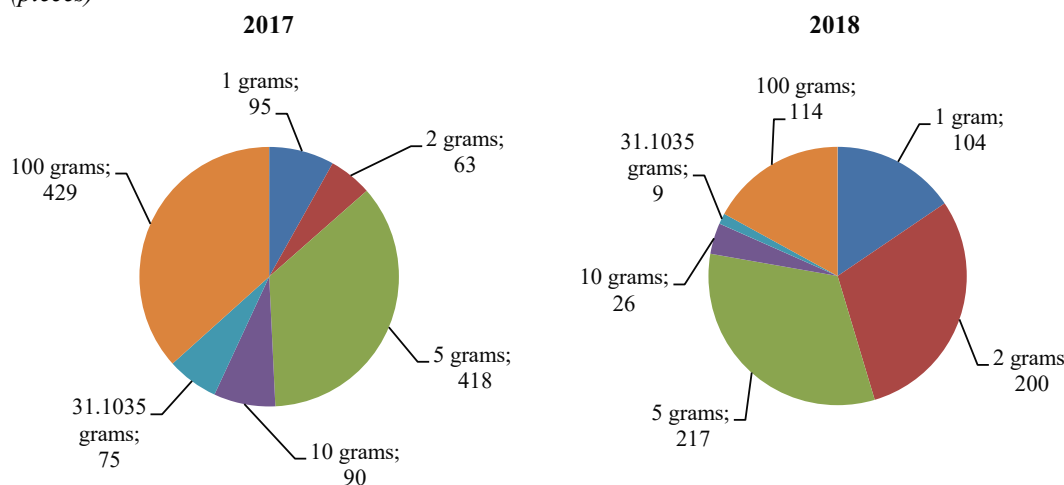
Number of Sold Refined Gold Bullions
(pieces)



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

Chart 4.2.3.

Number of Re-purchased Refined Gold Bullions
(pieces)



The National Bank provided the services for storage of refined gold measuring bullions weighing 31.1035 and 100 grams for the individuals and legal entities to develop the market of bank precious metals and to expand the clients' base and the range of services.

In the reporting period, according to the Law of the Kyrgyz Republic "On Precious Metals and Gems", the National Bank purchased refined non-monetary gold for the national currency from local companies producing gold to constantly replenish the stock of refined gold measuring bullions.

In the reporting year, modified banknotes of the IV series with denominations of 20 and 5000 Soms of 2016 year of issue were put into circulation. The issue of banknotes with aforementioned denominations completed scheduled update of the IV series modified banknotes of the national currency.

The commemorative banknote of the national currency with denomination of 2000 Soms, issued in 2017, became the winner of the competition in the nomination "The Best Innovation in the Banknote Industry" at the international conference "Banknote 2018" (USA). The award in the competition is presented for the use of the latest technologies in banknote production.

The commemorative banknote has an original design reflecting the history of the Kyrgyz state formation and contains protective elements of the latest generation. Moreover special marks are used on the commemorative banknote for visually impaired people and weak sighted people.

In 2018, work was continued on issuing the collection commemorative coins dedicated to the most significant historical events, as well as to popularize the national culture and ethnic sports.

Commemorative coin "Chingiz Aitmatov – 90 years" of the series "Historical events" was issued in celebration of the 90th anniversary of the outstanding Kyrgyz writer Chingiz Torekulovich Aitmatov. The coin is in an acrylic capsule and case.

Five types of collection commemorative coins were also issued into circulation:

- Silver coin "Komuz" of the series "National musical instruments";
- Copper-nickel coin "25 years of the national currency of the Kyrgyz Republic" of the series "Historical events". The coin is in an acrylic capsule and placed in a blister pack;
- Square-shaped silver coin "Ulak tartysh" of the series "World nomad games" made using color printing technology;

Issue into circulation of modified banknotes of the IV series

Commemorative banknotes and coins

- Square-shaped copper-nickel coin “Ulak tartysh” of the series “World nomad games” made using color printing technology. The coin is placed in an acrylic capsule and a blister pack;
- Classical round-shaped copper-nickel coin “Yurta – Kyrgyz house” of the series “Age of the Kyrgyz kaganate” made using color printing technology and laser mattinge.

Figure 4.2.1.

Copper-nickel Coin “Chingiz Aitmatov – 90 years”



Figure 4.2.2.

Silver Coin “Komuz”



Figure 4.2.3.

Copper-nickel Coin “25 years of the national currency of the Kyrgyz Republic



Figure 4.2.4.

Silver Coin “Ulak tartysh”



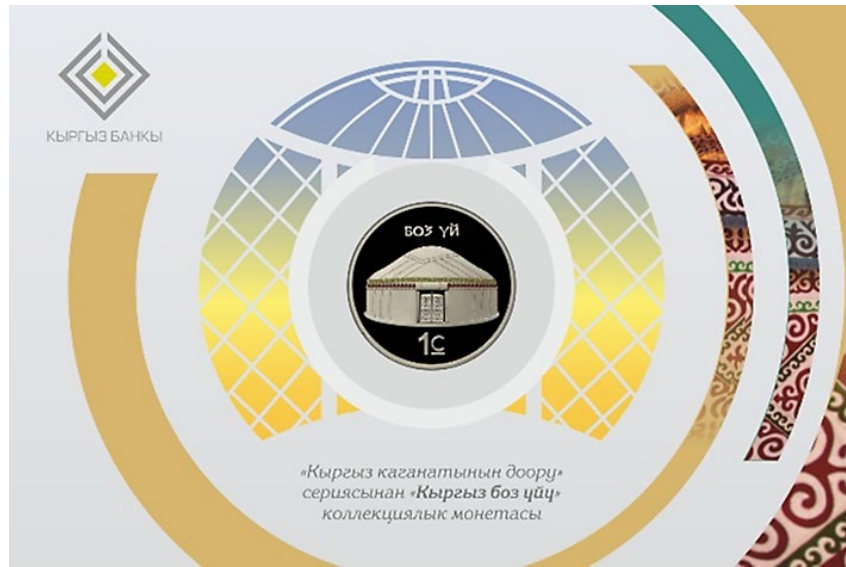
Figure 4.2.5.

Copper-nickel Coin “Ulak tartysh”



CONTENT

Figure 4.2.6.
Copper-nickel Coin “Yurta – Kyrgyz house”



CONTENT

CHAPTER 5. INTERNATIONAL COOPERATION AND PUBLIC RELATIONS

5.1. International Cooperation

In the reporting year, the National Bank continued cooperation with central (national) and integration banks, international organizations, financial institutions and associations.

In 2018, the National Bank, as the office of the Governor of the Kyrgyz Republic in the International Monetary Fund (IMF), provided coordination and interaction of the Kyrgyz Republic with the IMF. A number of meetings of the representatives of state bodies of the Kyrgyz Republic with the IMF Mission were held to discuss emerging trends in the economy, measures to be taken within the framework of the ECF¹ program and future prospects of cooperation between the Kyrgyz Republic and the IMF.

In 2018, work was carried out jointly with the Islamic Development Bank (IDB) on a project to create an Islamic bank in the Kyrgyz Republic. In the framework of cooperation with the Islamic Financial Services Board (IFSB), collaboration was continued to improve the standards for the institutions offering the Islamic financial services. The National Bank organized seminars on the Islamic banking and financing for certain FCOs of Kyrgyzstan, as well as the representatives of central banks from the Commonwealth of Independent States (CIS) countries. In order to further promote the Islamic principles of financing in the Kyrgyz Republic, the National Bank signed an agreement with the Islamic Development Bank on giving a technical assistance grant to improve the legislation and regulatory framework in the field of regulation and supervision over the financial-credit organizations conducting operations in accordance with the Islamic principles of financing.

The National Bank participated in the integration processes and events organized by the Eurasian Economic Union (EAEU), the Interstate Bank (ISB), the Commonwealth of Independent States, and the Shanghai Cooperation Organization (SCO) on the financial and banking activity.

The National Bank participated in the activities of various advisory and working subcommittees, working groups and subgroups established within the EAEU. Thus, in 2018, the work aimed at formulating the common positions for analysis and forecasting of macroeconomic indicators and the forecasts for mutual trade of the EAEU member states was carried out within the framework of the Advisory Committee on Macroeconomic Policy. Improvement of the calculation mechanisms and application of the mid-term inflation target among the EAEU member states was continued.

The Advisory Committee on the Statistics was focused on holding discussions of the methodology for generating statistical indicators of the EAEU, as well as common methodological approaches to gathering statistics on foreign and mutual trade of goods. The issues of ensuring the quality of statistical data were considered, and measures of the action plan for 2019 were approved.

Harmonization of the EAEU member states legislation in the financial sector, banking activities, securities market insurance, and currency regulation were considered in the course of the work carried out by the Advisory Committee on the Financial Markets. Development of the EAEU contractual and legal framework was continued, particularly the drafts of the Concept for a common financial market formation and the Agreement on exchange of information within the credit histories.

¹ The IMF three-year economic program on the Extended Credit Facility (ECF) for the Kyrgyz Republic ended on April 8, 2018.

Cooperation with international financial organizations

Cooperation with integration associations

Development of the draft Agreement on agreed monetary policy of the EAEU member states according to the agenda of the Advisory Council on the Monetary Policy of the Central (National) Banks of the EAEU member states was continued.

The Agreement on harmonization of legislation in the financial sphere of the EAEU member states was signed, it defines the directions and procedure for harmonizing the legislation of the member states in the financial market (in the banking sector, the insurance sector, and the services sector in the securities market). An Agreement on cooperation between the National Bank and the Central Bank of the Russian Federation on countering computer attacks was elaborated and signed within the framework of cyber security cooperation. This agreement was elaborated to organize interaction on countering computer attacks focused on preventing and detecting them, creating conditions for their suppression, as well as increasing the level of information security.

In the reporting year, one of the sites for development of integration cooperation among the central banks, the Eurasian Council of Central (National) Banks (the Council) continued its work. During the regular meetings of the Council, the issues of regulating cross-border operations with e-money were considered, as well as the issues of regulating the activities of operators of significant payment systems, the activities of forex companies, and developing the activities of banking and non-banking organizations operating according to the Islamic principles of financing in the states of central (national) member banks of the Council. The coordination/advisory councils operating under the Council also continued their activity: the Coordination Council on Professional Training of the Central (National) Banks' Employees; the Coordination Council on Issuing Banknotes, Developing Numismatic Market, Countering Counterfeiting; the Advisory Council on Audit Activities of the Central (National) Banks; the Advisory Council of the Central (National) Banks on Protection of the Rights of Consumers of Financial Services and Financial Accessibility.

Bilateral cooperation

During 2018, the National Bank actively participated in the work of the bilateral intergovernmental commissions within the framework of interaction with the central (national) banks of the Islamic Republic of Iran, the People's Republic of China, the Kingdom of Saudi Arabia, the Republic of Kazakhstan, the Republic of Poland, and the Swiss Confederation.

Technical cooperation

The National Bank of the Kyrgyz Republic cooperated with the Swiss National Bank, the National Bank of Poland, the Central Bank of the Republic of Turkey, the Deutsche Bundesbank, the Joint Vienna Institute (JVI), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), German Savings Banks Foundation for International Cooperation, and international financial institutions within the framework of experience exchange, professional development programs and technical assistance.

The IMF, the State Secretariat for Economic Affairs (SECO) of Switzerland and the World Bank (WB) rendered technical assistance to the National Bank in transition to risk-based supervision within the framework of activity conducted by the National Bank for implementation of the risk-based supervision over the commercial banks.

The delegations of the Swiss National Bank, the Central Bank of the Republic of Uzbekistan, as well as the People's Bank of China visited the National Bank in 2018 to exchange experience on various banking issues. As a result of the visit, the parties agreed to strengthen and further develop cooperation between the central (national) banks.

5.2. Public Relations and Improvement of the Population Financial Literacy

In 2018, the National Bank continued informing the public according to the principles of openness, transparency and accessibility. Information about the work carried out by the National Bank was presented through the issuance of official publications, organization

of the press conferences and briefings with the involvement of management, publication of information on the official website of the National Bank, in the media, by television broadcasts and on the radio as well as other awareness raising activities.

Totally, in the reporting year, the National Bank initiated and prepared about 180 publications in the republican and international media, partly in response to the requests of journalists. More than 160 public statements of the National Bank representatives were organized and carried out for the printed and electronic media, radio stations and TV channels, 150 written and oral media appeals were processed.

The National Bank organized special informational and educational events for media representatives. The National Bank management participated in ten press conferences on the policy rate of the National Bank, monetary policy, collection coins, and the State Program for Improving Financial Literacy Levels of the Population. The situation in the banking sector and the microfinance sector, the trends in the foreign exchange market and in the payment system were explained during the meetings.

In 2018, production of its own media products was continued. Thus, 80 rubrics in the TV program “Capital”, ten TV programs “Finsabat”, and six programs “The National Bank explains” were launched at the TV channel of the Public Broadcasting Corporation. In addition, the “National Bank reports” rubric was daily aired in each issue of the news block being accompanied by infographics on the exchange rates and the cost of gold measuring bullions. There were also 100 radio programs “National Bank reports” broadcasted on “Birinchi Radio” and 24 radio programs “EcoLikbez” broadcasted on radio “Maral”.

Educational issues focused on the role and functions of the National Bank, covered the issues of banking legislation, financial and foreign exchange markets, payment systems, the securities market, and other relevant topics.

Information was provided to the public in remote regions through the regional offices and the Batken representative office of the National Bank. 1, 100 informational and analytical materials were published in regional mass media.

During 2018, the National Bank specialists conducted a series of training seminars entitled “Role and Functions of the National Bank” in Osh, Talas, Karakol, Naryn with the involvement of 40 regional journalists specializing in economics and finance.

As part of the initiative “2018 – Year of Regional Development” declared by the President of the Kyrgyz Republic, in 2018, the National Bank, with the assistance of the Government of the Kyrgyz Republic, held a regional forum “Access to Financial Services” in Osh to build an effective dialogue between the financial institutions and the business community of Batken, Jalal-Abad and Osh oblasts. The forum was attended by the National Bank administration, heads and representatives of the state authorities of Osh, Jalal-Abad and Batken oblasts, the representatives of the Union of Legal Entities “Union of Banks of Kyrgyzstan”, the commercial banks, the Russian-Kyrgyz Development Fund, OJSC “Guarantee Fund”, OJSC “State Mortgage Company”, CJSC “Interbank Processing Center”, the Deposit Protection Agency and the local business communities.

A regular banking round-table meeting, organized by the National Bank in cooperation with the Union of Legal Entities “Union of Banks of Kyrgyzstan”, was held in the city of Osh, where the topical issues of the banking sector and ensuring public access to financial resources were discussed with the focus on the need to introduce new banking technologies, development of the payment systems, improving financial literacy, and activities relating to development of the remote regions in the country.

The 25th anniversary of the national currency – the Kyrgyz som, took an important place in the information activities of the National Bank. During 2018, various events were held to mark this event.

In May 2018, an international conference was held with participation of the President of the Kyrgyz Republic, the representatives of the Jogorku Kenesh and the Government of the Kyrgyz Republic, the members of the commission for the introduction of the

*Cooperation
with media*

*Media products of
the National Bank*

*Work on public
information in the
remote regions*

*25th anniversary of
the national currency*

Kyrgyz som, the heads and representatives of the central banks of Switzerland, Russia, Kazakhstan, Uzbekistan, Georgia, Armenia and other countries, the deputy managing director of the International Monetary Fund, the representatives of other international organizations, partners, the academic community and financial-credit organizations of the republic. The history of creation and formation of the national currency, the prospects for development of the financial sector under the conditions of technological innovations and development of the monetary policy were discussed at the conference.

The commemorative postage stamp “25th anniversary of the national currency of the Kyrgyz Republic”, as well as the photo exhibition in the Ala-Too square in Bishkek, guest lectures for the students of the higher educational institutions of the republic and other events were devoted to the national currency.

Figure 5.2.1.

Postage stamps “Кыргыз сомуна 25 жыл” (“25th anniversary of the national currency of the Kyrgyz Republic”)



All events were covered in the media, as well as within the framework of the national contest of the National Bank among journalists. More than 40 works from the TV and radio journalists, authors of electronic and print media in the Bishkek city and the remote regions were received within the framework of this contest.

In addition, creative contests of videos and drawings on the theme “25th anniversary of the national currency of the Kyrgyz Republic” were announced among children and young people, the winners thereof were awarded souvenirs.

Improvement of the financial literacy

Improving the level of financial literacy of the population remains among the priorities of the National Bank. In 2018, the National Bank implemented a number of activities as part of the Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020 (hereinafter referred to as the Program).

Trainings were organized in Karakol on the basics of financial literacy for 50 teachers teaching the subjects “Human and Society”, “Introduction to Economics”, “Mathematics”, as well as additional training for 170 teachers of the general educational institutions in Bishkek, Osh and Osh oblast, within the framework of a joint project implemented by the National Bank and the Savings Banks Fund for International Cooperation of Germany with support of the Ministry of Education and Science of the Kyrgyz Republic.

In 2018, financial literacy lessons based on new curriculum standards were conducted for 7th – 11th grade students in two schools in Bishkek, selected as experimental ones.

In the spring of 2018, the annual Global Money Week was held, where the National Bank in cooperation with the ministries and departments, international and public

organizations, and educational institutions of the country carried out over 500 events, including lectures, interactive games, excursions to the commercial banks, competitions, with involvement of over 31 thousand adults and children.

At the end of October, more than 100 events were held being dedicated to the World Savings Day. Adults and children visited the offices of the commercial banks, participated in the thematic lectures, interactive games, financial fair in one of the major shopping centers in Bishkek and other events.

In the reporting year, the National Bank released the fifth series of the “Akcha Alippsi” (“Monetary ABC”), an illustrated book for the preschool and primary school children, devoted to the family budget. In total, the National Bank issued 110 thousand copies of all parts of this illustrated book being distributed among the general education schools of the republic, including the remote regions.

In 2018, a group of local experts developed a unified training course on financial literacy for adults, based on the Basic Competencies in Financial Literacy approved by the Coordination Council¹ under the guidance of the National Bank and with assistance of the Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation, GIZ) and the International Training Center (ITC) of the International Labor Organization (ILO). Pilot training programs were held in Bishkek and in the Ak-Suu district of the Issyk-Kul oblast, which were attended by the residents of the capital and the remote regions, agricultural producers and municipal employees.

The specialists of 17 *aiyl okmotu* (rural counties) in the Nookat, Uzgen and Kara-Kuldzha districts of the Osh region were trained as part of the Program implementation in 2018.

In the reporting year, work was continued to give consultations to the public on all issues within the competence of the National Bank, on written requests and applications from the citizens received by the Public Information Service. Totally, in 2018, the National Bank, including regional administrations and the representative office in Batken city, received 1,121 written requests, including the regional administrations – 317. The main subject of written requests was to provide information on the policy rate of foreign currencies to the Kyrgyz Som, on the activities of banking and non-banking organizations of the republic and other issues.

Moreover, during the reporting period, the National Bank received more than 4 thousand oral applications on various issues relating to the activities of the National Bank.

According to the Law “On the Procedure for Considering Citizens’ Applications”, the administration of the National Bank conducted 94 personal reception of citizens during the year. 394 citizens were accepted who applied to the National Bank based on financial services consumer rights.

The official website of the National Bank www.nbkr.kg remains the most important tool to inform the public, promptly ensuring the equal access to information for all its users. During the year, work to improve the official website, and the process to fill and update the information in all sections of the site were continued in order to increase openness and ensure informational transparency of the National Bank’s activities.

Information about the state programs and events focused on improving financial literacy of the population was posted on the National Bank’s website at www.finsabat.kg.

In 2018, excursions to the numismatic museum of the National Bank were organized for the schoolchildren and students, representatives of foreign and neighboring countries, government bodies and the media. The museum displays materials on the history of monetary circulation. During the excursion, visitors got acquainted with sketches and samples of banknotes and coins issued at different periods and reflecting the stages

¹ Coordination Council on implementation of the State Program for Improving Financial Literacy Levels of the Population in the Kyrgyz Republic for 2016-2020, formed by the order of the Prime Minister of the Kyrgyz Republic No. 60 dated January 27, 2017.

