

Monetary Policy Report for the First Half of 2011

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1.1. Basic Monetary Policy Trends

In the first half of 2011, the National Bank in conditions of high inflation level in the country performed the measures aimed at tightening of the monetary policy. For the purpose of restriction of the inflation monetary component, the NBKR gradually increased the weighted average auction volume of the NBKR notes supply from 400 million soms in December 2010 to 687.5 million soms in June 2011. However, NBKR could not allocate the whole amount of the NBKR notes due to decrease in demand for them as a result of the liquidity reduction in commercial banks. Generally, during the reporting period, volume of the NBKR notes in circulation increased to 1 093.2 million soms as of the end of June 2011 from 669.2 million soms as of the end of 2010. The NBKR discount rate during the reporting period was gradually increasing and reached 12 percent by the end of July (5.5 percent as of the beginning of the year).

Besides auctions of the notes, the NBKR weekly announced about performance of transactions on state securities sale on repo-terms for the purpose of additional sterilization of the excess liquidity. At that, the NBKR gradually increased the interest rates on such transactions. Despite maintenance of the monetary policy trend and increase in interest rates, in April-May the repo-auctions were recognized to be invalid which was provided by reduction of excess reserves in the banking system and its concentration. The volume of repo-operations of the NBKR by the end of June constituted 60.7 million soms (70.8 million soms as of the end of 2010). At that, the weighted average rate constituted 12.7 percent (6.5 percent in December 2010).

Within the framework of tightening of the monetary policy, the NBKR from March 14, 2011, increased reserve requirements for the commercial banks from 8 to 9 percent from the estimated base; it also increased the base rate for the crediting purposes of the Special Fund for Banks Refinancing to 10 percent in June from 7 percent at the end of 2010. As of the end of June 2011, the volume of distributed funds by the Special Fund for Banks Refinancing constituted 2.5 billion soms, among them the credit portfolio of the Special Fund for Banks Refinancing – about 2 million soms including funds on project “Available credits to farmers” – 568.9 million soms.

During the reporting period, in the domestic interbank foreign exchange market the National Bank concluded transactions both on sale and purchase of the foreign currency. Meanwhile, operations on the foreign currency sale were performed by the NBKR mainly at the beginning of the year due to increasing demand for it. Starting from April, the foreign currency supply in the interbank foreign exchange markets increased, including due to growth of the foreign currency volumes received in the form of money transfers. In such conditions, there was the tendency for decrease in the exchange rate. In order to prevent sharp strengthening of the national currency the NBKR performed foreign exchange interventions on purchase of cashless USD. As a whole, in the first half of 2011, the net sale of foreign currency by the NBKR constituted 30.3 million USD (in the corresponding period of 2010 – 140.2 million USD). The USD exchange rate decreased by 4.0 percent against KGS during the reporting period – from 47.0992 to 45.2067 KGS/USD (in the corresponding period of 2010 exchange rate increased by 5.2 percent). According to the National Statistics Committee, as of the end of the first half of 2011, the increase in consumer price index characterizing the inflation rate constituted 22.7 percent (June 2011 to June 2010).

Main factors, influencing on formation of general growth of prices in the republic, were considerable growth of prices for grain and other imported goods, increase in export demand on the part of neighboring countries for domestic agricultural production, growth

of prices for non-food products (clothes and shoes, natural gas) as well as for services of restraints and hotels.

Higher inflation rates in the republic as compared to indices of the countries – main trade partners provided growth of the KGS real effective exchange rate index by 2.4 percent to make 114.0 percent.

Generally, for the first half of 2011, the monetary base increased by 2.8 percent and constituted 50 billion soms as a result of Government stimulating policy. In the reporting period, the broad money M2X increased by 5.6 percent and its volume constituted 73.1 billion soms as of the beginning of June 2011. Meanwhile, the index of economy monetization increased by 0.5 percentage points and constituted 28.4 percent.

The average daily volume of excess reserves for January-June 2011 constituted 1.5 billion soms (in the corresponding period of 2010 – 1.9 billion soms). In the reporting period, the volume of reserve requirements increased by 29.3 percent to 2.8 billion soms both on growth of deposits and due to increase of reserve requirements from 8 to 9 in March 2011.