*Public Information
Service activity*

Official website

Numismatic museum

of development and formation of the national currency, monetary samples found on the territory of Kyrgyzstan from ancient times to the present, a collection of commemorative gold, silver and copper-nickel coins made with the use of various manufacturing techniques and interesting designs, gold measuring bullions, as well as other numismatic products manufactured by the National Bank.

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

6.1. Structure of the National Bank of the Kyrgyz Republic

During 2018, the following amendments were introduced in the organizational structure of the National Bank due to transition to the risk-based supervision over the commercial banks, development of the new digital and financial technologies in the payment system, as well as to ensure effective countering the cybercrimes in the financial-credit and payment organizations of the Kyrgyz Republic.

The following departments were reorganized:

- the Supervision Methodology and Licensing Department by reorganization into the Banks Supervision Methodology and the Licensing Department and liquidation of the Non-banking Financial-Credit Organizations Licensing Group in the Licensing Division, of the Financial Products Methodology Group in the Supervisory Methodology Division and creation of the New Financial Products Development Group on the basis thereof;
- the Payments Systems Department by creation of the Digital and Financial Technologies Division within this Department, the Payment System Operators and Payment Organizations Oversight Group within the Payment System Operators and Payment Organization Division;
- the Security and Information Protection Department by creation of the Group on Management of Methodology and Information Security in the Banking and Payment Systems on the basis thereof;

The following departments and divisions were created:

- Banking Oversight Department 1 by liquidation of the Off-Site Department;
- Banking Oversight Department 2 by liquidation of Inspection Department;
- Non-banking Financial-Credit Organizations Oversight Department;
- Systemic Risk Analysis Division;
- Consumers' Rights Protection Division;
- SWIFT Service Bureau Division.

At the end of the reporting year, the organizational structure of the National Bank included 28 structural units of the central office, five regional departments and one representative office of the National Bank in Batken oblast.

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

Economic Department

develops the proposals on the monetary policy; analyzes monetary, real, financial, and fiscal sectors of the economy; and implements macroeconomic modeling and forecasting; carries out research work on macroeconomic issues, monetary policy, fiscal policy, exchange rate, and real sector

***Monetary Operations
Department***

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

***Financial Statistics
and Review Department***

maintains statistics on monetary indicators, financial market performance indicators, statistics on the banking sector and non-banking financial-credit organizations; compiles the balance of payments of the Kyrgyz Republic; provides expert support in matters of external debt; analyzes and assesses financial stability of the Kyrgyz Republic; and releases official publications of the National Bank

***Banking Oversight
Departments 1 and 2***

implement the tasks of the National Bank of the Kyrgyz Republic to ensure the stability of the banking system, to protect the interests of the depositors and other creditors, as well as to ensure fair competition among the commercial banks by carrying out risk-based oversight over their activities according to the laws of the Kyrgyz Republic and the regulatory legal acts of the National Bank of the Kyrgyz Republic

***Banks Supervision
Methodology and Licensing
Department***

implements the tasks of the National Bank to ensure the stability of the banking system by providing supervision methodology and licensing the banks

***Non-banking Financial-
Credit Organizations
Oversight Department***

implements the tasks of the National Bank of the Kyrgyz Republic to ensure stability of the non-banking financial-credit organizations licensed and regulated by the National Bank, protects the interests of the depositors and other creditors, ensures fair competition through carrying out risk-based supervision of their activities, provides a methodological framework for oversight over the non-banking financial-credit organizations and the corresponding licensed regime of the non-banking financial-credit organizations

***Cash Management
Department***

meets the national economy's demands for banknotes and coins, refined gold and silver measuring bullions, numismatic valuables, maintains their optimal stock; provides the storage and transportation of banknotes, coins and valuables, and takes measures to ensure the disposal of old banknotes and coins

Bank Settlements Department

ensures the functioning of interbank settlement systems; makes settlements on the financial market operations and transactions

<i>Banking Automation Department</i>	provides the National Bank with high-quality and up-to-date IT services, develops and introduces the operational risk assessment procedures in the National Bank transactions, describes and analyzes business processes, elaborates recommendations for their optimization
<i>Payment Systems Department</i>	develops the regulatory and legal framework on the payment system, implements regulation, analysis, supervision (oversight) and control to ensure uninterrupted interbank payments, study and regulation of the new payment and financial technologies, promotes development of the payment system in the country, as well as implements licensing, regulation and supervision over the payment system operators and payment organizations
<i>Accounting and Reporting Department</i>	keeps accounts and records of the Bank's transactions in accordance with the international accounting practice to provide the customers with financial statements reflecting the Bank's financial position, custodian accounting of the Government Securities, as well as monitors the collateral on issued loans
<i>Legal Department</i>	provides comprehensive legal support of the National Bank, development and improvement of the banking legislation
<i>Security and Information Protection Department</i>	ensures safe activity of the National Bank and operators of payment systems of the Kyrgyz Republic, provides effective countering the cybercrimes in the financial-credit and payment organizations
<i>Administration and Logistics Department</i>	resolves logistics issues of the Bank, transport support, maintaining uninterrupted functioning of the buildings and structures and their power supply
<i>Systemic Risk Analysis Division</i>	reveals systemically important risks in the banking and non-banking sectors, prepares proposals for taking measures to ensure the banking system stability, as well as carries out systematic supervision over the activity of the financial-credit organizations licensed by the National Bank for compliance with the laws of the Kyrgyz Republic in the sphere of countering the financing of terrorism and anti-money laundering
<i>Consumers' Rights Protection Division</i>	protects the rights of the consumers of the banking and microfinance services

<i>SWIFT Service Bureau Division</i>	provides the National Bank of the Kyrgyz Republic and the commercial banks of the Kyrgyz Republic with high-quality and continuous SWIFT services according to the requirements of the SWIFT Customer Security Program
<i>State Language Development and Documentation Management Division</i>	promotes the implementation and development of paperwork and record keeping in the state language, carries out the centralized document management and control of the National Bank's documents execution, as well as the activities of the National Bank's Management Board
<i>Personnel Division</i>	meets the needs of the National Bank in the workforce required to fulfill the functions and objectives of the National Bank, and plans, organizes and controls the process of training the Bank employees
<i>Finance and Monitoring Division</i>	organizes financial activities of the National Bank, aimed to ensure the financial resources for its development strategy, the safety and effectiveness of the use of fixed assets, working capital and financial resources of the Bank
<i>International Cooperation Division</i>	provides for the establishment, strengthening, and development of international cooperation of the National Bank with the central banks, financial and integration institutions and other relevant organizations of the partner countries
<i>Financial Risk Control Division</i>	manages the financial risks in conducting the operations of the National Bank in the foreign markets;
<i>Public Relations Division</i>	raises public awareness about the National Bank's activities and policies through the media outlets in accordance with the Bank's communications policy and contributes to improvement of the financial literacy in the Kyrgyz Republic
<i>Construction and Repair Division</i>	organizes construction and assembly operations, repair, design and survey works at the National Bank's facilities
<i>Internal Audit Service</i>	provides an independent and objective assurance and consulting to the Board of the National Bank, using a systematic and disciplined approach to assessment and improving the effectiveness of risk management, control and corporate governance processes aimed at improving the activities of the National Bank

<i>Procurement Group</i>	organizes and makes procurement in accordance with the current regulatory legal acts of the National Bank, as well as runs projects of international financial organizations and donor countries, implemented by the National Bank or with its direct participation
<i>Educational and Recreation Center (recreation center “Tolkun”)</i>	is intended for holding workshops, roundtable meetings and other training, social and cultural events with participation of the National Bank employees
<i>Regional Departments and Batken Representative Office</i>	provides implementation of the central bank’s policy in the remote regions to expand the availability of the financial services, to develop the payment system and improve the population financial literacy. Moreover, it provides the branches of the commercial banks with cash; supervises the non-banking financial-credit organizations

At the end of 2018, the payroll number of employees of the National Bank amounted to 701 people (including trainees), of which 623 people – in the central office and 78 people – in the regional departments and the Batken Representative Office. The number of women amounted to 312 people – in the central office and 27 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 48.0 percent and men – 52.0 percent.

Payroll number of employees of the National Bank

In 2017, the payroll number of employees of the National Bank amounted to 664 people, of which 581 people – in the central office and 83 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 47.0 percent and men – 53.0 percent.

The National Bank of the Kyrgyz Republic provides trainings for its specialists on an annual basis to improve their qualification. In 2018, training was carried out for the specialists within the framework of the Program of vocational training for the personnel of the central (national) banks, training events organized in the CIS, far abroad countries, and in the Kyrgyz Republic, as well as on the basis of the National Bank.

Personnel training

In accordance with the Memorandum of Long-Term Cooperation between the National Bank and the Savings Banks Foundation for International Cooperation (Germany), implementation of the educational project “Banking. Dual vocational training of bank officers” was continued. In the reporting year, according to the results of education 96 young specialists from the personnel of the National Bank and the commercial banks completed training.

In September 2018, the National Bank of the Kyrgyz Republic re-launched the program “Young professionals”, the purpose thereof is to create opportunities for the university graduates and young professionals to obtain banking skills through participation in the activity of the country’s central bank.

The competitive selection of young specialists was carried out in three stages, according to the results thereof, 31 people out of 67 candidates were accepted for internship at the National Bank. The National Bank intends to continue implementing the program “Young professionals” to ensure continuity and succession at the National Bank.

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

Competitive selection

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

In 2018, 40 competitions were held, including seven competitions in the regional offices. In total, 268 people took part in the contests. As a result of these competitions, 29 people were recruited in the National Bank.

The staff turnover was 10.0 percent in 2018 and in 2017 – 13.0 percent.

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

Chart 6.1.1.

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

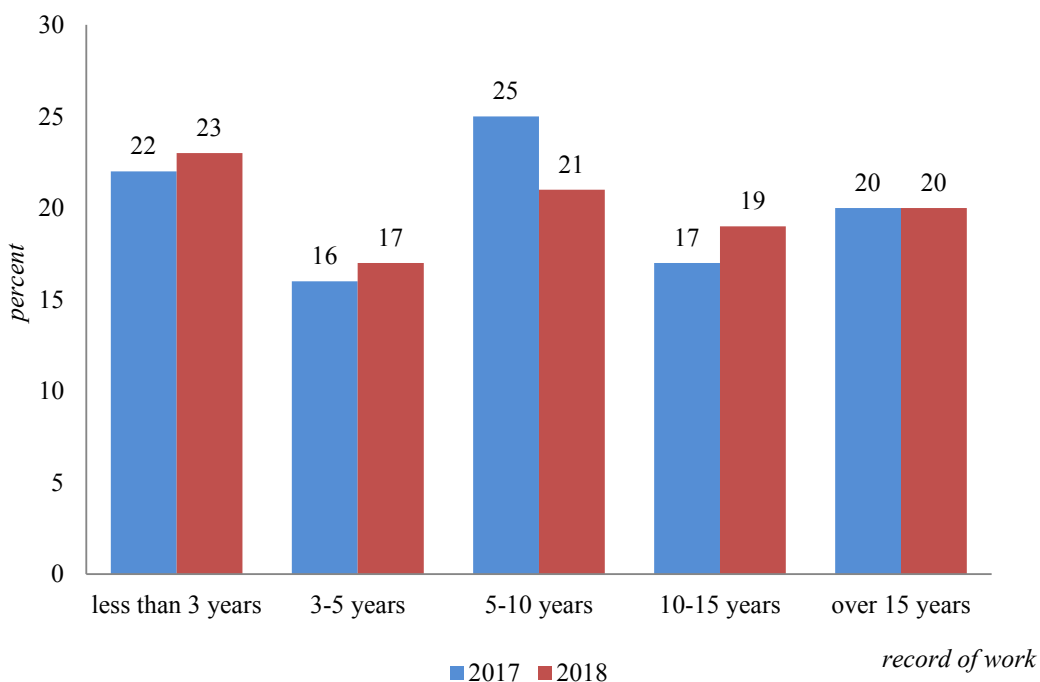
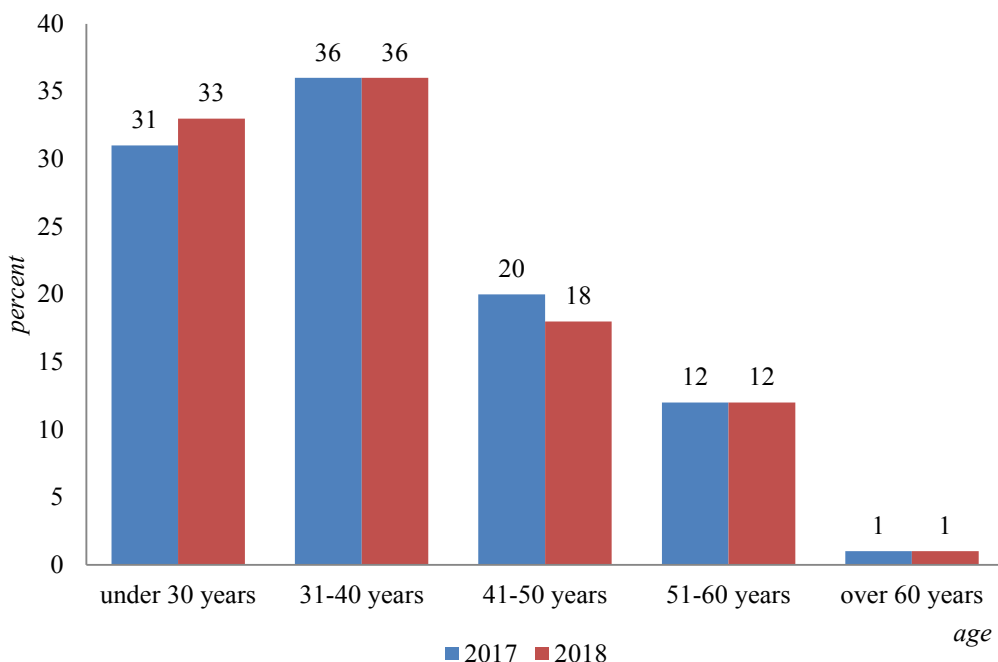


Chart 6.1.2.

Structure of Specialists by Age



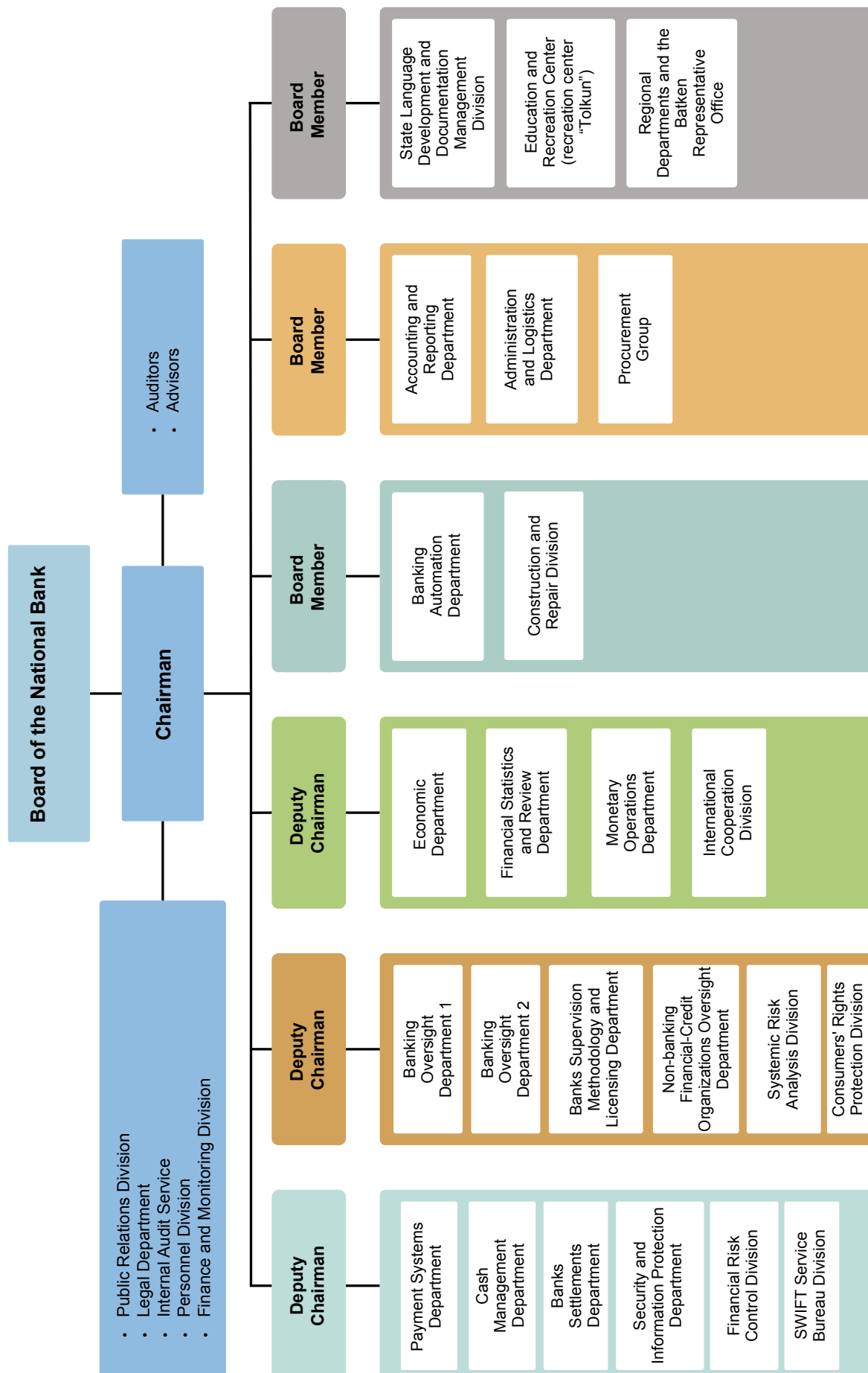
The committees and commissions operate in the National Bank on a regular basis to provide effective fulfillment of the functions and objectives thereof. Seven committees, ten commissions, six editorial boards for publications of the National Bank and the scientific advisory council with their activity being regulated by the relevant provisions operated as of the end of 2018.

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

<i>Monetary Regulation Committee</i>	develops and implements the operational decision-making on current liquidity management. The main objectives are to evaluate the current situation, develop and make decisions on the operations in the open and foreign exchange markets, consider recommendations and make decisions on application of the monetary policy instruments according to the regulatory legal acts of the National Bank, develop recommendations to the National Bank Board, the National Bank Chairman and the Kyrgyz Republic Government on the monetary policy issues
<i>Investment Committee</i>	develops and makes decisions on management of the international reserves within the framework of the established powers. The main objectives are to review, approve and monitor the implementation of the investment strategy; to assess the effectiveness of investment, taking into account the situation in the financial markets, and to develop the tactical decisions under the approved strategy, to recommend and propose the National Bank Board on investment activities
<i>Supervision Committee</i>	decides on the regulation and supervision of commercial banks and other financial-credit organizations licensed by the National Bank within the established competence
<i>Audit Committee</i>	assists the Board of the National Bank in ensuring an adequate system of internal control, as well as control over the accounting procedures and preparation of financial statements of the National Bank
<i>Payment System Committee</i>	makes decisions on the issues of its competence in the sphere of development, regulation and supervision (oversight) over the payment system in the Kyrgyz Republic, as well as licensing, regulation and prudential supervision over the payment systems operators and the payment organizations

<i>Risk Committee</i>	takes timely measures on minimization of risks in the activities of the National Bank by coordinating operations of the structural units in the area of identification, evaluation, and constraints of risks inherent in activities of the National Bank
<i>Coordination Committee on Information Technologies</i>	determines the main directions for development of the information technologies and controls fulfillment of the activities for implementation of information technology development in the National Bank and coordinates planned information technologies (IT) projects, changes, approval of technical solutions and business processes relevant to these projects or IT
<i>Commission of Prevention of Corruption</i>	ensures the activity of the National Bank in accordance with the laws on conflict of interest, as well as on preventing and combating corruption through implementation and monitoring of activities against corruption
<i>Methodological Commission</i>	considers drafts of individual regulatory acts with a view to their methodological elaboration; approves terms and their explanations, used in the regulatory acts of the National Bank
<i>Commission for Organizational Development of the National Bank</i>	examines the issues and prepares proposals on organizational development of the National Bank. The main objectives are to consider the proposals and elaborate recommendations for optimization of the business processes, and for changing the organizational structure of the National Bank; to coordinate and supervise the activities related to optimization of business processes carried out in the National Bank
<i>Labor Disputes Commission</i>	considers individual labor disputes in the National Bank in accordance with the Labor Code of the Kyrgyz Republic

Organizational Chart of the National Bank of the Kyrgyz Republic as of December 31, 2018



6.2. Activity of the Board of the National Bank of the Kyrgyz Republic in 2018

General information

The Board is the supreme governing body of the National Bank and approves its main activity. Powers of the Board are determined by the Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”.

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

The Board of the National Bank activity was carried out in accordance with the approved annual and quarterly action plans. In 2018, it held 76 meetings (including 17 information exchange meetings), with 372 considered issues and 210 adopted resolutions.

Consideration of monetary policy issues

During 2018, the Board of the National Bank eight times considered the issue of the size of the National Bank policy rate - the main monetary policy instruments. The decisions on the policy rate were made on the basis of analysis and forecast of the main inflation factors, the situation in the external environment and in the Kyrgyz Republic.

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

In December 2018, the Board approved the Statement of the National Bank of the Kyrgyz Republic on the monetary policy for 2019 and the schedule of the Board meetings for 2019 on the policy rate of the National Bank, which were posted on the official website.

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

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

In total, 21 issues were considered and 20 resolutions were adopted on the monetary policy issues and the international reserves management in 2018.

Consideration of issues of banking and non-banking organizations supervision

The Board of the National Bank adopted a series of resolutions to improve the regulatory framework for the licensing, supervision and regulation of the banks and non-banking financial-credit organizations activity, including the institutions implementing operations in accordance with the Islamic principles of banking and financing.

Adopted resolutions related to the issues of banks licensing, economic standards, reducing the risks in the banks activity, introducing risk-based supervision, and applying enforcement actions to the banks and non-banking financial-credit organizations. Moreover, the resolutions on the banks' capital adequacy ratios were adopted as part of implementing certain elements of Basel III international standards.

The resolutions on the issues of lending and collecting collateral, as well as on consideration by the National Bank of cases on violations of the regulatory legal acts of the Kyrgyz Republic were approved to bring them in compliance with the laws of the Kyrgyz Republic.

In order to further develop the Islamic principles of banking and financing, the Board adopted the resolutions aimed at expanding the list of operations of the financial-credit organizations implementing operations in accordance with the Islamic principles

of banking and financing, as well as improving the risk management system in the banks conducting operations in accordance with the Islamic principles.

Moreover, the Board approved resolutions on increasing the maximum aggregate amount of financing and lifting the restrictions on raising funds from the founders (shareholders) and other legal entities of the microfinance organizations to develop non-banking financial-credit organizations operating in accordance with the Islamic principles of banking and financing. Separate resolutions were aimed at improving the asset classification system in the microfinance companies and credit unions.

The Board of the National Bank approved the Anti-Crisis Program of the National Bank of the Kyrgyz Republic, focused on preventing and overcoming the crisis situations in the financial sector.

During 2018, the Board of the National Bank reviewed reports on implementation of the Action Plan of the Main Directions for Development of the Banking Sector in the Kyrgyz Republic for 2018-2021 reflecting the goals and objectives of the banking financial-credit sector for the medium term. Implementation of the measures envisaged in this program for 2018 contributed to achievement of the established indicators aimed at creating a favorable economic, legislative and regulatory environment for the institutional development of economically viable, sustainable and socially responsible lending.

In total, 90 issues were considered, 64 resolutions were adopted on the issues of the activities of the specific commercial banks and other financial-credit organizations licensed by the National Bank of the Kyrgyz Republic, 28 decisions thereof related to the regulatory framework governing their activities.

In the reporting year, the Board of the National Bank approved a number of regulatory and legal acts to develop the payment system, to license and harmonize the activities of the operators of payment systems, payment organizations and the international payment systems.

*Consideration
of payment
system issues*

The joint resolution of the Government of the Kyrgyz Republic and the National Bank “On Approval of the Third Stage of the State Program to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic for 2018-2022” was signed to further implement the State Program to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic.

The requirements for the operators of the international money transfer systems were revised to ensure guaranteed monetary liabilities to the commercial banks of the Kyrgyz Republic.

The Board considered and approved the Regulation governing the formation of the insurance (reserve) fund to provide timely fulfillment of the commercial banks’ obligations during the final settlement on the cards of the international payment systems in the national currency.

During 2018, the Board of the National Bank reviewed the reports on implementation of the action plan of the Main Directions for Development of the Payment System in the Kyrgyz Republic for 2018-2022 which reflect the goals, objectives and development trend of the payment system for the medium term. Implementation of measures stipulated in the plan for 2018 contributed to achieving the established indicators aimed at increasing the share of non-cash payments and settlements and ensuring the security of the payment system.

In total, the Board considered 33 issues and adopted 16 resolutions on the operation and management of the payments system.

Due to applying of the International Financial Reporting Standards (IFRS) 9 “Financial Instruments” since January 1, 2018, the Board of the National Bank approved the Regulation “On Classification of Financial Assets and Liabilities and Calculation of Reserves for Expected Credit Losses for Financial Assets of the National Bank of the Kyrgyz Republic”, as well as the amendments and additions thereto and to the National

Other issues

Bank Accounting Policy developed in accordance with the requirements of IFRS 9, legislation of the Kyrgyz Republic and the internal regulatory documents of the National Bank. Thus, the procedure of classification of financial assets and liabilities, business models, methodology for calculating reserves for expected credit losses for financial assets of the National Bank, being subject to IFRS 9 in accordance with the international practice, was determined.

In the reporting year, the Board of the National Bank also considered the issues on arranging the activity of the National Bank of the Kyrgyz Republic and other issues, on which 110 resolutions were adopted.

6.3. Improvement of Banking Legislation

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

Effective laws

Thus, the Law of the Kyrgyz Republic “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, “On Bringing into Force the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, the Civil Code of the Kyrgyz Republic)” was adopted in 2018. This Law stipulates optimized procedure for providing the Provisional Administration and the liquidation of banks, and also establishes the procedure for determining the remuneration of the liquidator and the Provisional Administrator. The law came into force on the effective date of the Laws of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activities” and “On Bringing into Force the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”, i.e. since June 22, 2017.

In the reporting year, the Law of the Kyrgyz Republic “On Amendments to the Tax Code of the Kyrgyz Republic” was adopted to expand the payment infrastructure. This Law provides for exemption of the commercial banks from VAT payment until the end of 2022, when they import bank equipment (ATMs, POS-terminals, payment terminals and self-service terminals). This will allow the banking sector to actively increase the infrastructure for non-cash payments in the remote regions.

Draft laws

In the reporting period, the National Bank elaborated a draft Law of the Kyrgyz Republic “On Guarantee Funds in the Kyrgyz Republic”, which provides for further improvement of the financial-credit system of the republic to increase the accessibility of small and medium-sized business entities to finance bank loans for business development, expansion of production, acquisition and modernization of fixed assets, introduction of the new technologies, innovation activity and establishing new enterprises by providing guarantees, which in general will be an additional motivation for further economic development of the Kyrgyz Republic. The draft law stipulates appointment of the National Bank of the Kyrgyz Republic as the authorized agency for regulating the activities of the guarantee funds.

Moreover, the National Bank has developed a draft Law “On Amendments to Certain Legislative Acts of the Kyrgyz Republic” (to the Laws of the Kyrgyz Republic “On Collateral” and “On the Licensing System in the Kyrgyz Republic”). This draft law has been developed to form a regulatory legal framework for establishing and operation of the housing and savings credit companies and to give the authority to the National Bank for licensing the housing and savings credit companies. Establishment of a housing and savings credit company involves creation of a system of medium-term housing finance, based on raising money from the citizens of the Kyrgyz Republic in housing savings deposits and providing them with long-term targeted loans in accordance with the terms of the loan agreement.

6.4. Performance of Duty of Financial Adviser

To perform the duty of a financial adviser to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic, in 2018, the National Bank carried out the following activities:

- Provided information and analytical materials on the issues of the monetary policy, on the status of the banking and payment systems to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic on a regular basis;
- Examined the draft laws and other regulatory legal acts and decisions affecting the financial and banking issues or the area of authority of the National Bank;
- Provided advice to the Government of the Kyrgyz Republic when considering the republican budget;
- Consulted and made the recommendations on the financial and banking system issues to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic (including ministries and departments).

Analytical information regularly provided to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic included the main monetary policy guidelines of the National Bank, the forecast of key macroeconomic indicators, the situation in the external sector of the economy, the status of the banking and payment systems, the system of non-banking financial-credit organizations, and the situation in the foreign exchange market of the republic.

The National Bank provided information on the results and the medium-term forecast of the social and economic development of the republic, the indices and indicators within the framework of implementation and monitoring of the sustainable development goals, the prospects for development of the domestic economy, inflation forecast, foreign loans, the status of the balance of payments and the exchange rate, as well as on measures to strengthen the national currency.

In total, as part of the financial advisor duty, the National Bank sent more than 400 letters to the public authorities during the reporting period.

Examination of draft laws

In the reporting year, the National Bank examined more than 30 draft laws, including:

- “On the Republican Budget for 2019 and the Forecast for 2020-2021”;
- “On Precious Metals and Gems”;
- “On the Licensing System in the Kyrgyz Republic”;
- “On Operation of the Lombards”;
- “On Public-Private Partnership in the Kyrgyz Republic”;
- “On State Internal Financial Control”;
- “On Compensation fund to Affected People”;
- “On Warehouses and Warehouse Certificates”;
- “On Participation of citizens in Shared Construction”;
- “On State Strategic Management and Planning”;
- “On Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity””;
- “On Amendments and Additions to the Tax Code of the Kyrgyz Republic”;
- “On Amendments and Additions to the Budget Code of the Kyrgyz Republic”;
- “On Amendments to Certain Legislative Acts (to the Tax Code of the Kyrgyz Republic, to the Law “On Bankruptcy (Insolvency)””;
- “On Amendments to the Law of the Kyrgyz Republic “On Auditing””;
- “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Land Code of the Kyrgyz Republic, the Law of the Kyrgyz Republic “On Management of Agricultural Lands”, the Law of the Kyrgyz Republic “On Collateral”)””;
- “On Amendments to Certain Legislative Acts in the Sphere of the Financial Market”;

- “On Ratification of the Agreement on Harmonization of Laws of the Eurasian Economic Union Member States on the Financial Market, Signed in Moscow on November 6, 2018” and others.

In 2018, the National Bank also examined and prepared the proposals for more than 40 draft resolutions and orders of the Government of the Kyrgyz Republic and the acts of the President of the Kyrgyz Republic, including:

- On Approval of the Action Plan of the Government of the Kyrgyz Republic for 2019-2023 for Implementation of the Program of the Government of the Kyrgyz Republic “Unity, Trust, Creation”;
- On Approval of the Concept of Digital Transformation “Taza Koom”;
- On Approval of the Pilot Program to Support Migrant Workers and Their Families “Mekenim” for 2019-2020;
- On Approval of the Fiscal Policy Program of the Kyrgyz Republic for 2019-2021 and the Action Plan for Implementation of the Fiscal Policy Program of the Kyrgyz Republic for 2019-2021;
- On Approval of the Concept for Development of the Jewelry Industry of the Kyrgyz Republic until 2023;
- On Approval of the Procedure for Placement of Temporarily Free Funds of the Republican Budget of the Kyrgyz Republic in the National Bank of the Kyrgyz Republic;
- On Amendments to the Resolution of the Government of the Kyrgyz Republic “On Approval of the Rules for Management of Pension Savings Funds Formed in Favor of the Insured Persons Who Have Not Exercised the Right to Choose a Management Company, the Social Fund of the Kyrgyz Republic”;
- On Amendments and Addenda to the Resolution of the Government of the Kyrgyz Republic “On Approval of the Procedure for Calculating Coefficients Applied to the Base Interest Rate on a State Mortgage Loan” No. 534 dated August 24, 2017”;
- On Amendments to the Resolution of the Government of the Kyrgyz Republic “On Approval of Assessment Criteria for the Risk Degree in the Course of Business”;
- On Measures to Implement the Law of the Kyrgyz Republic “On Combating the Financing of Terrorism and Anti-Money Laundering”;
- On Amendments to the Resolution of the Government of the Kyrgyz Republic “On Criteria for Selection of the Commercial Banks to Service the Financial Flows of the State Budget of the Kyrgyz Republic, the Social Fund of the Kyrgyz Republic and State-Owned Enterprises” No. 81 dated March 1, 2011;
- On Issue of Budget Loan to Open Joint-Stock Company “State Mortgage Company”;
- On Increasing the Authorized Capital of Open Joint-Stock Company “State Insurance Organization”;
- On Assessment of the Public Investment Projects Economic Efficiency;
- On Establishment of Priority Types of Investment Projects and others.

In 2018, the National Bank participated in the development and implementation of a number of state programs and plans, including:

- The National Development Strategy of the Kyrgyz Republic for 2018-2040;
- The Action Plan of the Government of the Kyrgyz Republic for 2018 on Implementation of the Program of the Government of the Kyrgyz Republic “Unity, Trust, Creation”;
- Action Plan for Implementation of the Decree of the President of the Kyrgyz Republic “On Declaring 2018 the Year of Regional Development”;
- The Strategies for Sustainable Development of Industry in the Kyrgyz Republic for 2019-2024;

Development and implementation of state programs

- The Program of the Government of the Kyrgyz Republic on Exports Development for 2018-2023;
- The Action Plan for Implementation of Memorandum on Economic and Financial Policy for 2015-2018;
- The Program for Improving the Financial Literacy of the Population of the Kyrgyz Republic for 2016-2020;
- The Action Plan to Minimize the Consequences of Sharp Fluctuations in the Exchange Rate, to Prevent Sharp Rise in Prices for Goods and Services, and to Maintain the Rate of Economic Growth for 2018–2019;
- Action Plan to Reduce the Risk of Anti-Money Laundering and Financing of Terrorism for 2018-2019;
- Roadmap on Sustainable Financing in the Kyrgyz Republic;
- Long-term Cooperation Program between the Kyrgyz Republic and the Islamic Development Bank and others.

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

Examination of international agreements

- The draft Agreement on Financing of the Third Phase of the Program for Improvement of Regional Communications in Central Asia between the Kyrgyz Republic and the International Development Association;
- The draft Agreement on Extended Partnership and Cooperation between the Kyrgyz Republic and the European Union;
- The draft Memorandum between the National Bank of the Kyrgyz Republic and the Reserve Bank of India on Cooperation and Information Sharing on Banking Cooperation;
- The draft Agreement on Protection and Encouragement of Investments between the Kyrgyz Republic and Japan;
- The draft Agreement on Services Free Trade, Establishment, Activity and Investment of the CIS Member States;
- The draft Agreement on Peculiarities of Operations with Precious Metals and Gems within the Framework of the Eurasian Economic Union;
- the draft Protocol on Amendments and Additions to the Text of the Agreement between the Kyrgyz Republic and the Swiss Confederation for Avoidance of Double Taxation in Respect of Income, Capital Taxes and others.

Based on the findings of the examination of the draft laws, draft resolutions and orders of the Government and the President of the Kyrgyz Republic, the international treaties and agreements and other draft regulatory legal acts, conclusions were given, as well as comments and proposals on the issues falling within the competence of the National Bank.

In the reporting year, the representatives of the National Bank participated in 25 interagency working groups and committees on the following issues:

Work in interagency commissions

- Currency regulation and currency control in the EAEU territory;
- Formation of the Kyrgyz Republic position on changing the rates of customs duties of the EAEU unified customs tariff;
- Analysis and study of the mechanisms for attracting migrants' funds to the economy of the Kyrgyz Republic;
- Models of green economy development in the Kyrgyz Republic;
- Development of macroeconomic statistics methodology and adjustment of the government finance statistics indicators;
- Introduction of a contract housing savings mechanism;
- Development of an approach to legislative regulation of mining and use of cryptocurrency in the territory of the Kyrgyz Republic;

- Development of a data exchange mechanism in electronic format within the framework of a pilot project for the lump-sum payment of a “balaga suiunchu”;
- price monitoring for food security in the Kyrgyz Republic and others.

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

6.5. Internal Audit and Internal Control System

Legal framework

The internal audit of the National Bank is carried out by the Internal Audit Service reporting to the Board of the National Bank. The internal control system of the National Bank is organized and operates in accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” and internationally recognized principles of internal control. The Board of the National Bank appoints the Audit Committee to provide an adequate internal control system, as well as control over the accounting and preparation of the financial statements of the National Bank. The Audit Committee includes a member of the Board of the National Bank and two independent experts who are not employees of the National Bank.

Implementation of activities

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

In 2018, the experts of the Deutsche Bundesbank carried out an independent external quality assessment of the internal audit activities within the framework of technical assistance. An independent assessment of the internal audit activity is carried out once every five years in accordance with the international standards for the professional practice of internal auditing. As a result of the external assessment, the Deutsche Bundesbank experts gave an opinion that the Internal Audit Service generally conforms to the Institute of Internal Auditors’ International standards for the professional practice of Internal Auditing and Code of Ethics.

In the reporting period, internal audits were carried out on the main activities of the National Bank, including compilation and analysis of foreign economic indicators, supervision over the payment system operators and payment organizations, organization of bank settlements, organization of national currency production, banking supervision and supervision over non-banking financial-credit organizations, as well as in other areas. According to the audit results, relevant recommendations were given, implementation thereof was monitored by an internal audit.

Interaction with external auditors

In 2018, the external audit of the National Bank’s financial statements was carried out by the audit organization – “Deloitte and Touche” LLC approved by the Jogorku Kenesh of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic.

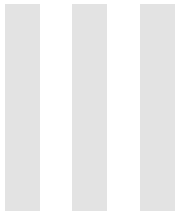
Report of the Audit Committee

The Audit Committee’s activity is to assist in improving the effectiveness of internal control system, risk management and corporate governance, as well as supervision over the internal audit service, ensuring adequate application of the accounting principles, monitoring the quality of financial statements and assess the compliance of the external auditor's work with the standards established by the legislation of the Kyrgyz Republic.

In 2018, the Audit Committee held 19 meetings, where the materials on the internal audit activities, monitoring of the implementation of internal and external audit recommendations, and on review of the internal control system were considered. The Audit Committee on a semi-annual basis provided information on its activities for consideration by the Board of the National Bank. Independent member of the Audit Committee participated in selection of the external auditor for the National Bank. The Audit Committee held meetings on the financial statements audit for the year with the

responsible representatives of the external auditors to guarantee the external auditors' independence.

APPENDICES



Chronology of Major Events in the Monetary Sphere in 2018

Date	Contents
January 11	A certificate of accounting registration was issued to LLC MCC “Elfinance”.
January 22	Participation in the 9 th meeting of the Commission under the Government of the Kyrgyz Republic on the issues of the CFT/AML.
January 25-31	Visit of the IMF mission to discuss the latest trends in the economy and implementation of the three-year economic program supported by the IMF within the framework of the Extended Credit Facility (ECF).
January 31	The Board of the National Bank: <ul style="list-style-type: none"> – adopted amendments and additions to the Regulation “On Carrying out Currency Swap-Operations by the National Bank of the Kyrgyz Republic” regarding the possibility to conduct a currency swap-operation on a bilateral basis and to change the deadlines for completing a currency swap-operation; – approved amendments and additions to some regulatory legal acts of the National Bank to increase the maximum aggregate amount of financing and exclude restrictions on raising funds from the legal entities that are not the founders (shareholders), as well as from the individuals and legal entities who are the founders (shareholders) of microfinance organizations operating in accordance with the Islamic principles of banking and financing.
February 8	Participation in the meeting of the Advisory Committee on Financial Markets of the Eurasian Economic Union Member States, Moscow Russia.
February 14	The Board of the National Bank approved the Provisional Regulation “On Insurance (Reserve) Fund for International Payment Card Settlement Systems” to ensure timely fulfillment of obligations by the participants when carrying out the final calculation of net positions in the course of intra-country settlements on the international payment systems cards in the national currency.
February 16	A license to operate as a payment system operator was issued to LLC “Digital Payments-K”.
February 19	The commemorative banknote of the national currency with denomination of 2000 Soms became the winner of the competition in the nomination “The Best Regional Banknote of 2018” in the international conference “High Security Printing Europe” (Poland).
February 22	A certificate of accounting registration was issued to LLC MCC “Mir Finance”.
February 26	The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent and approved the Monetary Policy Report for Q4 2017.