Generally, during the period of January-June 2011, there was increase in the economic growth rates as compared to the corresponding index of January-June 2010 by 5.5 percent; at that, the main contribution to the GDP growth was made by the company “Kumtor” which explores the gold deposits as well as the sphere of production and distribution of electric energy, gas and water.

As per results of the first half of 2011, the balance of payment was formed positive in the amount of 99.5 million USD. At that, there was growth of the current account deficit to 13.3 percent to GDP. The volume of gross international reserves as of the end of the reporting period constituted 1 911.4 million USD that covers 4.4 months of future import of goods and services.

According to preliminary data of the Central Treasury of the Ministry of Finance, the state budget deficit in January-June 2011 constituted 0.2 billion soms or 0.2 percent to GDP.

1.2. Dynamics of Monetary Indicators

As of the end of June 2011, the monetary base constituted 50.0 billion soms, having increased by 2.8 percent or 1.4 billion soms during the reporting period (in the corresponding period of 2010, the decrease constituted 0.1 percent). Monetary base growth was due to Government stimulating policy. Thus, operations of the Government increased the monetary base by 4.1 billion soms. At the same time, the NBKR operations decreased the monetary base by 2.7 billion soms. In particular, the NBKR performed operations on sterilization of excess liquidity of the commercial banks (auctions of notes, REPO-transactions), completing swap-operations. Also, the NBKR predominantly sold the foreign currency in the interbank foreign exchange markets.

In the structure of monetary base there was increase in the share of money in circulation from 89.1 percent as of the end of 2010 to 91.1 percent as of the end of June 2011, correspondingly, the share of funds on correspondent accounts of the commercial banks in the National Bank decreased from 10.9 to 8.9 percent.

As of the end of the first half of 2011, money outside banks M0 constituted 43 459.7 million soms, having increase in the reporting period by 4.8 percent (in the corresponding period of 2010 – by 4.3 percent).

Money supply M2, including money outside banks and deposits in the national currency as of the end of June 2010 constituted 56 319.6 million soms, having increased by 4.8 percent in the reporting period (in the corresponding period of 2010 – by 5.6 percent), at that deposits in the national currency increased by 4.8 percent.

As of the end of June 2011, the volume of broad money M2X, including deposits¹ in foreign currency, constituted 73 063.9 million soms, having increased in the reporting period by 5.6 percent (in the corresponding period of 2010 the money stock remained unchanged). At that, in the reporting period money outside banks increased by 4.8 percent. Moreover, the total volume of deposits included in determination of the broad money M2X increased by 6.7 percent, among them deposits in the national currency increased by 4.8 percent and deposits in foreign currency increased by 8.3 percent which testifies about maintenance of confidence to the banking system.

In the structure of broad money M2X the share of deposits in foreign currency increased in the reporting period by 0.6 percentage points and constituted 22.9 percent. The share of deposits in the national currency decreased by 0.1 percent and constituted 17.7 percent, and cash component of broad money decreased by 0.4 percentage points and constituted 59.9 percent.

Considerable contribution into the broad money growth was made by banks extension of crediting of the real economy sector. Thus, in the reporting period the growth rates of credits to the economy constituted 9.8 percent. At that, the growth of credits in the economy was provided by increase in crediting in the national currency by 15.5 percent and in foreign currency – by 4.8 percent.

It should be noted that growth of crediting of the real sector by banks was also affected by activation of activity of the LLC “Specialized Fund for Banks Refinancing”, the credit portfolio of which increased in 2.4 times from the beginning of the year (or by 1.2 billion soms).

Thus, in the reporting period, there was a positive tendency in increase of the credit activity of the commercial banks which in turn promoted recovery of economic growth.

The economy monetization coefficient calculated according to the monetary aggregate M2X constituted 28.5 percent as of the end of the reporting period, having increased by 0.5 percentage points from the beginning of the year due to advanced growth rates of the money stock over GDP. Thus, the velocity of circulation of broad money M2X in the reporting period decreased inconsiderably from 3.6 as of the beginning of the year to 3.5 as of the end of June 2011.

As a result of advanced growth rates of the broad money as compared to the monetary base growth rates, the multiplier of broad money M2X, characterizing the level of financial intermediation, increased from 1.424 as of the beginning of the year to 1.462 as of the end of the reporting period (in the corresponding period of 2010 – 1.393).