- February 27
- Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration.
 - The Joint Statement of the Government and the National Bank of the Kyrgyz Republic on the main directions of economic policy for 2018 was approved by the Government of the Kyrgyz Republic and the Board of the National Bank.
- February 28
- The Board of the National Bank approved:
 - the Regulation “On Procedure for the Commercial Banks to Place Cash in Foreign Currency on Deposit Accounts Opened in the National Bank of the Kyrgyz Republic”, regulating the conditions for providing the commercial banks with the opportunity to place their foreign currency assets on deposit currency accounts in the National Bank.
 - amendments to the Regulation “On Prudential Standards and Requirements Mandatory for the Commercial Banks of the Kyrgyz Republic”. The amendments also concern the volume of loans issued to the joint liability group.
 - Special regime of the Provisional Administration in OJSC “Ak Bank” was terminated.
- March 5
- A meeting of the Interbank Payment System Council.
- March 12-20
- Measures were taken to improve the financial literacy of children and young people within the framework of participation of the Kyrgyz Republic in the World Money Week.
- March 14
- The Board of the National Bank decided to choose a settlement agent for the project of integration of the national payment system using “Elcard” payment cards with “Mir” payment system (Russia) within the framework of cooperation in the field of national payment card systems in accordance with the Provisional Regulation “On Criteria for Choosing a Settlement Agent for the Project on Integration of the National Payment Card System “Elcard” with the National/ International Payment Systems of Other Countries”.
- March 26
- The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent.
- March 27
- Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration.
- March 28
- The State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2018-2022 (third stage), aimed at achieving an optimal and equilibrium ratio of cash and non-cash money circulation was approved by the joint resolution of the Government of the Kyrgyz Republic and the National Bank.
 - The Board of the National Bank approved amendments and additions:
 - to the Instruction “On conducting inspections of the microfinance organizations that do not attract deposits and other legal entities supervised by the National Bank of the Kyrgyz Republic” to establish standards governing the procedure for conducting inspections of the exchange bureaus;
 - to some regulatory legal acts of the National Bank to expand the list of banking operations corresponding to the principles of Islamic finance with a “Commodity Murabaha” transaction.
- March 29
- Participation in the 16th meeting of the Advisory Council on the monetary policy of the central (national) banks in the Eurasian Economic Union member states, Moscow, Russia.

- March 30
- A license to conduct certain banking operations in the national and foreign currency was issued due to reorganization of LLC MCC “Elet-Capital” into CJSC MFC “Elet-Capital”.
 - Participation in the 56th meeting of the Interstate Bank Council, Moscow, Russia.
- April 2
- The Law of the Kyrgyz Republic “On Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” was adopted, it stipulates transfer of 90 percent of the National Bank of the Kyrgyz Republic profit to the republican budget of the Kyrgyz Republic, if according to the results of the fiscal year the amount of the National Bank’s authorized capital and obligatory reserve is less than ten percent of the monetary liabilities of the National Bank.
- The law is applied to transfer of the National Bank of the Kyrgyz Republic profits for 2017 and 2018 to the republican budget of the Kyrgyz Republic.
- April 2-4
- Participation in the meeting of the Advisory Committee on the Macroeconomic Policy of the Eurasian Economic Union member states, Moscow, Russia.
- April 8
- The three-year IMF economic program on the Extended Credit Facility (ECF) for the Kyrgyz Republic was completed.
- April 12
- A certificate of accounting registration was issued to LLC MCC “Everest Finance”.
- April 20
- A meeting of the Interagency Commission to increase the share of non-cash payments and settlements in the Kyrgyz Republic was held.
 - A license to operate as a payment organization and a payment system operator was issued to LLC “Bars Money”.
- April 24
- The National Bank participated as a shareholder in the next general meeting of shareholders of CJSC “Interbank Processing Center”.
- April 26
- The Board of the National Bank adopted amendments and addenda to the Regulation “On Procedure for Issuing Licenses for Conducting Exchange Operations with Foreign Currency in Cash”, which provide an opportunity for the legal entities operating on a seasonal basis to open an exchange bureau with the working assets in the amount of KGS 500 thousand and for one exchange bureau – to open four more additional exchange bureaus.
- April 27
- A banking round table was held with the representatives of the commercial banks, the Deposit Protection Agency in the Kyrgyz Republic, the Russian-Kyrgyz Development Fund, a number of microfinance organizations to discuss the current topical issues for the banking system, as well as the prospects for integration of the banking system into the EAEU.
- May 8
- A license for purchase and subsequent sale of debt obligations (factoring) was issued to LLC MCC “Kemin”.
- May 10
- Press conference of the National Bank of the Kyrgyz Republic dedicated to the 25th anniversary of the introduction of the national currency, as well as putting into circulation of collection coins “25-year anniversary of the national currency of the Kyrgyz Republic” and “Komuz”.

May 11	In honor of the 25 th anniversary of the introduction of the national currency of the Kyrgyz Republic, the National Bank held an international conference with participation of the President of the Kyrgyz Republic, the representatives of the Jogorku Kenesh, the Government of the Kyrgyz Republic, heads and representatives of the central banks of Switzerland, the Czech Republic, Russia, Kazakhstan, Georgia, Uzbekistan, Armenia, Tajikistan, Moldova, Mongolia, and the international organizations.
May 16	The Board of the National Bank reviewed and approved the Financial Sector Stability Report of the Kyrgyz Republic for 2017.
May 21	The commemorative banknote of the national currency with denomination of 2000 Soms became the winner of the competition in the nomination “The Best Innovation in the Banknote Industry” in the international conference “Banknote 2018” (USA).
May 22-25	Participation in the 28 th plenary meeting of the EAG, where the report on the mutual evaluation of the National System of the Kyrgyz Republic on countering anti-money laundering and financing of terrorism was approved, Nanjing, China.
May 28	The Board of the National Bank decided to reduce the policy rate of the National Bank down to 4.75 percent and approve the Monetary Policy Report for Q1 2018.
May 30	The Board of the National Bank adopted amendments and additions to some regulatory legal acts of the National Bank, including those on the Islamic principles of banking and financing, on classification of assets to bring the regulatory legal acts of the National Bank regulating the activities of microfinance organizations that are not entitled to receive deposits from individuals and legal entities and credit unions, in accordance with international best practice.
June 1-2	The Bishkek International Financial Forum (BIFF) “Trends in the Financial Sector. Vector of Further Development” was held being organized by the Union of Banks of Kyrgyzstan in cooperation with the National Bank.
June 6-8	Participation in the 27 th International Financial Congress, St. Petersburg, Russia.
June 8	A special regime of direct banking supervision was introduced in OJSC “Rosinbank”.
June 15	Participation in the meeting of the Advisory Committee on Financial Markets of the Eurasian Economic Union member states, Raubichi village, Belarus.
June 19	<ul style="list-style-type: none"> • The Board of the National Bank introduced a special regime for the Provisional Administration at OJSC “Ak Bank” for a period of six months. • The regime of direct banking supervision was extended in OJSC SC “Amanbank” for six months.
June 20	<ul style="list-style-type: none"> • Due to introduction of risk-based supervision over the commercial banks, the Board of the National Bank: <ul style="list-style-type: none"> – approved the Instruction “On Implementation of Banking Supervision; – adopted a number of the regulatory legal acts of the National Bank of the Kyrgyz Republic on risk management in the commercial banks. • The Board of the National Bank decided to issue a license to CJSC “BTA Bank” to conduct banking operations in accordance with the Islamic principles of banking and financing through the “Islamic window” in the national and/or foreign currency.

- June 21
- Participation in the 5th meeting of the working group on coordination of the national payment systems development, Bishkek, Kyrgyz Republic.
 - Registration of Limited Liability Partnership “RPS Asia” as an operator of the international e-money system.
 - Registration of LLC “GLOBEPAY” as an operator of the international e-money system.
- June 22
- Registration of JSC “FedPay” as an operator of the international money transfer system.
- June 25
- The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 4.75 percent.
- June 26
- Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration.
 - Open Day in the National Bank for media representatives.
- June 28
- The Board of the National Bank:
- reviewed and adopted the Report on Implementation of the Main Directions in the Payment System Development of the Kyrgyz Republic for 2018-2022 for the first half of 2018;
 - introduced the special regime of the Provisional Administration the OJSC “Eurasian Savings Bank” for a period of six months.
- June 28 - July 11
- Visit of the IMF Mission to discuss the latest economic trends and prospects for the near term.
- July 4
- Participation in the 38th meeting of the Eurasian Council of Central (National) Banks, Dushanbe, Tajikistan.
- July 11
- The Law of the Kyrgyz Republic “On Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” was adopted, it authorizes the National Bank to provide funds in the national currency on conditions of payment, urgency and repayment to the international organizations established by the Kyrgyz Republic in cooperation with other states within the framework of the EAEU on their projects and programs of concessionary financing of the economy of the Kyrgyz Republic against collateral of foreign currency or government securities of the Kyrgyz Republic.
- July 18
- The Board of the National Bank reviewed and adopted a report on implementation of the Action Plan of the Main Directions for the Banking Sector Development in the Kyrgyz Republic for 2018-2021 for the first half of 2018.
 - The Board of the National Bank adopted the Regulation “On Minimum Risk Management Requirements in Banks that Operate in accordance with Islamic principles of banking and financing”.
- July 26-27
- Visit of the delegation from the Urumqi branch of the People’s Bank of China to the National Bank.
- July 31-August 2
- Visit of the IDB Mission on microfinancing the agricultural development to the National Bank.
- August 6
- Registration of JSC “Halyk Bank” as an operator of the international money transfer system.

August 7	Registration of JSC “KIWI” Bank as an issuer of the international e-money system.
August 15	<ul style="list-style-type: none"> • The Board of the National Bank approved: <ul style="list-style-type: none"> – the Regulation “On Extending a Loan to the Deposit Protection Agency of the Kyrgyz Republic” to ensure the financial sustainability of the deposit protection system of the Kyrgyz Republic, protect depositors’ interests, prevent systemic risk and ensure the stability of the banking system; – the amendments and additions to a number of regulatory legal acts of the National Bank to reduce risks in the activities of banks, the level of dollarization of the economy and interest rates on loans, as well as to encourage the commercial banks to participate in the state programs related to financing agriculture, export-oriented, and import-substituting enterprises; – the amendments and additions to the Regulation “On Bank Payment Cards of the Kyrgyz Republic” and “On Basic Requirements for the Commercial Banks when Concluding an Agency Agreement on Providing Banking Retail Services” to expand banking infrastructure through agents of the commercial banks and public access to retail banking services in the remote regions. • Decision of the Board of the National Bank to grant a permit to OJSC “RSK Bank” to conduct operations with precious metals in the form of refined measuring bullions, issued by the National Bank in cash and non-cash form.
August 17	A meeting of the Interagency Commission was held to increase the share of non-cash payments and settlements in the Kyrgyz Republic.
August 23	A license to operate as a payment organization and a payment system operator was issued to LLC “IBS MA”.
August 28	<ul style="list-style-type: none"> • The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent and approved the Monetary Policy Report for Q2 2018. • Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration. • Collection coins “Ulak Tartysh” of the series “World nomad games” and “Yurta - Kyrgyz house” of the series “Age of the Kyrgyz kaganate” were put into circulation.
September 1	The Law of the Kyrgyz Republic “On Countering the Financing of Terrorism and Anti-Money Laundering” came into force.
September 3-7	A seminar “Islamic Banking, Banking Supervision” was held for the representatives of the CIS central banks.
September 13	Amendments and additions were adopted in the Rules for Implementation of Money Transfers through Money Transfer Systems in the Kyrgyz Republic in terms of guaranteeing the monetary obligations of the money transfer system operators to the commercial banks of the Kyrgyz Republic.
September 17	<ul style="list-style-type: none"> • Participation in the 17th meeting of the Consultative Council on the Monetary Policy of the Central (National) Banks of the Eurasian Economic Union member states, Yerevan, Armenia. • Participation in the 57th meeting of the Interstate Bank Council, Yerevan, Armenia.
September 19 - October 3	Visit of the IMF Mission to discuss the content of a possible economic program for the Kyrgyz Republic, supported by the IMF.

- September 24 The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent.
- September 25 Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration.
- September 26-27 A meeting of the experts of the national/central banks of the Republic of Belarus, the Russian Federation and the Republic of Kazakhstan was held to discuss cooperation on implementation of the international standard ISO 20022 “Financial services. Universal financial industry message scheme”.
- October 3 A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies.
- October 11 A regional forum was held with involvement of the representatives of the Union of Legal Entities “Union of Banks of Kyrgyzstan”, commercial banks, the Deposit Protection Agency of the Kyrgyz Republic, CJSC “Interbank Processing Center”, where the issues on activities of the commercial banks and development of the remote regions of the republic were discussed and decisions were made within the scope of the objectives of the Decree of the President of the Kyrgyz Republic “On Declaring 2018 the Year of Regional Development”, Osh, the Kyrgyz Republic.
- October 17 The Board of the National Bank introduced amendments and additions:
- to some regulatory legal acts of the National Bank on banking regulation to reduce the risks in the activities of banks, as well as to bring them in compliance with the regulatory legal acts of the Kyrgyz Republic;
 - to the Regulation “On Enforcement Actions Applied to the Banks and Some Other Financial-Credit Organizations Licensed by the National Bank of the Kyrgyz Republic” to establish uniform requirements for the banks that do not fulfill the requirements to form the minimum amount of the authorized and/or equity (regulatory) capital.
- October 18
- Participation in the meeting of the Advisory Committee on the Financial Markets of the Eurasian Economic Union member states, Astana, Kazakhstan.
 - Registration of Western Union Network (France), SAS as an operator of the international money transfer system.
- October 22-31 Measures were taken to improve the financial literacy of the population within the framework of participation of the Kyrgyz Republic in the World Savings Day.
- October 24 The Board of the National Bank:
- adopted the amendments and additions to the Regulation “On Licensing the Banks’ Activities” to improve the regulatory legal acts of the National Bank of the Kyrgyz Republic
 - reviewed and adopted the Financial Sector Stability Report of the Kyrgyz Republic for the first half of 2018.
- October 29 The collection coin “Chingiz Aitmatov – 90 years” of the series “Historical events” was put into circulation.

- November 14
- Participation in the 39th meeting of the Eurasian Council of Central (National) Banks, Almaty, Kazakhstan.
 - The National Bank participated as a shareholder in the next general meeting of shareholders of CJSC “Interbank Processing Center”.
- November 15-16
- Participation in the 17th meeting of the Advisory Council on the Monetary Policy of the Central (National) Banks of the Eurasian Economic Union member states, Almaty, Kazakhstan.
- November 16
- Participation in the 6th meeting of the working group on coordination the national payment systems development, Almaty, Kazakhstan.
- November 26
- The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent and approved the Monetary Policy Report for Q3 2018.
- November 27
- Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration.
 - A meeting of the Interbank Payment System Council was held.
 - Registration of LLC “Digital Payment” as an operator of the international money transfer system.
- November 28
- A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies.
- November 30
- A meeting of the Interagency Commission was held to increase the share of non-cash payments and settlements in the Kyrgyz Republic.
- December 12
- The Board of the National Bank:
- approved the Statement of the National Bank of the Kyrgyz Republic on monetary policy for 2019.
 - approved the Regulation “On Licensing the Activities of Payment System Operators and Payment Organizations” to improve the regulatory legal acts and specify the requirements regarding licensing of the payment system operators and the payment organizations.
- December 13
- A meeting of the Interagency Coordination Council of the Ministry of Finance of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic was held to harmonize the fiscal and monetary policies.
- December 19
- The Board of the National Bank:
- approved the Instruction for Consideration of Cases on Violations in the National Bank of the Kyrgyz Republic to bring it in compliance with the Code of the Kyrgyz Republic on violations;
 - extended the special regime of the Provisional Administration in OJSC “Ak Bank” for a period of six months.

- December 20
- The Board of the National Bank reviewed and adopted the reports for the second half of 2018:
 - on implementation of the Enforcement Actions of the Main Directions for the Banking Sector Development in the Kyrgyz Republic for 2018-2021;
 - on implementation of the Main Directions for Payment System Development in the Kyrgyz Republic for 2018-2022.
 - Modified banknotes of the IV series of national currency with denominations of 20 and 5000 Soms of 2016 year of issue were put into circulation.
 - The regime of direct banking supervision in OJSC SC “Amanbank” was extended for six months.
- December 24
- The Board of the National Bank decided to keep unchanged the policy rate of the National Bank at 5.00 percent.
- December 25
- Press conference on decision of the Board of the National Bank on the size of the policy rate with participation of the National Bank administration.
 - The Government of the Kyrgyz Republic adopted the Resolution “On Measures to Implement the Law of the Kyrgyz Republic “On Combating the Financing of Terrorism and Anti-Money Laundering”.
- December 26
- The Board of the National Bank adopted:
- the decision to issue a permit to CJSC “Kyrgyz-Swiss Bank” to conduct operations with precious metals in the form of refined measuring bullions, issued by the National Bank in cash and non-cash form and with precious metals of other issuers in an impersonal form (in non-cash form);
 - the amendments and additions to some regulatory legal acts of the National Bank of the Kyrgyz Republic on recovery of the collateral and lending, within the framework of bringing the regulatory legal acts into conformity with the Civil Code of the Kyrgyz Republic and the Law of the Kyrgyz Republic “On Collateral”;
 - the amendments to the Regulation “On Bank Payment Cards in the Kyrgyz Republic” to extend the term of entry into force of clause 74 of the Regulation “On Bank Payment Cards in the Kyrgyz Republic” concerning the final settlements on the domestic operations in the territory of the Kyrgyz Republic.
- December 27
- The Board of the National Bank approved the Anti-Crisis Program of the National Bank of the Kyrgyz Republic, focused on preventing and overcoming crisis situations in the financial sector.
- December 28
- The Board of the National Bank extended the special regime of the Provisional Administration in OJSC “Eurasian Savings Bank” for a period of six months.
- December 31
- The composition and format of the Interagency Commission on increasing the share of non-cash payments and settlements was amended by the joint resolution of the Government of the Kyrgyz Republic and the National Bank.

Appendix 2
to the Report of the National Bank
of the Kyrgyz Republic for 2018

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Table 1.**Macroeconomic Indicators**

	unit of measurement	2014	2015	2016	2017	2018
Real sector						
Nominal GDP ¹	millions of KGS	400,694.0	430,489.4	476,331.2	530,475.7	557,113.3*
Rate of growth of real GDP ¹	percent	4.0	3.9	4.3	4.7	3.5*
Rate of growth of industrial output ¹	percent	-1.6	-3.1	5.9	8.9	5.5*
Rate of growth of gross agricultural output ¹	percent	-0.5	6.2	2.9	2.2	2.7*
Rate of growth of wholesale and retail trade; repair of motor vehicles and motorcycles ¹	percent	8.6	7.1	8.0	7.1	5.1*
Growth of CPI (in % December to December)		10.5	3.4	-0.5	3.7	0.5
- food products		13.9	-4.2	-5.0	2.7	-2.6
- alcoholic beverages and tobacco products		12.3	12.4	4.3	4.0	6.4
- non-food products		6.8	12.3	1.6	3.2	1.4
- services		5.9	6.7	5.2	6.9	4.1
Growth of PPI ² (in % to the corresponding period of the previous year)		1.5	8.8	6.4	1.7	1.5
Unemployment rate	percent	2.3	2.2	2.2	2.3	2.8
Average nominal wage	KGS	12,435.0	13,277.0	14,492.0	15,391.0	16,218.0
Estimated minimum subsistence level	KGS	4,981.5	5,183.0	4,794.3	4,900.8	4,792.5
Financial sector						
NBKR policy rate (end-of-period)	percent	10.50	10.00	5.00	5.00	4.75
State Treasury Bills Market (average yield for the period) with maturity of:						
- 3 months	percent	5.2	8.1	3.6	2.1	-
- 6 months	percent	8.8	12.1	8.1	4.1	-
- 12 months	percent	9.7	13.0	11.3	5.7	5.6
Interbank Domestic Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	563.4	1,059.0	1,852.0	748.0	65.7
- interest rate (average for the period)	percent	10.5	14.1	6.9	3.4	0.0
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	115.2	420.8	35.6	116.9	-
- interest rate (average for the period)	percent	0.5	1.4	2.0	2.6	-
Repo Operations						
- volume (for the period)	millions of KGS	49,459.7	32,077.1	4,515.2	10,291.7	31,305.5
- interest rate (average for the period)	percent	6.8	9.3	4.0	1.8	2.4
Foreign Exchange Market						
Non-cash Transactions at Interbank Foreign Exchange Auctions	millions of USD	1,583.0	1,212.1	757.3	518.5	588.4
Deposit and Credit Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	34,929.0	38,982.6	59,062.9	69,989.2	76,612.3
- interest rate (average for the period)	percent	20.1	23.6	24.5	19.8	19.5
- interest rate (end of period)	percent	19.6	22.8	22.2	18.8	18.0
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	44,610.5	39,454.9	36,881.4	35,991.1	37,103.8
- interest rate (average for the period)	percent	15.0	14.3	12.4	10.5	9.7
- interest rate (end of period)	percent	16.1	15.7	13.4	11.3	10.1
Deposits in National Currency:						
- volume (for the period)	millions of KGS	179,549.2	190,092.6	249,003.8	289,676.4	328,293.9
- interest rate (average for the period)	percent	2.5	2.5	2.4	2.8	2.4
- interest rate (end of period)	percent	6.9	7.2	6.5	6.2	6.2
Deposits in Foreign Currency:						
- volume (for the period)	millions of KGS	213,238.3	210,082.7	214,848.5	237,864.0	272,873.4
- interest rate (average for the period)	percent	0.9	1.1	0.6	0.6	0.4
- interest rate (end of period)	percent	3.2	3.5	2.7	2.1	1.5
State Budget						
Revenue	millions of KGS	119,378.7	128,291.9	130,569.6	149,502.0	151,471.7*
including the share of tax revenue	percent	69.2	66.0	71.8	69.1	77.0*
Expenditure	millions of KGS	95,584.6	105,252.4	115,948.1	124,910.3	129,092.4*
Net purchase of non-financial assets	millions of KGS	25,669.6	29,188.8	35,499.6	41,067.9	28,748.3*
Deficit (-) / Surplus (+) in percent of GDP	percent of GDP	-1,875.5	-6,149.3	-20,878.1	-16,476.2	-6,369.0*
	percent of GDP	-0.5	-1.4	-4.4	-3.1	-1.1*
External Economic Sector						
Export of goods and services	percent of GDP	45.9	37.9	35.7	34.3	32.8*
Import of goods and services	percent of GDP	88.6	75.1	69.8	66.4	68.8*
Current account balance ³ (including transfers)	percent of GDP	-17.2	-16.2	-11.5	-6.2	-8.7*
	months of import of next year's goods and services	4.8	4.5	4.6	4.7	4.5*

* preliminary data

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

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

Table 2.
GDP Composition
(percent)

	2014	2015	2016	2017	2018*
Total	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishery	14.7	14.1	12.8	12.5	11.6
Extraction of minerals	0.7	0.8	0.6	1.0	1.0
Processing industry	13.7	14.1	15.4	15.0	15.2
Provision (supply) of electricity, gas, steam, and conditioned air	1.9	1.7	1.9	2.5	2.2
Water supply, waste treatment and production of secondary raw materials	0.3	0.2	0.2	0.3	0.3
Construction	7.4	8.4	8.4	8.6	8.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.8	18.8	17.9	17.8	18.2
Transport operations and storage of goods	3.7	3.9	3.8	3.9	4.0
Hotel and restaurant activity	1.8	1.9	1.8	1.7	1.7
Information and communication	4.3	4.3	3.5	3.1	3.0
Financial intermediation and insurance	0.7	0.5	0.5	0.5	0.5
Real estate transactions	2.5	2.6	2.5	2.6	2.5
Professional, scientific and technical activities	1.7	1.6	1.4	1.6	1.5
Administrative and support service activities	0.5	0.4	0.4	0.5	0.4
Public administration and defense, compulsory social security	5.3	5.4	5.4	5.7	5.7
Education	4.9	5.3	5.9	5.7	5.5
Health care and social services to the population	2.8	2.8	2.7	2.6	2.3
Arts, entertainment and recreation	0.5	0.5	0.5	0.4	0.5
Other service activities	1.0	1.2	1.1	1.1	1.0
Net (less subsidies) taxes on products	14.0	11.8	13.1	13.1	14.1

* preliminary data

Source: NSC KR

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

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

	2014	2015	2016	2017	2018*
Total	100.0	100.0	100.0	100.0	100.0
Domestic investment	59.4	57.8	57.4	57.5	72.0
including those financed through:					
Republican budget	3.0	3.6	7.5	5.6	4.1
local budget	0.8	1.0	1.0	1.1	0.8
funds of enterprises and organizations	33.6	30.5	24.6	25.5	33.3
bank loans	0.5	0.9	0.04	2.0	4.3
public funds, including charitable aid to residents of the Kyrgyz Republic	21.4	21.8	24.4	23.4	29.5
Foreign investment	40.6	42.2	42.6	42.5	28.0
including those financed through:					
foreign loan	31.1	30.6	28.4	29.1	13.1
foreign direct investments	7.2	9.8	11.5	9.0	8.7
foreign grants and humanitarian aid	2.2	1.8	2.7	4.3	6.2

* preliminary data

Source: NSC KR

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

	2014	2015	2016	2017	2018*
Monetary base	64,471.9	67,055.3	85,584.1	100,019.0	106,347.3
Currency in circulation	57,074.6	58,398.0	74,838.8	91,104.3	93,566.1
Money outside banks (M0)	51,904.1	53,118.0	69,338.8	84,450.9	84,826.7
Monetary aggregate (M1)	69,264.5	70,452.7	97,656.6	118,144.1	121,631.9
Money supply (M2)	82,386.4	82,267.2	115,444.1	142,859.1	154,576.3
Monetary aggregate (M2X)	124,544.4	143,143.0	164,017.4	193,390.6	204,071.1
Multiplier M1	1.07	1.05	1.14	1.18	1.14
Multiplier M2	1.28	1.23	1.35	1.43	1.45
Multiplier M2X	1.93	2.13	1.92	1.93	1.92
Velocity M1	5.37	6.45	5.58	4.49	4.58
Velocity M2	4.62	5.48	4.73	3.71	3.60
Velocity M2X	3.26	3.33	3.10	2.74	2.73
Money outside banks/Deposits	0.71	0.59	0.73	0.78	0.71
Deposits/Monetary Aggregate (M2X)	0.58	0.63	0.58	0.56	0.58

* preliminary data

Source: NBKR, NSC KR, Commercial banks of KR

Currency in circulation = banknotes and coins issued by the NBKR minus banknotes and coins in circulating cash in vaults of the National Bank;

Money outside banks (M0) = currency in circulation less notes and coins in national currency in vaults of commercial banks;

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

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

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

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

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

Table 5.

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

	2014	2015	2016	2017	2018
Net foreign assets	104,770.3	123,166.9	126,836.9	140,716.9	142,089.2
Net international reserves	105,935.6	108,489.7	121,249.6	134,613.7	134,078.3
Gold	8,992.4	10,932.2	11,810.1	19,937.3	32,153.3
Foreign currency (assets)	100,274.6	100,507.0	111,148.3	115,591.8	102,087.4
Foreign currency (liabilities)	-3,331.5	-2,949.5	-1,708.9	-915.4	-162.4
Other external assets	6,067.6	23,605.9	13,451.3	14,414.4	16,233.0
SDR allocation	-7,232.9	-8,928.6	-7,864.0	-8,311.2	-8,222.2
Long-term external liabilities	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-40,298.4	-56,111.6	-41,252.8	-40,697.9	-35,741.9
<i>Net domestic credits</i>	-16,882.4	-20,283.0	-20,325.4	-18,244.2	-15,819.4
Net claims to General Government	-18,190.9	-13,714.2	-7,746.9	-8,994.4	-12,289.7
Net claims to Government	-18,190.9	-13,714.2	-7,746.9	-8,994.4	-12,289.7
Securities	1,453.6	1,402.0	312.5	251.3	189.5
Credits to Government in foreign currency	0.0	0.0	0.0	0.0	0.0
Deposits	-19,618.4	-15,104.6	-8,048.9	-9,235.2	-12,468.6
Budget accounts	-10,736.9	-11,620.9	-6,322.4	-7,014.4	-9,596.9
Counterpart funds	0.0	0.0	0.0	0.0	0.0
Other Government accounts	-2,360.5	-712.8	-835.5	-1,106.1	-1,699.3
Government deposits in foreign currency	-6,520.9	-2,770.9	-891.0	-1,114.7	-1,172.3
Government Credit	-26.1	-11.6	-10.6	-10.5	-10.7
Net claims to special funds	0.0	0.0	0.0	0.0	0.0
Net claims to other depository corporations	1,308.8	-2,204.5	-10,993.1	-8,818.2	-3,277.4
Credits	4,115.6	5,119.5	5,718.6	5,569.2	7,794.1
including: "overnight" credits	0.0	0.0	0.0	0.0	0.0
credits in foreign currency	121.1	156.1	40.8	0.0	0.0
Securities	-1,325.7	-2,126.4	-5,243.4	-5,212.3	-7,992.3
including: notes issued by the NBKR	-1,325.7	-2,126.4	-5,243.4	-5,212.3	-7,992.3
securities under repo agreements	0.0	0.0	0.0	0.0	0.0
Deposits	-1,481.0	-5,197.5	-11,468.3	-9,175.1	-3,079.3
including: deposits in foreign currency	-606.5	-2,591.5	-3,910.8	-3,811.3	-2,174.3
Derivatives	0.0	0.0	0.0	0.0	0.0
Net claims to other financial institutions	-0.3	-4,364.3	-1,585.3	-431.6	-252.2
<i>Capital account</i>	-25,090.3	-37,928.1	-24,178.1	-25,614.9	-23,213.3
<i>Other items</i>	1,674.3	2,099.5	3,250.7	3,161.2	3,290.7
Monetary base	64,471.9	67,055.3	85,584.1	100,019.0	106,347.3
Currency in circulation	57,074.6	58,398.0	74,838.8	91,104.3	93,566.1
Reserves of other depository corporations in national currency	7,397.3	8,657.3	10,745.3	8,914.7	12,781.1
<i>Reference:</i>					
Monetary base-broad definition	65,952.9	72,252.8	97,052.3	109,194.1	109,426.6
Currency in circulation	57,074.6	58,398.0	74,838.8	91,104.3	93,566.1
Reserves of other depository corporations	8,003.9	10,000.7	12,337.6	11,530.6	13,982.6
Reserves of other depository corporations in national currency	7,397.3	8,657.3	10,745.3	8,914.7	12,781.1
Reserves of other depository corporations in foreign currency	606.5	1,343.4	1,592.3	2,615.9	1,201.4
Deposits in foreign currency	874.5	3,854.1	9,876.0	6,559.2	1,877.9

Source: NBKR

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

Table 6.
External Economic Indicators

	unit of measurement	2014	2015	2016	2017	2018*
Balance of payments indicators						
Total balance	<i>millions of USD</i>	-238.0	-41.4	338.5	147.2	-4.8
	<i>percent of GDP²</i>	-3.2	-0.6	4.9	1.9	-0.1
Current account balance ¹	<i>millions of USD</i>	-1 269.4	-1 058.6	-792.0	-477.4	-701.8
	<i>percent of GDP²</i>	-17.2	-16.2	-11.5	-6.2	-8.7
Export of goods (FOB)	<i>millions of USD</i>	2,482.7	1,619.0	1,607.9	1,813.9	1,815.2
	<i>percent of GDP²</i>	33.7	24.8	23.4	23.6	22.5
Import of goods (FOB)	<i>millions of USD</i>	5,290.2	3,859.8	3,744.4	4,197.2	4,594.4
	<i>percent of GDP²</i>	71.8	59.1	54.5	54.5	56.8
	<i>months of next year's import of goods and services</i>					
Gross international reserve assets		4.8	4.5	4.6	4.7	4.5
Public external debt						
Public external debt ³	<i>millions of USD</i>	3,437.1	3,601.1	3,742.7	4,089.8	3,825.7
	<i>percent of GDP⁴</i>	50.9	64.5	54.4	53.1	48.0
	<i>percent of export of goods and services</i>	101.6	145.7	152.8	155.1	144.4
Public external debt servicing (actual)	<i>millions of USD</i>	115.5	130.0	144.8	157.4	184.0
	<i>percent of GDP²</i>	1.6	2.0	2.1	2.0	2.3
	<i>percent of export of goods and services</i>	3.4	5.3	5.9	6.0	6.9

* - preliminary data

Source: NBKR, NSC KR, MF KR

¹ - Positive balance - "+", negative balance - "-"

² - In the calculation of indicators USD equivalent of GDP calculated at the average rate for the year was used

³ - Including IMF loans

⁴ - According to NBKR estimates; in the calculation of indicators USD equivalent of GDP calculated at the rate to the end of the year was used

Table 7.
Monetary Policy Instruments

	unit of measurement	2014	2015	2016	2017	2018
NBKR Credits						
intraday credits	millions of KGS	4,345.6	139.4	-	-	-
"overnight" credits	millions of KGS	56,724.6	26,663.3	2,045.6	13,816.5	18,102.3
7-day credits	millions of KGS	1,100.0	-	-	-	-
credit auctions*	millions of KGS	3,260.0	1,475.0	1,440.0	4,810.0	3,000.0
maintaining liquidity	millions of KGS	-	702.3	-	538.3	571.7
credits to international organizations created within the framework of the EAEU	millions of KGS	-	1,200.0	678.2	72.5	300.0
"Overnight" Deposits	billions of KGS	137.6	325.6	1,986.5	1,903.0	956.3
NBKR Policy Rate (end of period)	percent	10.50	10.00	5.00	5.00	4.75
NBKR Notes						
maturity:						
7 days						
sales volume	millions of KGS	68,172.6	67,139.7	102,293.4	54,718.0	64,888.8
average yield	percent	6.1	9.9	2.6	1.3	2.3
14 days						
sales volume	millions of KGS	-	800.0	8,000.0	3,638.0	312.0
average yield	percent	-	9.9	0.7	2.5	3.4
28 days						
sales volume	millions of KGS	10,583.6	-	-	20,969.8	18,363.5
average yield	percent	4.8	-	-	3.1	3.3
91 days						
sales volume	millions of KGS	-	-	-	5,614.5	23,938.4
average yield	percent	-	-	-	4.9	4.6
182 days						
sales volume	millions of KGS	-	-	-	-	1,580.3
average yield	percent	-	-	-	-	4.7
Open Market Transactions						
Direct repo transactions	millions of KGS	-	-	-	49.6	-
Reverse repo transactions	millions of KGS	421.4	-	-	-	-
NBKR Deposit Operations in Foreign Currency**						
	millions of USD	768.8	-	-	-	-
	thousands of Euro	1.2	-	-	-	-
NBKR Foreign Exchange Interventions						
Purchase	millions of USD	20.5	44.0	191.9	34.5	20.6
Sale	millions of USD	536.7	339.1	162.7	107.2	168.3
NBKR Foreign Exchange Swaps						
Purchase	millions of Euro	1.3	1.3	-	-	-
Sale	millions of Euro	-	-	-	-	-
Reserve Requirements						
Reserve requirement ratio (end of period)***						
in national currency	percent	9.0	4.0	4.0	4.0	4.0
in foreign currencies of the EAEU countries and the PRC	percent	9.0	4.0	4.0	4.0	4.0
in foreign currencies except for the EAEU countries and the PRC	percent	9.0	12.0	12.0	12.0	12.0
Required reserves (annual average)	millions of KGS	5,882.1	7,100.3	7,333.3	7,519.6	8,194.3
Excess reserves (annual average)	millions of KGS	1,095.6	740.0	1,369.9	1,321.7	663.1

Source: NBKR

** The amount of actually issued loans for a reporting period

** The Regulation "On the Procedure of the National Bank of the Kyrgyz Republic for Deposit Operations in Foreign Currency" of 28 March 2013 No 10/12" was revoked by the Resolution of the Board of the National Bank of the Kyrgyz Republic of 14 November 2014 No 50/2

*** According to the Resolution of the Board of the National Bank of the Kyrgyz Republic dated 23 December 2015 No 78/7 RR ratios are set separately by liabilities in national currency, in foreign currencies of the EAEU countries, the PRC and other countries.

Table 8.

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

	2014	2015	2016	2017	2018
January	4.11	11.00	10.00	5.00	5.00
February	4.47	11.00	10.00	5.00	5.00
March	6.00	11.00	8.00	5.00	5.00
April	6.00	11.00	8.00	5.00	5.00
May	6.00	9.50	6.00	5.00	4.75
June	6.00	9.50	6.00	5.00	4.75
July	6.50	8.00	6.00	5.00	4.75
August	6.50	8.00	6.00	5.00	4.75
September	7.00	10.00	6.00	5.00	4.75
October	9.00	10.00	6.00	5.00	4.75
November	10.00	10.00	5.50	5.00	4.75
December	10.50	10.00	5.00	5.00	4.75

Source: NBKR

Table 9.

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

	2014	2015	2016	2017	2018
Deposits of Legal Entities	2.5	2.5	2.1	2.3	1.7
<i>demand deposits</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>
<i>time deposits:</i>	<i>10.8</i>	<i>13.1</i>	<i>11.9</i>	<i>9.2</i>	<i>9.3</i>
<i>of which:</i>					
up to 1 month	4.2	7.7	6.3	8.0	5.8
1-3 months	7.2	7.7	6.6	5.6	4.1
3-6 months	7.5	11.1	10.4	7.5	5.3
6-12 months	13.6	16.2	13.4	9.8	10.0
over 1 year	12.5	15.0	14.5	12.5	10.5
Deposits of Individuals	2.4	2.4	2.5	2.8	2.5
<i>demand deposits</i>	<i>1.6</i>	<i>1.5</i>	<i>1.5</i>	<i>1.9</i>	<i>1.5</i>
<i>time deposits:</i>	<i>11.0</i>	<i>12.5</i>	<i>12.8</i>	<i>11.0</i>	<i>10.2</i>
<i>of which:</i>					
up to 1 month	3.5	4.8	5.5	6.4	7.2
1-3 months	6.0	7.0	6.3	5.7	5.7
3-6 months	8.9	9.8	9.6	7.8	7.5
6-12 months	12.0	13.2	13.4	11.1	10.4
over 1 year	13.4	14.3	15.1	13.0	11.7
Deposits on Non-residents	1.3	1.5	2.0	2.1	2.5
<i>demand deposits</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>
<i>time deposits:</i>	<i>11.0</i>	<i>11.3</i>	<i>13.3</i>	<i>11.3</i>	<i>10.9</i>
<i>of which:</i>					
up to 1 month	7.0	5.4	6.5	6.9	6.9
1-3 months	5.8	5.8	7.9	7.2	6.6
3-6 months	8.6	9.0	9.8	6.9	8.5
6-12 months	11.8	12.4	13.0	11.2	11.3
over 1 year	12.9	14.6	15.2	13.2	11.6
Average Weighted Rate	2.5	2.5	2.4	2.8	2.4

Source: Commercial banks of KR

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

	2014	2015	2016	2017	2018
Deposits of Legal Entities	0.9	1.0	0.3	0.2	0.1
<i>demand deposits</i>	<i>0.3</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
<i>time deposits:</i>	<i>3.8</i>	<i>4.8</i>	<i>3.2</i>	<i>2.6</i>	<i>2.6</i>
<i>of which:</i>					
up to 1 month	2.5	1.7	2.2	4.2	0.5
1-3 months	2.5	2.1	1.9	3.6	2.5
3-6 months	3.6	3.9	2.2	2.9	1.9
6-12 months	5.4	5.2	3.7	3.2	2.8
over 1 year	7.2	7.9	4.3	3.4	3.4
Deposits of Individuals	0.9	1.2	1.0	1.0	0.6
<i>demand deposits</i>	<i>0.1</i>	<i>0.1</i>	<i>0.3</i>	<i>0.5</i>	<i>0.2</i>
<i>time deposits:</i>	<i>6.4</i>	<i>6.5</i>	<i>5.0</i>	<i>4.2</i>	<i>3.5</i>
<i>of which:</i>					
up to 1 month	1.4	1.9	3.7	3.5	2.4
1-3 months	2.9	3.0	3.9	3.6	2.5
3-6 months	5.4	4.6	3.4	3.8	2.5
6-12 months	7.4	6.5	5.4	4.4	3.6
over 1 year	8.9	8.5	5.5	4.3	4.2
Deposits on Non-residents	0.5	1.1	0.6	0.9	0.6
<i>demand deposits</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
<i>time deposits:</i>	<i>6.9</i>	<i>7.0</i>	<i>4.9</i>	<i>5.2</i>	<i>4.2</i>
<i>of which:</i>					
up to 1 month	1.2	2.5	6.8	4.0	3.3
1-3 months	3.5	2.6	3.4	4.1	3.7
3-6 months	5.6	4.5	2.5	3.8	3.5
6-12 months	7.3	6.9	5.6	4.5	4.7
over 1 year	8.6	8.1	5.4	5.5	4.1
Average Weighted Rate	0.9	1.1	0.6	0.6	0.4