1.3. Inflation: Outcomes and Trends

During the first half of 2011, in the republic there was a high inflation rate. According to the National Statistics Committee, the inflation 12-month value (June 2011 against June 2010) constituted 22.7 percent whereas in the corresponding period of 2010 this index was 3.6 percent. From the beginning of 2011, the growth of general price level constituted 7.2 percent against 4.1 percent in January-June 2010.

Main factors, influencing on formation of the general growth of prices in the republic, were considerable growth of prices for grain and other imported goods, increase in export demand on the part of neighboring countries for domestic agricultural production, growth of prices for non-food products (clothes and shoes, natural gas) as well as for services of restraints and hotels.

¹ Excluding deposits of the Government and non-residents.

Table 1. Consumer Price Index in the Kyrgyz Republic

	June 2011 against			January-June 2011 against January-June 2010
	May 2011	June 2010	December 2010	
Total goods and services	100.6	122.7	107.2	121.4
of which				
Food products and soft drinks	100.6	137.5	111.9	134.8
Alcoholic and tobacco products	100.9	111.3	102.8	112.0
Nonfoods	100.9	112.5	103.4	111.3
Services	100.2	111.6	103.9	111.7

As per results of June 2011, the prices for food products on annualized basis increased by 37.5 percent (in the corresponding period of 2010 prices on annualized basis decreased by 0.7 percent).

As per results of June 2011, prices for meat products increased by 37.2 percent. According to the State Agency for Anti-monopoly Regulation of the Kyrgyz Republic, increase in prices for meat (mutton and beef) was of seasonal character and also provided by reduction of supply in the market due to increase in exportation to neighboring countries. Growth of prices for sugar in the second quarter of 2011 decreased as compared to the first quarter of 2011 from 15.3 to 0.3 percent. Generally, the increase constituted 28.2 percent on annualized basis.

Import-dependence of the economy on food products remains high. Prices for alcohol and tobacco products increased by 5.9 percent and 27.0 percent correspondingly on annualized basis.

Growth of the price index for non-food products on annualized basis constituted 12.5 percent which is by 3.3 percentage points higher as compared to the corresponding index of 2010. There was increase in rates on the group "electric energy, gas and other types of fuel" on annualized basis by 2.4 percent, mainly due to growth of prices for natural gas which is related to increase in prices for gas supplied from Uzbekistan. Cost of fuels-and-lubricants on annualized basis decreased by 0.6 percent: prices for gasoline decreased by 0.9 percent and prices for diesel fuel increased by 6.4 percent. However, it should be noted that in the second quarter of 2011 the prices for fuels-and-lubricants increased by 6.8 percent due to deficit: among them gasoline rose in price by 6.5 percent and diesel fuel rose in price by 13.8 percent.

Index of prices for paid services in the reporting period increased by 11.6 percent on annualized basis (in the corresponding period of 2010 – by 5.1 percent). Growth of index in this group was mainly provided by appreciation of services of restraints and hotels by 20.1 percent, which was related to appreciation of food products, as well as transportation services (+12.4 percent) and services of recreation arrangement (+17.1 percent). There was increase in prices for services of health care and education by 8.0 percent and 7.7 percent correspondingly.

1.4. Real Sector

According to preliminary data, in January-June 2011 the GDP volume increased in real terms as compared the corresponding period of 2010 by 5.5 percent while in January-June 2010 the GDP volume increased by 4.4 percent. Excluding enterprises exploring the gold deposit "Kumtor", the GDP volume as per result of the first half of 2011 increased by 4.6 percent (in January-June 2010 growth rate was equal to 0.6 percent). The GDP deflator, according to preliminary data for the first half of 2011, was formed at the level of 16.0

percent against 4.4 percent in January-June 2010.