Source: Commercial banks of KR

Table 11.Interest Rates of Loans of Commercial Banks in National Currency (for the period)
(percent)

	2014	2015	2016	2017	2018
Average Weighted Rate	20.1	23.6	24.5	19.8	19.5
Industry	14.3	16.4	15.8	13.6	13.7
Agriculture	19.2	22.2	24.0	20.3	20.4
Transport and communication	23.9	27.6	26.9	20.3	20.9
Trade	19.8	22.4	23.7	17.7	16.5
Procurement and processing	14.6	27.8	17.7	9.7	9.2
Construction	21.1	26.7	25.3	18.8	18.2
Mortgage	19.9	19.7	19.3	14.3	14.5
Consumer loans	26.6	30.8	31.0	27.4	26.7
Other	20.4	26.0	24.4	19.4	18.4
up to 1 month	20.5	20.0	21.7	18.6	17.2
Industry	12.6	16.5	16.6	16.6	17.3
Agriculture	20.0	-	35.0	34.0	22.0
Transport and communication	-	22.0	-	12.0	-
Trade	15.1	15.6	16.7	15.2	13.2
Procurement and processing	-	-	-	-	-
Construction	18.0	-	25.0	20.4	-
Mortgage	-	-	-	-	-
Consumer loans	31.7	30.8	30.1	27.2	27.3
Other	23.0	18.4	25.4	26.0	23.7
1-3 months	16.9	22.3	25.6	24.6	20.7
Industry	14.8	17.1	26.0	23.5	19.7
Agriculture	29.7	32.0	32.3	31.0	29.5
Transport and communication	-	33.5	33.7	-	24.6
Trade	25.6	23.2	30.7	26.9	21.7
Procurement and processing	32.5	-	-	-	-
Construction	18.0	30.0	31.6	20.4	26.6
Mortgage	-	9.3	7.5	0.0	-
Consumer loans	27.4	29.8	30.7	30.1	27.5
Other	18.6	21.5	22.0	23.6	21.6
3-6 months	24.2	27.7	31.1	29.7	24.5
Industry	20.2	20.6	30.9	29.2	19.2
Agriculture	28.9	28.6	31.8	31.3	28.8
Transport and communication	29.7	32.5	29.8	28.5	20.7
Trade	24.5	25.9	29.2	26.6	23.3
Procurement and processing	28.7	32.1	35.4	-	32.0
Construction	24.1	31.6	30.3	26.5	25.8
Mortgage	29.3	-	28.4	20.7	17.1
Consumer loans	30.3	33.2	34.0	31.5	26.3
Other	25.5	27.6	27.8	26.2	25.2
6-12 months	22.2	26.3	28.5	26.0	25.2
Industry	20.6	22.6	23.4	20.1	16.3
Agriculture	20.3	23.2	25.9	22.8	22.5
Transport and communication	27.4	30.2	29.9	24.8	23.7
Trade	22.0	25.5	27.3	23.6	21.7
Procurement and processing	29.3	34.4	34.0	29.1	26.6
Construction	26.1	32.8	30.4	26.9	25.5
Mortgage	22.3	25.7	25.4	20.0	19.9
Consumer loans	29.5	32.6	33.1	31.1	28.9
Other	25.5	28.8	28.6	26.3	24.8
over 1 year	20.0	23.7	23.7	18.7	18.6
Industry	15.3	16.4	15.4	13.3	13.6
Agriculture	19.4	22.2	23.5	19.8	19.8
Transport and communication	23.6	28.9	26.7	20.7	21.0
Trade	20.9	24.8	25.3	18.3	18.0
Procurement and processing	15.0	25.9	15.7	8.1	7.9
Construction	21.1	26.0	24.9	18.6	17.7
Mortgage	20.0	20.1	19.3	14.3	14.5
Consumer loans	24.0	29.7	29.9	25.9	25.1
Other	20.8	26.5	24.1	18.1	17.2

Source: Commercial banks of KR

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

	2014	2015	2016	2017	2018
Average Weighted Rate	15.0	14.3	12.4	10.5	9.7
Industry	13.4	13.8	11.8	10.3	8.7
Agriculture	18.9	17.6	13.2	11.4	8.2
Transport and communication	17.5	17.0	14.8	12.1	11.2
Trade	14.5	13.7	12.5	11.0	10.0
Procurement and processing	15.8	14.7	14.4	10.6	11.5
Construction	13.5	14.0	12.3	9.5	9.2
Mortgage	17.6	16.8	15.8	12.3	13.0
Consumer loans	19.1	18.9	16.2	12.4	10.3
Other	14.9	14.6	12.2	9.8	9.7
up to 1 month	12.9	12.6	12.6	11.2	8.9
Industry	13.9	14.3	14.0	14.8	17.0
Agriculture	-	-	17.0	-	8.0
Transport and communication	-	-	-	0.0	-
Trade	12.5	12.3	12.4	11.2	9.3
Procurement and processing	-	-	-	-	-
Construction	0.0	3.8	0.0	8.0	12.0
Mortgage	27.9	17.0	22.0	11.0	22.0
Consumer loans	19.0	16.7	12.3	7.9	3.8
Other	21.2	31.6	13.0	5.9	14.2
1-3 months	14.1	14.8	14.1	13.0	12.7
Industry	14.6	13.6	13.0	15.4	-
Agriculture	25.7	23.7	14.8	-	-
Transport and communication	14.5	-	20.0	20.0	-
Trade	14.3	15.7	15.1	13.2	14.6
Procurement and processing	-	-	-	-	-
Construction	7.6	10.5	8.0	-	16.0
Mortgage	-	-	30.0	-	-
Consumer loans	18.9	17.9	16.4	17.4	30.0
Other	16.0	22.6	17.3	14.4	9.7
3-6 months	12.4	14.6	13.6	10.7	11.7
Industry	13.7	14.0	13.2	14.2	8.3
Agriculture	22.9	24.5	23.3	19.8	-
Transport and communication	20.5	22.0	-	-	11.5
Trade	16.9	16.4	14.1	11.6	12.8
Procurement and processing	25.0	13.5	-	-	-
Construction	6.6	6.3	10.7	-	-
Mortgage	-	20.0	10.6	13.0	-
Consumer loans	22.0	18.9	17.6	17.6	18.0
Other	17.7	18.3	16.8	18.2	13.8
6-12 months	15.3	15.3	13.5	11.8	12.0
Industry	15.2	15.3	14.7	10.7	10.1
Agriculture	22.3	21.7	19.5	27.7	23.7
Transport and communication	20.7	19.5	22.0	17.3	16.3
Trade	16.2	15.6	12.9	11.3	12.6
Procurement and processing	15.0	23.5	-	-	-
Construction	7.4	9.2	18.1	15.5	15.9
Mortgage	19.0	17.6	15.5	6.7	19.5
Consumer loans	21.5	21.6	23.0	24.8	24.9
Other	18.6	16.9	15.6	19.2	16.4
over 1 year	15.6	15.0	12.5	10.5	9.8
Industry	13.4	13.6	11.2	9.9	8.7
Agriculture	18.8	17.6	12.5	11.3	8.7
Transport and communication	17.5	17.0	14.7	12.1	11.2
Trade	15.3	14.7	12.9	10.9	10.2
Procurement and processing	15.9	14.4	14.4	10.6	11.5
Construction	15.2	15.2	12.5	9.6	9.2
Mortgage	17.6	16.9	15.8	12.5	12.9
Consumer loans	19.4	19.5	18.5	14.9	14.6
Other	14.9	14.5	12.1	10.3	9.7

Source: Commercial banks of KR

Таблица 13.

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

	2014	2015	2016	2017	2018
Microfinance organizations	30.0	32.2	31.4	31.1	30.4
Industry	26.3	26.9	25.8	27.9	28.3
Agriculture	31.5	33.2	31.7	30.9	31.0
Transportation	25.6	24.6	26.7	29.8	29.5
Communication	30.0	35.3	39.6	36.1	34.4
Trade and commerce	29.6	32.6	31.0	29.2	28.7
Procurement and processing	23.7	20.5	13.7	15.0	14.2
Construction and mortgage	24.2	31.0	33.3	31.8	31.1
Services	32.4	34.0	33.8	33.1	31.5
Consumer loans	32.6	34.2	34.0	33.6	32.5
Loans to financial and credit organizations	18.9	21.2	21.0	17.4	16.2
Other	26.6	22.9	26.9	31.1	30.0
Credit Unions	25.6	27.9	27.8	25.9	27.4
Industry	29.0	30.0	31.7	31.3	31.9
Agriculture	25.7	27.7	28.3	27.2	28.3
Transport and communication	25.2	25.6	25.4	26.9	27.2
Trade and commerce	24.4	27.5	27.0	24.1	27.6
Procurement and processing	25.5	26.7	29.3	28.4	29.1
Construction and mortgage	24.0	22.8	23.3	22.5	21.7
Services	26.6	26.9	31.3	30.0	30.4
Other	28.7	31.1	29.8	27.6	30.1
SFCO OJSC "FC CU"	15.9	16.5	16.6	16.5	15.7

Source: Non-banking Financial and Credit Organizations of KR

Table 14.
Annual Average Interest Rate of Interbank Credits
(percent)

	2014	2015	2016	2017	2018
Interbank Repo Operations	6.8	9.3	4.0	1.8	2.4
up to 1 day	6.8	8.9	4.8	1.9	2.0
2 - 7 days	6.8	9.2	3.7	1.5	2.3
8 - 14 days	7.7	10.1	4.6	1.9	2.9
15 - 30 days	9.5	10.7	1.5	2.8	4.6
31 - 60 days	-	-	-	2.9	4.1
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
Interbank Credits in National Currency	10.5	14.1	6.9	3.4	0.0
up to 1 day	-	-	-	-	-
2 - 7 days	7.0	11.0	8.3	4.1	0.0
8 - 14 days	11.8	13.0	3.3	3.4	0.0
15 - 30 days	-	-	6.7	1.7	-
31 - 60 days	-	13.0	2.0	4.1	-
61 - 90 days	-	-	10.0	-	-
91 - 180 days	7.5	18.0	12.0	-	-
181 - 360 days	9.8	-	10.6	3.5	-
over 360 days	-	-	-	6.7	-
Interbank Credits in Foreign Currency	0.5	1.4	2.0	2.6	-
up to 1 day	-	-	-	-	-
2 - 7 days	0.5	1.4	2.0	1.3	-
8 - 14 days	-	-	2.0	1.3	-
15 - 30 days	-	-	-	-	-
31 - 60 days	-	-	-	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	4.0	-
over 360 days	-	-	-	-	-

Source: Commercial banks of KR

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

Table 15.
Balance of Payments of the Kyrgyz Republic
(millions of USD)

	2014	2015	2016	2017	2018*
Current Account	-1,269.4	-1,058.6	-792.0	-477.4	-701.8
Goods and services	-3,138.0	-2,428.7	-2,340.0	-2,475.3	-2,914.6
Trade balance	-2,807.5	-2,240.8	-2,136.5	-2,383.3	-2,779.2
Export (FOB) ¹	2,482.7	1,619.0	1,607.9	1,813.9	1,815.2
CIS	1,480.6	711.5	638.5	771.7	837.3
Non-CIS	1,002.1	907.4	969.4	1,042.2	978.0
Import (FOB)	5,290.2	3,859.8	3,744.4	4,197.2	4,594.4
CIS	2,580.4	2,078.7	1,638.8	1,940.7	1,867.8
Non-CIS	2,709.8	1,781.1	2,105.6	2,256.5	2,726.6
Balance of services	-330.5	-187.9	-203.5	-92.0	-135.5
Transportation services	-450.4	-257.2	-239.4	-225.9	-280.0
Travels	32.6	26.4	-28.6	136.2	145.3
Other services	107.2	62.9	84.5	17.6	19.3
Technical assistance	-20.0	-20.0	-20.0	-20.0	-20.0
Income	-307.1	-257.9	-355.6	-371.6	-208.1
Direct investment income	-223.2	-191.0	-276.6	-295.9	-150.8
Portfolio investment income	0.0	0.0	0.0	0.0	0.0
Other investment income	-60.6	-49.1	-62.7	-56.9	-43.3
Interest on loans	-78.6	-66.5	-67.6	-76.2	-74.9
Other income on other investment	18.0	17.4	4.9	19.3	31.6
Compensation of employees	-23.3	-18.7	-16.3	-18.8	-14.0
Current transfers	2,175.8	1,628.1	1,903.6	2,369.5	2,420.9
Official transfers	133.7	113.2	83.8	106.3	45.6
Private transfers	2,042.1	1,514.9	1,819.7	2,263.2	2,375.4
Capital and Financial Account	617.8	804.8	717.1	481.0	557.8
Capital account	65.8	79.1	112.6	133.8	339.4
Capital transfers	65.8	79.1	112.6	133.8	339.4
Financial account	552.0	725.7	604.5	347.2	218.3
Direct investment ¹	232.9	1,009.1	579.0	-78.1	48.3
Portfolio investment	0.1	-129.0	-7.2	-24.9	-9.2
Financial derivatives	-0.5	5.3	6.3	2.8	-0.4
Other investment	319.6	-159.7	26.5	447.5	179.7
Assets ("-" increase)	-472.5	-410.2	-108.7	279.6	56.7
Commercial banks	-21.7	-157.1	92.1	-5.5	-3.7
Accounts receivable	-184.0	-26.2	-174.3	211.0	-14.3
Accounts of enterprises abroad	-24.6	-201.3	-193.5	70.6	111.3
Other assets ¹	-242.2	-25.6	167.0	3.5	-36.5
Liabilities ("+" increase)	792.1	250.5	135.2	167.9	123.0
Commercial banks	22.0	17.4	-33.7	-13.2	47.7
Loans	699.1	232.6	111.5	190.4	-91.5
Loans to public sector	442.6	260.5	256.8	228.9	-215.6
Loans to private sector	256.5	-28.0	-145.4	-38.6	124.1
Accounts payable	71.0	0.6	57.4	-9.2	166.8
Other liabilities	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	413.6	212.4	413.4	143.6	139.2
Total Balance	-238.0	-41.4	338.5	147.2	-4.8
Financing	238.0	41.4	-338.5	-147.2	4.8

* preliminary data

Source: NBKR, NSC KR, MF KR other organizations

¹ Including NBKR additional estimates

Table 16.

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

	2014	2015	2016	2017	2018
External public and government guaranteed debt (1+2+3):	3,437.1	3,601.1	3,742.7	4,089.8	3,825.7
1. Multilateral debt:	1,558.9	1,531.3	1,523.8	1,650.3	1,615.1
World Bank	671.5	639.3	618.2	666.8	660.2
Asian Development Bank	583.6	575.4	567.9	600.8	582.2
International Monetary Fund	185.2	188.2	188.0	200.3	166.8
Islamic Development Bank	59.0	59.5	64.6	77.0	79.9
European Bank for Reconstruction and Development	40.6	41.0	42.5	50.9	51.8
International Fund for Agricultural Development	9.4	9.9	12.2	15.6	20.1
Nordic Development Fund	5.2	4.6	4.3	4.7	4.3
OPEC	4.0	4.5	4.8	4.7	5.4
Eurasian Development Bank	0.4	3.5	5.5	11.5	27.4
European Union	-	5.4	15.8	18.0	17.2
2. Bilateral debt:	1,878.2	2,069.7	2,219.0	2,439.6	2,210.6
2.1. CIS countries:	300.0	300.0	270.0	240.0	-
Russia	300.0	300.0	270.0	240.0	-
2.2. other:	1,578.2	1,769.7	1,949.0	2,199.6	2,210.6
China	1,115.9	1,296.4	1,482.8	1,708.1	1,719.4
Japan	229.4	229.0	236.0	243.6	244.4
Germany	102.4	100.1	81.7	93.3	86.7
Korea	16.7	15.6	15.1	17.0	16.0
Kuwait Fund	8.6	9.7	8.6	7.6	11.1
Turkey	90.0	97.0	97.0	97.0	97.0
France	5.4	4.8	4.7	5.3	5.0
Denmark	3.3	3.2	3.1	3.0	2.9
Saudi Development Fund	3.9	7.4	11.2	15.5	17.7
UAE	2.6	6.4	8.8	9.1	10.6
3. Government guaranteed external debt	-	-	-	-	-

Source: MF KR

Table 17.
Information on Authorized (Stock) Capital of Commercial Banks (end of period)
(millions of KGS)

Bank	2014			2015			2016			2017			2018		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
	Total	11,199.6	11,170.9	3,999.2	16,188.4	16,088.4	6,885.7	19,047.2	18,977.2	8,349.0	22,621.8	21,893.8	10,906.0	24,103.6	23,500.8
1 OJSC "Aijl Bank"	600.0	600.0	-	1,797.5	1,697.5	-	1,922.3	1,922.3	-	2,083.7	2,083.7	-	2,268.8	2,268.8	-
2 OJSC RK "AMANBANK"	600.0	600.0	0.1	680.0	680.0	0.1	750.0	680.0	0.1	853.4	725.4	0.1	1,002.5	799.6	0.1
3 CJSC "Bank of Asia"	299.7	271.0	210.5	335.6	335.6	260.8	400.0	400.0	310.8	500.0	400.0	310.8	620.0	620.0	543.1
4 CJSC Bank "Bai-Tushum"	715.0	715.0	329.9	715.0	715.0	329.9	790.0	790.0	404.9	790.0	790.0	404.9	790.0	790.0	404.9
5 OJSC "BAKAI BANK"	384.9	384.9	-	475.9	475.9	-	482.8	482.8	-	501.2	501.2	-	627.9	627.9	-
6 CJSC "BTA Bank"	1,000.0	1,000.0	-	1,000.0	1,000.0	710.0	1,000.0	1,000.0	710.0	2,000.0	2,000.0	1,710.0	2,000.0	2,000.0	1,864.2
7 CJSC "Demir Kyrgyz International Bank"	132.5	132.5	132.5	300.0	300.0	300.0	400.0	400.0	400.0	500.0	500.0	500.0	600.0	600.0	600.0
8 OJSC "DOS-KREDOBANK"	304.4	304.4	-	304.4	304.4	-	404.4	404.4	-	522.5	522.5	-	623.0	623.0	-
9 OJSC "Eurasian Savings Bank"	300.0	300.0	119.9	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	156.9	300.0	300.0	156.9
10 OJSC IB "Issyk-Kul" ¹	271.0	271.0	0.3	-	-	-	-	-	-	-	-	-	-	-	-
11 OJSC "Capital Bank"	310.1	310.1	-	382.6	382.6	-	432.9	432.9	-	522.9	522.9	-	616.4	616.4	-
12 CJSC "Bank Companion" ²	-	-	-	-	-	-	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6	1,000.6
13 CJSC "Kyrgyz-Swiss Bank"	242.4	242.4	242.4	422.4	422.4	422.4	566.4	566.4	566.4	566.4	566.4	566.4	670.0	670.0	502.5
14 CJSC "Kyrgyz Investment Credit Bank"	1,030.5	1,030.5	927.5	1,328.2	1,328.2	1,195.4	1,211.5	1,211.5	1,090.4	1,204.7	1,204.7	1,084.2	1,222.4	1,222.4	1,100.1
15 OJSC "Kyrgyzkommertsbank" ³	153.5	153.5	147.0	300.0	300.0	0.1	400.0	400.0	0.1	1,000.0	1,000.0	529.2	1,000.0	1,000.0	529.2
16 OJSC "Commercial Bank KYRGYZSTAN"	782.0	782.0	-	921.3	921.3	-	1,080.8	1,080.8	-	1,126.4	1,126.4	-	1,301.7	1,301.7	-
17 CJSC "Manas Bank" ⁴	377.7	377.7	377.7	-	-	-	-	-	-	-	-	-	-	-	-
18 OJSC "Optima Bank"	700.0	700.0	680.0	700.0	700.0	680.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0	1,050.0	1,050.0	1,020.0
19 OJSC "Rosinbank"	40.9	40.9	36.8	647.2	647.2	582.5	647.2	647.2	356.4	1,082.2	782.2	402.6	1,082.2	782.2	78.1
20 OJSC "RSK Bank"	1,244.0	1,244.0	-	1,741.0	1,741.0	-	1,846.0	1,846.0	-	1,926.3	1,926.3	-	2,011.2	2,011.2	-
21 CJSC JSCB "Tolubay"	268.0	268.0	4.4	322.0	322.0	5.2	412.0	412.0	6.3	500.0	500.0	7.4	600.0	500.0	7.4
22 OJSC "FinanceCreditBank KAB"	300.0	300.0	54.5	300.0	300.0	54.5	550.0	550.0	-	750.0	550.0	-	710.0	710.0	-
23 CJSC "FINCA Bank" ⁵	-	-	-	1,353.8	1,353.8	1,353.8	1,353.8	1,353.8	1,353.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8	1,474.8
24 OJSC "Halyk Bank Kyrgyzstan"	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	-	600.0	600.0	600.0	600.0	600.0	600.0
25 OJSC "Chang An Bank" ⁶	-	-	-	600.0	600.0	-	600.0	600.0	-	600.0	600.0	-	600.0	600.0	600.0
26 CJSC "EcolIslamicBank"	407.4	407.4	-	427.3	427.3	-	512.3	512.3	38.3	666.8	666.8	38.3	732.3	732.3	38.3
27 Bishkek Branch of the National Bank of Pakistan	201.5	201.5	201.5	300.0	300.0	300.0	400.0	400.0	400.0	500.0	500.0	500.0	600.0	600.0	600.0

Source: Commercial banks of KR

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

¹ After 3 June 2015 banking license was revoked

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

³ After 17 June 2015 OJSC "Kazkommertsbank Kyrgyzstan" was renamed as OJSC "Kyrgyzkommerts"

⁴ After 23 June 2015 banking license was revoked

⁵ Upon reorganization of CJSC "Microcredit Company "Finca", bank CJSC "FINCA Bank" was established, which was provided with the licenses on 3 March 2015 for carrying out banking operations in national and foreign currencies.

⁶ On 7 October 2015 OJSC "Investment Bank "Chang An" was provided with the licenses for carrying out banking operations in national and foreign currencies.

Table 18.

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

	2014	2015	2016	2017	2018*
ASSETS					
Cash assets	11,482.9	10,748.1	13,289.3	13,092.9	15,457.7
Correspondent account with the NBKR	7,935.4	9,852.1	12,303.3	11,464.4	13,895.5
Correspondent accounts with other banks	12,923.6	26,991.2	15,960.5	15,464.1	14,026.4
Deposits in other banks	3,975.7	9,719.1	7,571.3	10,136.0	10,500.3
Securities portfolio	6,444.5	7,710.7	13,044.9	17,690.6	21,666.5
Securities purchased under repo agreements	209.1	325.3	15.1	400.0	404.2
"Net" loans and financial lease	78,524.0	90,804.2	87,108.1	101,352.3	119,633.7
Loans and financial lease to financial and credits organizations ¹	3,779.4	3,179.8	1,245.3	1,128.0	1,148.6
Loans and financial lease to clients ²	78,756.3	93,953.5	93,499.0	108,325.0	127,882.1
(less) Special LLP for credits and financial lease	-4,011.8	-6,329.1	-7,636.2	-8,100.7	-9,397.0
Fixed assets	6,546.6	7,684.8	9,172.7	10,603.2	12,001.9
Investment and financial participation	208.9	228.0	291.6	342.8	357.8
Other assets	9,370.4	13,964.5	19,421.5	17,464.8	14,037.9
TOTAL: ASSETS	137,621.0	178,028.2	178,178.3	198,011.0	221,981.9
LIABILITIES					
Liabilities to the NBKR	3,735.1	4,686.8	5,515.0	5,549.4	7,764.2
Settlement accounts and deposits of banks	3,611.5	7,068.1	2,216.1	1,301.0	1,896.0
Resident banks	423.2	3,300.6	382.1	317.4	311.1
Non-resident banks	3,188.4	3,767.4	1,834.0	983.6	1,584.9
Settlement accounts	24,941.3	29,233.5	34,522.2	39,003.2	40,745.3
Settlement accounts of financial-credit organizations	1,233.5	841.8	687.7	521.7	667.7
Settlement accounts of clients ³	23,707.8	28,391.7	33,834.5	38,481.5	40,077.6
Demand deposits	16,115.8	21,805.7	24,574.6	30,205.8	32,234.5
Demand deposits of financial-credit organizations	1,384.3	719.7	368.0	199.2	178.9
Demand deposits of clients ³	14,731.5	21,086.0	24,206.6	30,006.5	32,055.6
Time deposits	31,059.8	38,315.3	34,865.1	39,084.3	45,567.8
Time deposits of financial-credit organizations	1,880.8	889.5	665.4	556.8	636.3
Time deposits of clients ³	29,178.9	37,425.8	34,199.7	38,527.5	44,931.5
Deposits of non-residents ⁴	4,165.0	6,415.1	5,862.0	7,079.7	9,746.3
Government deposits	6,252.8	7,108.1	7,255.3	6,224.0	4,824.1
Government loans	1,504.7	1,943.6	2,600.1	3,445.8	3,858.0
Securities sold under repo agreements	209.1	325.3	15.1	400.0	404.2
Loans received	12,374.4	21,630.7	19,325.0	19,905.5	22,819.9
Other liabilities	12,821.1	13,412.4	12,811.5	13,582.9	16,733.5
TOTAL LIABILITIES	116,790.6	151,944.6	149,562.1	165,781.6	186,593.8
CAPITAL					
Stock capital	11,642.4	16,132.1	19,189.5	21,760.5	23,748.0
Reserves for future needs of the bank	1,027.2	723.6	597.9	631.2	811.4
Undistributed profit of previous years	5,664.3	7,173.9	7,171.3	7,083.6	6,883.0
Current year profits/losses	1,910.2	1,531.4	890.9	2,138.4	3,016.1
Revaluation accounts	586.4	522.5	766.6	615.8	929.6
TOTAL: CAPITAL	20,830.5	26,083.6	28,616.1	32,229.4	35,388.2
TOTAL: LIABILITIES AND CAPITAL	137,621.0	178,028.2	178,178.3	198,011.0	221,981.9

* - preliminary data

Source: Commercial banks of KR

¹ Includes loans to banks and other financial-credit organizations, resident and non-resident.

² Includes loans to legal entities and individuals, resident and non-resident.

³ Includes accounts of legal entities and individuals.

⁴ Includes accounts of financial-credit organizations, legal entities and individuals.

Table 19.

Information on Head Offices and Branches of Commercial Banks as at the end of 2018

Bank	Head Office Location	Total Branches	Bishkek	Batken oblast	Jalal-Abad oblast	Issyk-Kul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast
Total branches		321	70	25	49	40	20	59	17	41
Branches of resident banks										
1	OJSC "Ayl Bank"	33	4	4	6	3	2	7	2	5
2	OJSC RK "AMANBANK"	13	2	-	1	2	-	5	1	2
3	CJSC "Bank of Asia"	9	3	-	1	2	-	1	-	2
4	CJSC Bank "Bai-Tushum"	7	1	1	1	1	1	1	1	-
5	OJSC "BAKAI BANK"	9	1	1	1	1	1	1	1	2
6	CJSC "BTA Bank"	15	3	1	2	3	-	4	-	2
7	CJSC "Demir Kyrgyz International Bank"	14	7	1	1	1	1	2	1	-
8	OJSC "DOS-KREDOBANK"	9	2	-	1	2	1	1	-	2
9	OJSC "Eurasian Savings Bank"	3	1	-	1	-	-	1	-	-
10	OJSC "Capital Bank"	5	-	1	1	1	-	2	-	-
11	CJSC "Bank Companion"	17	3	2	4	2	2	2	1	1
12	CJSC "Kyrgyz-Swiss Bank"	-	-	-	-	-	-	-	-	-
13	CJSC "Kyrgyz Investment Credit Bank"	17	6	1	2	1	1	3	1	2
14	OJSC "Kyrgyzkommertsbank"	3	2	-	-	-	-	1	-	-
15	OJSC "Commercial Bank KYRGYZSTAN"	36	8	2	7	4	3	6	1	5
16	OJSC "Optima Bank"	18	7	1	1	3	-	2	1	3
17	OJSC "Rosinbank"	13	6	1	1	2	-	1	1	1
18	OJSC "RSK Bank"	51	3	5	10	7	5	9	4	8
19	CJSC JSCB "Tolubay"	2	2	-	-	-	-	-	-	-
20	OJSC "FinanceCreditBank KAB"	6	-	-	1	1	1	2	-	1
21	CJSC "FINCA Bank"	24	3	3	5	2	2	4	2	3
22	OJSC "Halyk Bank Kyrgyzstan"	9	4	-	1	1	-	2	-	1
23	OJSC "Chang An Bank"	-	-	-	-	-	-	-	-	-
24	CJSC "EcoIslamicBank"	8	2	1	1	1	-	2	-	1
Branches of non-resident banks										
25	Bishkek Branch of the National Bank of Pakistan ^{1/}	-	-	-	-	-	-	-	-	-
	Karachi	-	-	-	-	-	-	-	-	-

Source: "Register of Issued Banking Licenses and Register of Branches of Banks, maintained in NBRK"

^{1/} The branch of the non-resident bank was entered into the "Register of Issued Banking Licenses" on 24 April 2000, with the right to conduct banking operations

Table 20.

Composition of Circulating Cash of Commercial Banks and Its Rate of Collection in 2018
(billions of KGS)

	Receipt				Issue						Deviation (+/-) (9-4)	Collection Rate (%) (4/9)
	1	2	3	4	5	6	7	8	9	10		
	Taxes, customs duties and fees	From sales of foreign exchange	Other	Total	To Treasury for salary payments	For payments of pensions and allowances	Purchases of foreign exchange	Other expenses	Total			
Total for the Republic	49.6	124.8	1,524.8	1,699.2	5.3	8.7	181.4	1,511.0	1,706.4	7.2	99.6	
Bishkek city	9.1	89.5	718.4	817.0	1.8	1.8	88.5	707.2	799.3	(17.7)	102.2	
Batken oblast	1.1	2.5	71.3	74.9	0.9	1.9	12.9	59.1	74.8	(0.1)	100.1	
Jalal-Abad oblast	1.1	5.9	168.9	175.9	0.3	3.1	22.8	159.8	186.0	10.1	94.6	
Issuk-Kul oblast	0.8	2.4	86.2	89.4	0.4	0.2	5.8	87.1	93.5	4.1	95.6	
Naryn oblast	0.3	0.4	38.8	39.5	0.3	0.8	0.9	41.0	43.0	3.5	91.9	
Osh city	3.4	14.4	201.5	219.3	0.3	0.3	26.7	194.5	221.8	2.5	98.9	
Osh oblast	4.7	3.8	80.0	88.5	0.7	0.3	11.8	75.3	88.1	(0.4)	100.5	
Talas oblast	0.3	0.8	35.9	37.0	0.2	0.2	1.9	40.1	42.4	5.4	87.3	
Chui oblast	28.8	5.1	123.8	157.7	0.4	0.1	10.1	146.9	157.5	-0.2	100.1	

Source: Commercial banks of KR

Table 21. Pattern of Payments in the Gross System of Settlements

	2014		2015		2016		2017		2018	
	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments
payments up to 1 thousand KGS	7	16,300	10	20,399	9	19,360	11	22,708	14	28,315
from 1 thousand to 100 thousand of KGS	2,947	116,444	4,022	155,027	4,149	157,127	4,479	167,625	5,416	204,405
from 100 thousand to 1 million of KGS	25,106	59,885	31,044	76,502	31,570	77,611	39,660	90,980	41,058	100,964
from 1 million to 10 million of KGS	162,910	54,235	178,151	59,272	186,365	64,140	231,140	79,715	252,220	89,762
from 10 million to 100 million of KGS	398,924	12,726	482,706	14,664	485,813	14,009	460,744	13,828	534,896	15,753
payments of over 100 million of KGS	821,947	2,900	1,050,286	3,571	4,376,054	6,474	4,015,959	5,850	2,186,516	5,041
Total	1,411,841	262,490	1,746,219	329,435	5,083,960	338,721	4,751,993	380,706	3,020,120	444,240

Source: Gross Settlement System in Real Time Regime

Table 22. Volume and Number of Clearing Payments by Regions

	2014		2015		2016		2017		2018	
	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments	Volume, mil- lions of KGS	Number of payments
Bishkek city and Chui oblast	70,620	2,435,059	72,514	2,208,200	87,302	2,465,931	158,177	5,228,672	171,797	5,804,659
Batken oblast	4,195	120,649	4,206	202,667	4,965	232,242	2,920	467,413	3,390	540,457
Jalal-Abad oblast	6,853	191,453	6,618	200,343	7,503	280,840	4,806	672,091	5,234	750,457
Issyk-Kul oblast	5,564	201,049	5,500	184,411	6,222	197,542	4,080	413,574	4,070	488,102
Naryn oblast	3,151	69,662	2,486	55,923	2,964	68,752	1,252	205,052	1,305	230,028
Osh city and Osh oblast	9,042	306,371	8,937	328,148	11,588	426,333	13,180	1,139,616	13,684	1,259,739
Talas oblast	2,154	77,444	2,220	90,760	2,226	98,823	1,111	204,600	1,298	207,111
Total	101,579	3,401,687	102,481	3,270,452	122,770	3,770,463	185,526	8,331,018	200,778	9,280,553

Source: Bulk Clearing System

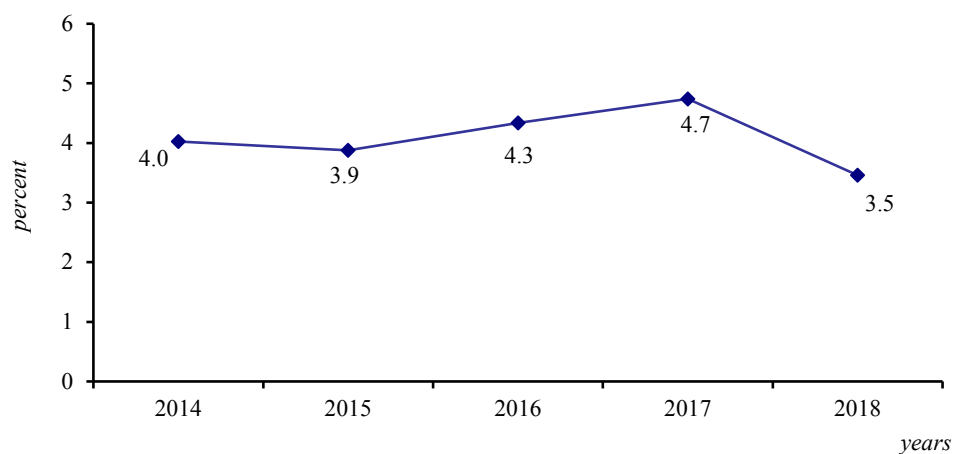
Table 23. Information on Transactions with Payment Cards at Trade Outlets

Type of Cards	2014		2015		2016		2017		2018	
	Number of transactions	Volume, thou- sands of KGS	Number of transactions	Volume, thou- sands of KGS	Number of transactions	Volume, thou- sands of KGS	Number of transactions	Volume, thou- sands of KGS	Number of transactions	Volume, thou- sands of KGS
Elcard	70,562	51,057	125,013	129,504	200,231	178,248	773,582	942,533	1,666,556	1,496,388
Elcard-UPI	-	-	-	-	4,680	5,606	8,711	14,587	28,994	18,743
Zolotaya Korona (Alai Card)	361,468	70,047	488,825	109,513	476,069	133,956	311,177	127,262	107,845	214,657
Visa	975,746	2,529,638	1,341,213	3,097,967	1,841,129	3,964,267	2,668,500	5,928,123	8,238,457	4,392,914
Master Card	19,870	229,595	44,098	340,141	79,643	413,775	133,885	508,276	797,780	274,313
American Express	2,128	64,683	2,003	72,513	1,895	60,536	2,607	58,375	65,530	3,367
UnionPay	356	3,973	3,772	7,546	12,667	11,741	7,650	9,371	102,016	5,408

Source: Commercial banks of KR

Chart 1.

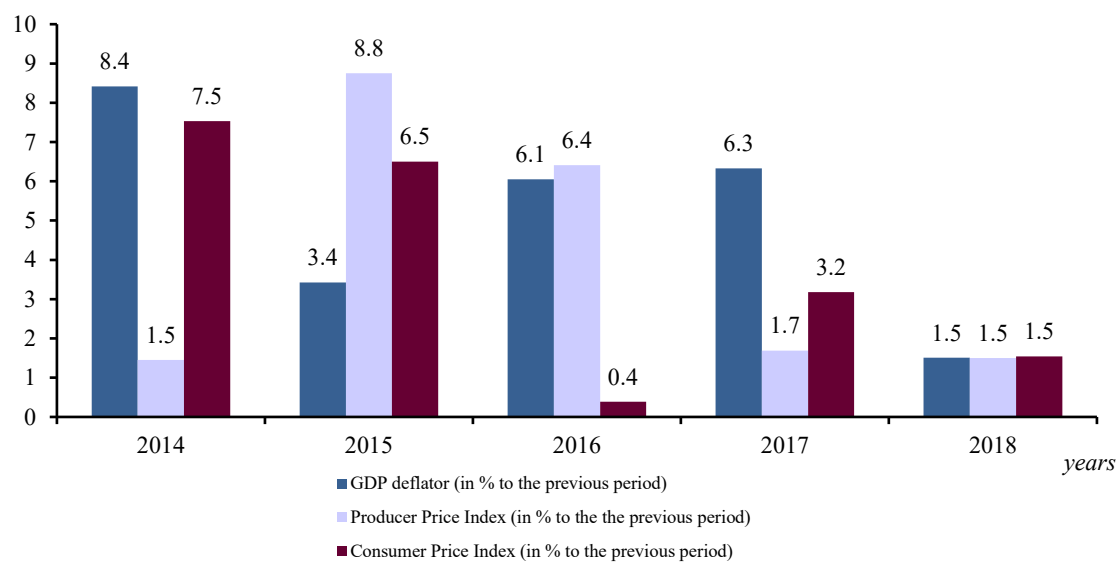
Rates of Growth of Real Gross Domestic Product



Source: NSC KR

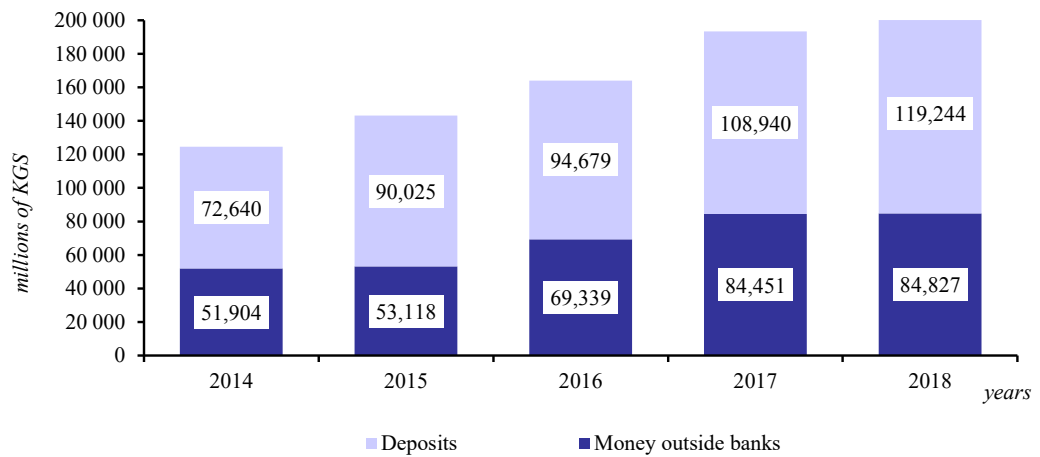
Chart 2.