Table 2. Contribution of individual types of activity into increase/decrease of GDP (percents)

	Ration		Growth rate		Contribution in growth	
	I half of 2010	I half of 2011	I half of 2010	I half of 2011	I half of 2010	I half of 2011
GDP	100,0	100,0	4,4	5,5	4,4	5,5
Agriculture	11,4	10,9	0,1	0,9	0,0	0,1
Industry	22,3	24,5	43,0	14,0	6,8	3,1
Mining industry	0,6	0,8	7,8	11,2	0,0	0,1
Processing industry	18,3	20,4	50,1	11,9	6,4	2,2
Electricity, gas and water generation and distribution	3,4	3,3	13,4	25,8	0,3	0,9
Construction	4,4	4,0	-23,4	-12,2	-1,4	-0,5
Services	50,4	48,3	-3,0	4,4	-1,6	2,2
Trade	15,7	16,1	-9,2	3,0	-1,7	0,5
Hotels and restaurants	1,2	1,3	-8,0	7,4	-0,1	0,1
Transportation and communication	10,2	10,1	1,4	14,1	0,1	1,4
Other	23,3	20,8	0,2	0,9	0,1	0,2
Net taxes on products	11,5	12,4	4,4	5,5	0,5	0,6

Source: NSC data, NBKR adjustments

Generally, production of industrial products in the reporting period increased by 14.0 percent as compared to the first half of 2010, at that in January-June 2010 increase in the industrial products volume constituted 43.0 percent.

Excluding enterprises, exploring the gold deposit "Kumtor", the industrial production increased in volume by 15.0 percent as compared to January-June of the last year while in the same period of 2010 increase in this index constituted 27.3 percent.

The main production growth is accounted for the manufacturing industry, the physical volume index of which in the first half of 2011 amounted to 111.9 percent. In the sphere of production and distribution of electric energy, gas and water, there was increase in production. As per results of the first half of 2011, output of the industry increased by 25.8 percent which was provided by increase in electricity production by 37.6 percent and services on distribution of electricity by 29.8 percent.

Significant contribution to GDP growth in the first half of 2011 was also made by the sphere of services; the volume of rendered services in January-June 2011 increased by 4.4 percent as compared to the corresponding period of 2010 against decrease by 3.0 percent as per results of the first half of 2010. At the same time, significant growth rates, prevailing in the industry, were largely due to low statistical base of 2010.

In the sphere of transportation and communications, increase in the gross value added as per results of the first half of 2011 constituted 14.1 percent and was provided by increase in freight traffic, passenger traffic growth by all types of transport, growth of postal and telecommunication services.

In January-June 2011, there was increase in trade turnover by 3.5 percent, largely due to low base of the first half of 2010, against the background of political instability (in the corresponding period of 2010 there was a decrease of 11.6 percent).

The gross output of agricultural production in January-June 2011 amounted to 32.9 billion soms, while the physical volume index was formed at the level 100.9 percent.

The volume of investments in the fixed capital, according to preliminary data for January-June 2011, decreased by 3.7 percent as compared to the corresponding index of 2010 and amounted to 15.8 billion soms, while as per results of the first half of 2010, the similar indicator decreased by 18.1 percent. A negative growth rate of investments in the fixed capital was formed mainly by reduction of outstanding disbursements on the sites of production and distribution of electricity, gas and water, transportation and communication.

1.5. External Economy Sector

As per results of the first half of 2011, there was deterioration of the current account of the balance of payments, the deficit of which increased to 13.3 percent to GDP, which is by 10.0 percentage points higher than in the first half of 2010. As before, the structure of current account items such as trade balance, balance of services and incomes were formed with the deficit exceeding the surplus on current transfers.

In the first half of 2011 as compared to the corresponding period in 2010, the dynamics of growth of import receipts was in two times more against the growth rate of exports which ultimately affected the growth of trade balance deficit by 87.8 percent.

Exports of goods (in FOB prices) in the first half of 2011 amounted to 1 032.6 million USD exceeding the corresponding index of 2010 by 18.2 percent. Imports of goods in FOB prices for the reporting period increased by 38.6 percent and amounted to 1 712.4 million USD.

In the analyzed period as compared to the first half of 2010, there was increase in the foreign exchange earnings on current transfers by 34.3 percent. In the structure of transfers there was increase both in private and official transfers. In this case, the decisive role was played by a significant increase in remittances of labour migrant which increased to 173.1 million USD.

At the end of the first half of 2011, the account of capital operations and financial operations was formed with a positive balance of 411.4 million USD, having increased in 3.1 times as compared to the corresponding index of the first half of 2010.

Thus, as per results of the first half of 2011, the balance of payments was formed positive in the amount of 99.5 million USD. The volume of gross international reserves at the end of the reporting period amounted to 1 911.4 million USD which covers 4.4 months of future import of goods and services.