Rates of Growth of Consumer and Producer Prices



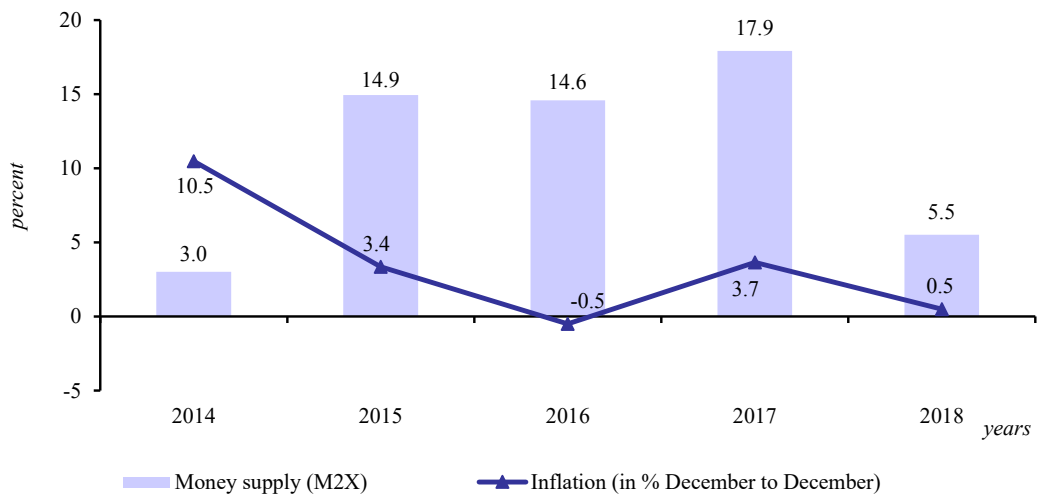
Source: NSC KR

Chart 3.
Monetary Aggregates M2X Structure



Source: NBKR

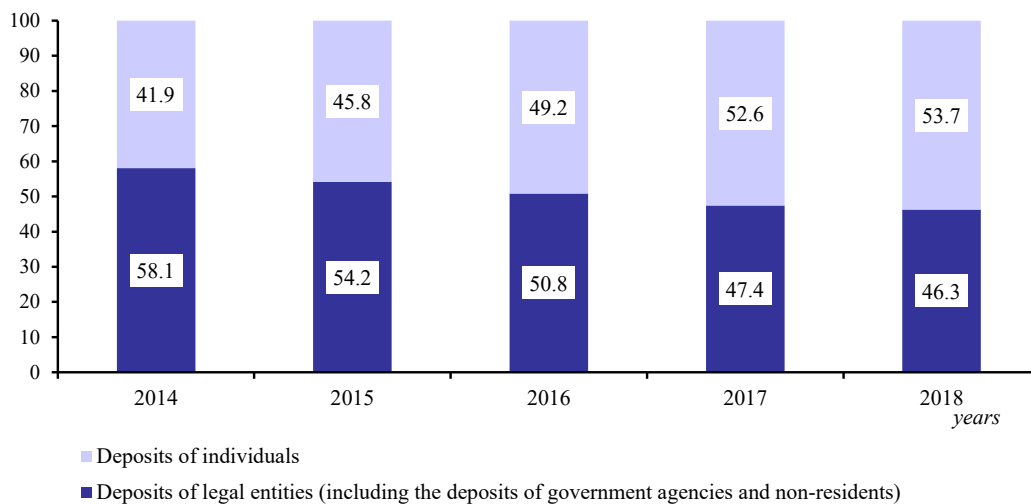
Chart 4.
Rates of Growth of Money Supply and Inflation



Source: NBKR, NSC KR

Chart 5.

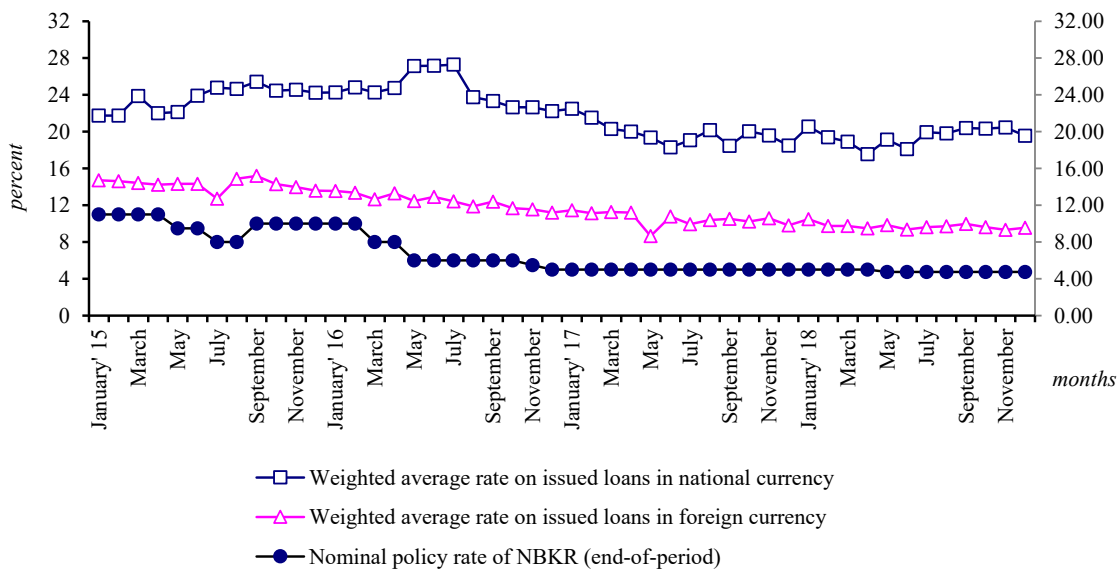
Structure of Deposit Base of Commercial Banks (end of period)



Source: Commercial banks of KR

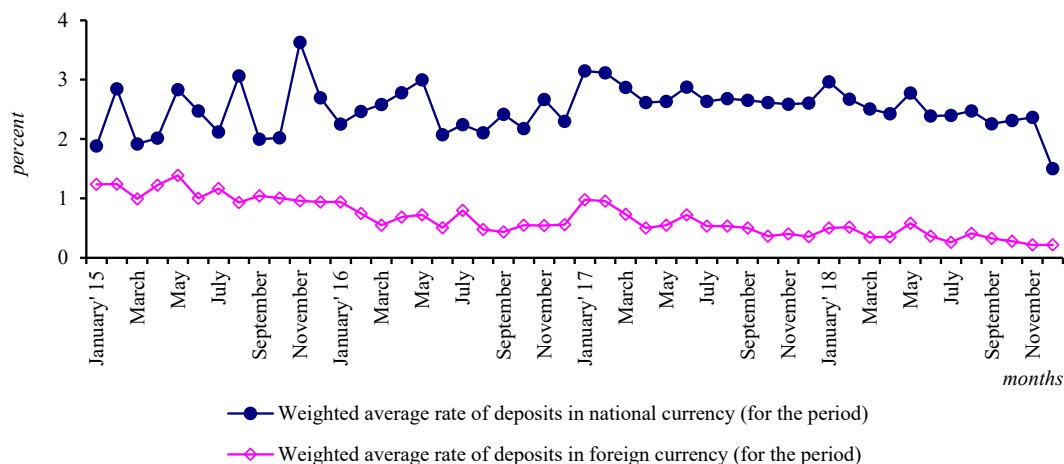
Chart 6.

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



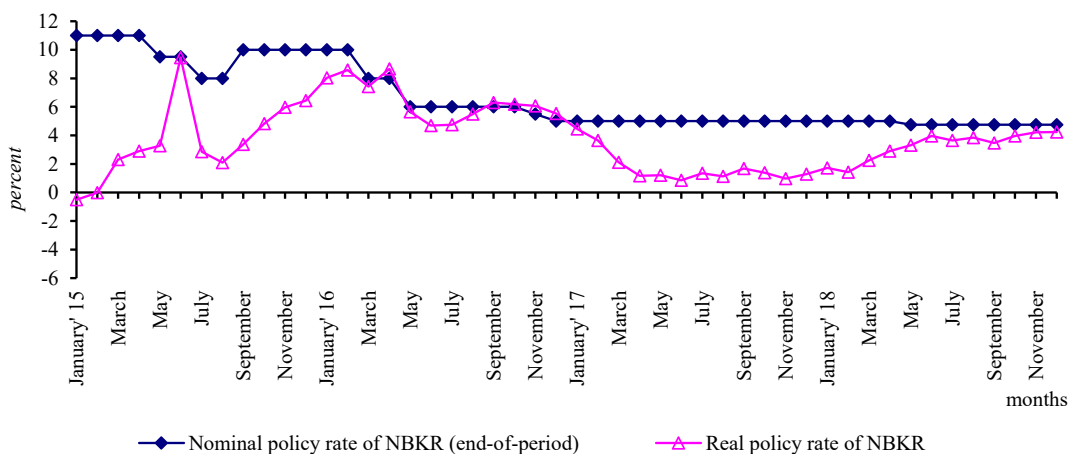
Source: NBKR, Commercial banks of KR

Chart 7.
Interest Rates of Deposits of Commercial Banks



Source: NBKR, Commercial banks of KR

Chart 8.
Nominal and Real Policy Rate Developments

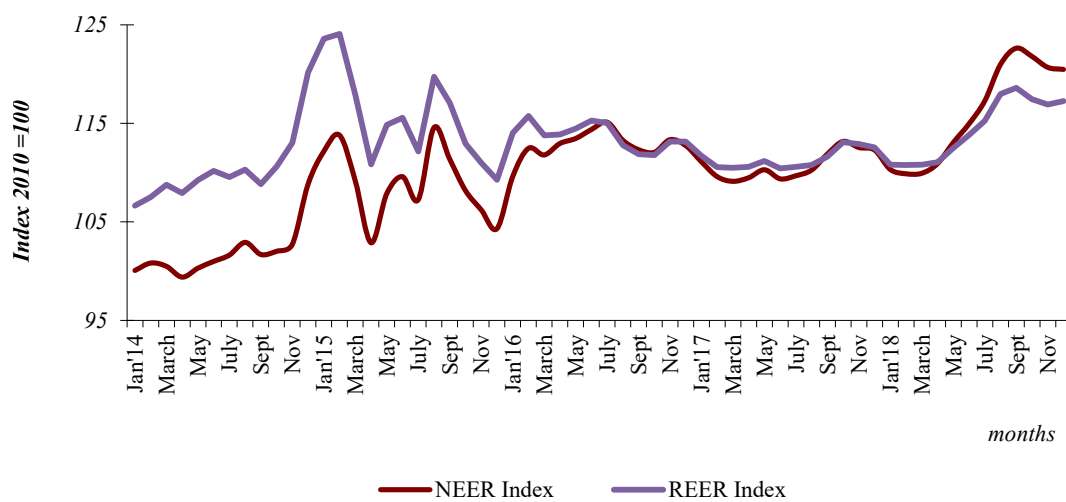


Source: NBKR

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

Chart 9.

Nominal and Real Effective Exchange Rate Indices



Source: NBKR

Appendix 3
to the Report of the National Bank
of the Kyrgyz Republic for 2018

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

No.	Title	Language of Publication	Periodicity	Contents	Distribution
1.	Bulletin of the National Bank of the Kyrgyz Republic	In the state, official, English languages	Monthly	The publication provides the statistical data on basic macroeconomic and financial indicators. The data of the National Statistic Committee of the Kyrgyz Republic, Ministry of Finance of the Kyrgyz Republic, commercial banks, Financial Market Supervision and Regulation State Service under the Government of the Kyrgyz Republic and the data of the National Bank of the Kyrgyz Republic are used in preparation of the bulletin.	Electronic version is published on the official website of the National Bank.
2.	Annual Report of the National Bank of the Kyrgyz Republic	In the state, official, English languages	Annually	The report on the activity of the National Bank for the reporting year contains assessment of changes in the real, financial and external sectors of economy, the description of decisions and actions of the National Bank in the monetary sphere, about banking and payment systems; it includes financial statements and general information on the National Bank, as well as the statistical appendices.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, the Supreme Court of the Kyrgyz Republic, ministries and departments, commercial banks, libraries of the Kyrgyz Republic, CIS central banks, integration institutions, representative offices of international organizations and embassies of countries accredited in the Kyrgyz Republic. Electronic version is published on the official website of the National Bank.

3.	Regulatory Acts of the National Bank of the Kyrgyz Republic	In the state, official languages	Monthly	These are the regulations, instructions and other regulatory acts adopted by the National Bank.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, commercial banks, financial-credit organizations, courts of the Kyrgyz Republic, ministries and departments, libraries of the Kyrgyz Republic. Electronic version is published on the official website of the National Bank.
4.	Monetary Policy Report	In the state, official, English languages	Quarterly	The objective of the Report is to inform the public of the decisions made by the National Bank in the monetary policy area based on the analysis and forecast of the key inflation factors and assessment of the economic development in the external and internal environment of the Kyrgyz Republic.	Electronic version is published on the official website of the National Bank.
5.	Financial Sector Stability Report of the Kyrgyz Republic	In the state, official, English languages	Biannually	The objective of the Report is to inform the public of the general assessment of financial system stability and sustainability in the Kyrgyz Republic.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank.
6.	Balance of Payments of the Kyrgyz Republic	In the state, official, English languages	Quarterly	The publication describes the recent development trends in the external sector and contains the statistical data on the balance of payments, external trade, international reserves, external debt, and the international investment position, as well as the metadata and the information base of the balance of payments.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Office of the Government of the Kyrgyz Republic, ministries and departments. Electronic version is published on the official website of the National Bank.

7.	Official website of the National Bank www.nbkr.kg	In the state, official, English languages	It is updated in the real time mode	<p>Information on activity of the National Bank, including:</p> <ul style="list-style-type: none"> – information on the banking legislation; – information on regulatory and legal acts of the National Bank that regulate its monetary policy, activity of commercial banks and other FCOs, on the issue of organizing the payment system and the cash and money turnover; – draft documents submitted for discussion; – the regularly updated list of commercial banks and NBFCOs, licensed by the National Bank; – documents on establishment of FCOs; – the data on the tariffs for commercial banking services the list of money transfer systems registered with the National Bank; – operational information on the official rates of exchange, the policy rate of the National Bank, the interest rates on “overnight” credits and deposits, and data on the operations involving the National Bank, as well as on the weighted average interest rate of loans of the commercial banks and the FCOs by sectors; – news block. <p>The following information is also posted on the website:</p> <ul style="list-style-type: none"> – reviews on the commercial banking system and the non-banking financial sector; – the statistical data on monetary surveys, foreign economic indicators, balance of payments, international reserves, external debt, and on the international investment position of the country; 	Free access to information
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				<ul style="list-style-type: none"> – information on the history of the national currency; – information and analytical materials and Internet versions of the official publications of the National Bank; – the special section “Information for Consumers of Financial Services”, which includes excerpts from the regulatory legal acts on the requirements set for the financial-credit organizations and directed to protect the rights of consumers of financial and payment services, as wells memos for the holders of electronic cards, the borrower, the depositor as well as the memo for cases of implementation of foreign exchange operations. <p>The special sections are devoted to:</p> <ul style="list-style-type: none"> – the issues of combating corruption, with the phone numbers of the “hot line” indicated therein; – vacancies, procurement, sales and other competitions held by the National Bank. 	
8.	Website of the National Bank on financial literacy www.finsabat.kg	In the state, official languages	It is updated in the real time mode	<p>Information on financial literacy includes as follows:</p> <ul style="list-style-type: none"> – materials for the consumers of financial services about money, loans, deposits and payment services; – section “Legislation”; – section “Mass Media” on published materials about financial literacy in the mass media; – Islamic finance; – special section “For children about money”; – video, investigations and educational books on financial literacy; – news about events on financial literacy; – loan calculator. 	Free access to information.

9.	Radio Program “Uluttuk Bank Bildiret” (“The National Bank reports”)	In the state, official languages	Biweekly	The basic aspects of the National Bank activity are highlighted therein in the form of the interviews of the Bank’s specialists on the current issues of monetary policy, banking and payment systems, banking legislation and other issues.	Broadcast on the radio “Birinci Radio”, Public Broadcasting Corporation.
10.	TV Program “Natsbank Razyasniayet” (“The National Bank explains”)	In the state, official languages	1-2 times a quarter	The basic aspects of the National Bank activity are highlighted therein in the form of the interviews of the Bank’s specialists on the current issues of monetary policy, banking and payment systems, banking legislation and other issues.	Broadcast on the TV channel “Ala-Too 24”.
11.	Column “Rate of exchange”	In the state, official languages	Daily (except for weekends)	Graphic information on the official exchange rates and prices for gold measuring bullions.	Broadcast on the TV channel “Ala-Too 24”.
12.	Radio Program “EcoLikbez”	In the state language	Bimonthly	Information on the National Bank activity, monetary policy, banking and payment systems, banking legislation, financial literacy and other issues in the form of live interviews with involvement of the National Bank employees.	Broadcast on the radio “Maral FM”.

Appendix 4
to the Report of the National Bank
of the Kyrgyz Republic for 2018

List of Abbreviations

ACFEP	Advisory Council on Foreign Exchange Policy
ADB	Asian Development Bank
ALE	Association of Legal Entities
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
BCS	Bulk Clearing System
CIF	Price at the border of the importing country (cost, insurance, freight)
CIS	Commonwealth of Independent States
CJSC	Close Joint-Stock Company
CT MF KR	Central Treasury of the Ministry of Finance of the Kyrgyz Republic
CU	Credit Union
DPA	Deposit Protection Agency
EAEU	Eurasian Economic Union
EAG	Eurasian Group on combating money laundering and financing of terrorism
EBRD	European Bank for Reconstruction and Development
ECC(N)B	Eurasian Council of Central (National) Banks
ECF	Extended Credit Facility
EEC	Eurasian Economic Commission
ESF	Exogenous Shocks Facility
EurAsEC	Eurasian Economic Community
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force on Money Laundering
FCCU	Financial Company of Credit Unions
FCO	Financial-Credit Organization
FOB	Price at the Frontier of Country-Exporter (Free on Board)
FPAS	Forecasting and Policy Analysis System
FSDP	Financial Sector Development Project
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GS	Government Securities
GVA	Gross Value Added
IFSB	Islamic Financial Services Board
IDB	Islamic Development Bank
IAS	International Auditing Standards
IASC	International Accounting Standards Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPC	Interbank Processing Center
ISB	Interstate Bank
JSC	Joint-Stock Company
JVI	Joint Vienna Institute
KR	Kyrgyz Republic
LLC	Limited Liability Company

LLP	Loan Loss Provision
MCA	Microcredit Agency
MCC	Microcredit Company
MEFP	Memorandum on Economic and Financial Policy
MFC	Microfinance Company
MF KR	Ministry of Finance of the Kyrgyz Republic
MFO	Microfinance Organization
MM	Mass Media
MP	Monetary Policy
MRC	Monetary Regulation Committee
NBFCO	Non-Banking Financial-Credit Organizations
NBKR	National Bank of the Kyrgyz Republic
NEER	Nominal Effective Exchange Rate
NPCS	National Payment Card System
NSC	National Statistical Committee
OJSC	Open Joint-Stock Company
OPEC	Organization of the Petroleum Exporting Countries
PRBR	Periodic Regulatory Bank Reporting
PRC	People's Republic of China
PRR	Periodic Regulatory Report
RBS	Risk-Based Supervision
REER	Real Effective Exchange Rate
RKDF	Russian-Kyrgyz Development Fund
RLA	Regulatory Legal Acts
ROA	Return on Assets
ROE	Return on Equity
RR	Reserve Requirement
RTGS	Real Time Gross Settlement System
SCEA	State Classifier "Economic activities"
SCO	Shanghai Cooperation Organization
SDR	Special Drawing Rights
SECO	State Secretariat for Economic Affairs
SFCO	Specialized Financial-Credit Organization
SFIS	State Financial Intelligence Service
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds
TMC	Trade and Market Complex
T-Obligations	Treasury Obligations
VAT	Value Added Tax
UAE	United Arabian Emirates
USA	United States of America
WB	World Bank