According to preliminary data, the index of nominal effective KGS exchange rate from the beginning of 2011 decreased by 1.5 percent and as of the end of June amounted to 114.4. This decrease was due to KGZ depreciation² in June 2011 as compared to the average rate for December 2010 in relation to RUB by 6.2 percent and EUR - by 4.3 percent. Alongside with this, for the same period there was strengthening of KGS against USD (by 3.6 percent), KZT (by 2.4 percent) and CNY (by 0.9 percent).

Despite depreciation of the nominal effective KGS exchange rate, lower inflation rate³ in partner countries provided prevailing pressure on the index of real effective exchange rate towards increase, thus smoothing influence of the nominal effective KGS exchange rate. So, the real effective exchange rate from December 2010 increased by 2.4 percentage points and as of the end of June it constituted 114.0.

1.6. Public Finance Sector

According to preliminary data of the Central Treasury of the Ministry of Finance, the state budget deficit in January-June 2011 amounted to 0.2 billion soms or 0.2 percent to GDP (in January-June 2010, the budget was executed with a deficit of 1.5 percent to GDP). At the same time, excluding of official transfers, the state budget deficit constituted 4.1 billion soms or 3.9 percent to GDP.

Total financing of the state budget in the reporting period amounted to 6.1 billion soms: internal financing - 2.8 billion soms, external financing - 3.2 billion soms.

² Data is provided on nominal bilateral exchange rate of KGS; the year of 2000 is used in capacity of the base period for calculation of the index.

³ Inflation in the Kyrgyz Republic in January-June 2011 constituted 7.2 percent, whereas the average inflation rate in the countries-main trade partners constituted 3.1 percent according to preliminary estimations.

According to preliminary data of the Social Fund of the Kyrgyz Republic, the Social Fund's budget surplus in January-June 2011 amounted to 0.2 billion soms or 0.2 percent to GDP, revenues - 10.4 billion soms or 10.1 percent to GDP, expenditures - 10.2 billion soms or 9.9 percent to GDP.

During the period of January-June 2011, the state budget revenues from operating activities amounted to 36.2 billion soms or 34.9 percent to GDP. As compared to the figures for January-June 2010, the growth rate increased by 33.9⁴ percent against 1.1 percent which is generally above the established average level over the past five years.

Total expenditures of the state budget for operating activities in January-June 2011 amounted to 34.3 billion soms, having increased by 30.8⁵ percent or 8.1 billion soms.

According to functional classification of the budget expenditures, during the reporting period there was increase in expenses with regard to GDP in the following groups: for economic issues (by 2.3 percentage points); for defense, public order and safety (by 0.3 percentage points); for social protection (0.3 percentage points) and for general public services (by 0.1 percentage points). State budget expenditures with regard to GDP decreased in the following categories: education (by 0.4 percentage points), housing and communal services (0.3 percentage points), health care (0.2 percentage points) and environmental protection (by 0.1 percentage points). State budget expenditures with regard to GDP remained unchanged in the spheres of recreation, culture and religion.

According to economic classification, the largest contribution to growth of the state budget expenditures was provided by repayment of wages (+6.7 percentage points) and expenses for subsidies and social benefits (+6.1 percentage points).

As of the end of May 2011, the national debt amounted to 130.3 billion soms, including domestic debt - 8.0 billion soms, external debt - 122.3⁶ billion soms. The public debt in January-May 2011 decreased by 0.3 percent or by 0.4 billion soms as compared to the corresponding index of the end of 2010.

Interest payments on the state debt servicing in January-June 2011 amounted to 1.6 billion soms (January-June 2010 - 0.9 billion soms), including the share of payments on domestic debt and external debt amounted to 28.4 and 71.6 percent respectively of the total interest payments. As compared to the figures for January-June 2010, the interest payments on external debt increased in 2.2 times or by 624.7 million soms, and on domestic debt – by 13.7 percent or 55.6 million soms.

During the period, the net outflow of budgetary funds for acquisitions of non-financial assets (including operations on the following groups: fixed assets, stocks, lands) amounted to 2.2 billion soms or 2.1 percent to GDP (in January-June 2010 - 2.1 billion soms or 2.5 percent to GDP).

1.7. Financial Sector

Banking system

According to preliminary data, as of June 30, 2011⁷, 22 commercial banks⁸ and 248 branches of commercial banks were operating on the territory of the Kyrgyz Republic (22 commercial banks were working in the corresponding period of 2010).

⁴ In real terms (adjusted to CPI) incomes of the state budget from operational activity increased by 10.3 percent.

⁵ In real terms (adjusted to CPI) increased by 7.7 percent.

⁶ Data is calculated by NBKR (as of May 31, 2011: 1 USD = 45.40 soms).

⁷ Data is provided in accordance with regulative reporting of commercial banks.

⁸ The OJSC "AsiaUniversalBank" was excluded from the banking system structure from November 1, 2010: on the basis of the court decision on initiation of the bankruptcy procedure and termination of the conservation regime (according to the Resolution No.83/1 of the NBKR Board, dated November 1, 2010. The OJSC "Zalkar Bank" was introduced into the banking system in accordance with the Resolution No.91/1 of the NBKR Board, dated December 16, 2010.

As of the end of June 2011, the banking system received a net profit in the amount of 786.7 million soms (in the corresponding period of 2010, the banking system obtained a loss in the amount of 3 550.5 million soms). As per results of the first half of 2011, the total assets of the banking system increased by 6.0 percent and constituted 61.4 billion soms.

The deposit base volume of commercial banks as of the end of the first half of 2011 amounted to 36.4 billion soms, having increased from the beginning of the year by 6.8 percent. The increase was provided by growth of the foreign exchange component of the deposit base by 7.1 percent and by deposits in KGS to 6.4 percent.

The weighted average interest rate on newly accepted deposits in the national currency amounted to 2.1 percent. The interest rate on newly accepted deposits in foreign currency decreased by 0.4 percentage points and constituted 1.0 percent.

In the first half of 2011, there was continuing tendency for growth of the economy crediting and lower interest rates on credits. The credit portfolio of commercial banks at the end of the first half of 2011 amounted to 28.6 billion soms, having increased from the beginning of the year by 8.4 percent. It should be noted that the increase in crediting by commercial banks was also associated with increased activity of the SFBR. Excluding SFBR, the credit portfolio of commercial banks increased from the beginning of the year by 4.2 percent. The volume of credits in KGS increased by 17.5 percent and constituted 13.7 billion soms. The volume of credits issued in foreign currency, as of the end of the first half of 2011, constituted 14.9 billion soms, which is by 1.2 percent higher as compared to its volume at the beginning of the year.

The weighted average interest rate on credits in the national currency in the first half of 2011 decreased by 0.8 percentage points to 22.1 percent, and in foreign currency - by 0.4 percentage points to 18.8 percent.

The main share in the credit portfolio of banks, as before, was accounted for credits to the trade. Credits to the sphere of transportation and communication, procurement and processing as well as social services, as always, occupied a small share. Due to high level of inflation, the real value of the interest rate on credits in the national currency was 4.5 percent (in the first half of 2010 this rate was 21.2 percent).

Non-banking financial-credit institutions, licensed by the National Bank of the Kyrgyz Republic

As of the end of June, the system of non-banking financial-credit institutions of the Kyrgyz Republic included 907⁹ non-banking institutions (in the corresponding period of 2010 the number of non-banking institutions constituted 947), including:

- Financial Company for Support and Development of Credit Unions – 1,
- Special Fund for Banks Refinancing – 1,
- Credit Unions – 207,
- Micro-crediting companies – 304,
- Micro-crediting associations – 116,
- Micro-financing companies – 4,
- Exchange offices – 274.

⁹ Excluding of pawn offices, as their licensing was terminated from September 8, 2009.

Table 3: Credit portfolio of non-banking financial-credit institutions¹⁰ (million KGS)

Name of non-banking financial-credit institution	30.06.2010	31.12.2010	30.06.2011
Financial Company for Support and Development of Credit Unions	440,9	461,1	466,3
Special Fund for Banks Refinancing	129,7	1 028,1	1 978,3
Micro-financing organizations (Micro-crediting companies / Micro-crediting associations)	5 499,7	6 126,3	7 721,2
Micro-financing companies	3 703,9	3 821,9	5 014,9
Credit Unions	1 040,7	1 139,7	1 231,9
Pawn offices	-	-	-
Total	10 244,3	11 088,0	13 968,1

¹⁰ Data is provided without regard to the FCSDCU and the SFBR (as credits of the FCSDCU are issued to credit unions, whereas credits of the SFBR are issued to commercial banks).