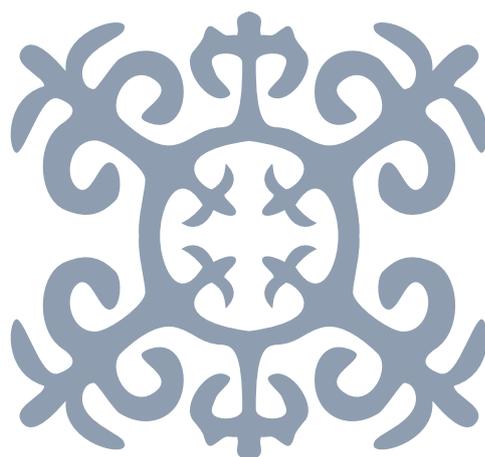


**2015**

NATIONAL BANK OF THE KYRGYZ REPUBLIC

**ANNUAL  
REPORT**



Bishkek 2016

## **Annual Report of the National Bank of the Kyrgyz Republic for 2015**

The report of the National Bank of the Kyrgyz Republic for the year of 2015 is prepared in accordance with Articles 8 and 10 of the Law “On the National Bank of the Kyrgyz Republic”.

The annual report of the National Bank for 2015 is approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No 13/1 of 23 March 2016.

The financial statements for the year ended 31 December 2015 are approved with the Resolution of the Board of the National Bank of the Kyrgyz Republic No 13/2 of 23 March 2016.

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Dear Readers!

The Kyrgyz Republic's accession to the Eurasian Economic Union became the main economic event of 2015. Adaptation of the economy to the new development trends in conjunction with the complicated economic situation in the key trading partners predetermined the environment for development and implementation of the monetary policy by the National Bank. As in the previous years, monetary policy was aimed to curb inflation in the country and, respectively, to create the conditions for macroeconomic stability. In the reporting year, joint actions of the National Bank and the Government allowed to ensure moderate inflation rate. During the reporting year, the National Bank continued to work towards strengthening the impact of the policy rate on the operation of the interbank money market and, thereby, on the real sector of the economy.

In 2015, dynamics of the basic indicators of banking and microfinance systems indicated continuing trend of progressive development, the availability of capacity to improve the level of financial intermediation and performance. Measures taken by the National Bank to strengthen the capital base of the commercial banks, as well as prudential measures with respect to some commercial banks allowed preserving financial stability and reliability of the banking system. In addition, measures were taken to minimize credit risks for the borrower, when they receive loans in foreign currency, as well as to decrease the overall level of dollarization in the banking system. In the reporting year, work was continued on putting into practice the risk-based supervision founded on the identification and analysis of banking risks, as well as evaluation of risk management quality in the commercial banks.

The significant event of the year in the field of payment systems was the entry into force of the Law "On the Payment System of the Kyrgyz Republic". In the course of bringing the regulatory legal framework into conformity with this Law, work was carried out to increase the scope of retail non-cash payments, to develop innovative payment technologies and the system of supervision over new participants of the payment services market. In general, the payment system of the republic operated in a stable and safe manner during the reporting period.

In 2015, the National Bank first offered services for selling, repurchase and storage of refined gold bullions with the aim to develop the market of precious metals, to attract investments in the banking sector, and to introduce new tools for saving money of the citizens and business entities.

In the reporting year, the National Bank placed high emphasis on protection of the rights of consumers of banking and microfinance services, as well as on improvement of the financial literacy of the population. The result of work was the introduction to the Government of the Kyrgyz Republic of the draft Program to Improve Financial Literacy for 2016-2020.

The Annual Report of the National Bank for 2015 prepared in line with the Law "On the National Bank of the Kyrgyz Republic" reflects the information about activities of the Central Bank of the country on implementation of the main functions assigned to it and includes 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 submitted information.

Sincerely,

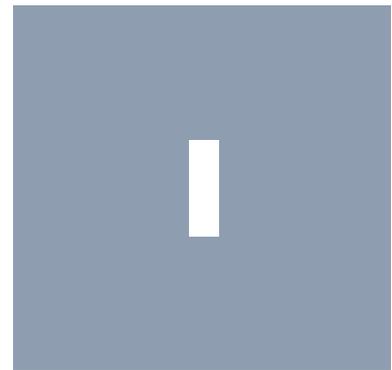
Chairman



T. Abdygulov



**ECONOMIC SITUATION  
IN THE KYRGYZ REPUBLIC  
IN 2015**



## CHAPTER 1. ECONOMIC DEVELOPMENT OF THE KYRGYZ REPUBLIC IN 2015

In 2015, the economic development of the Kyrgyz Republic was moderate. Some slowdown in the economic development was conditioned by the influence of the external factors, such as economic difficulties in the countries-main trading partners, and the internal factors, the main was lower production volumes at the Kumtor gold mining enterprises. The sectors of services, construction and agriculture contributed significantly to the gross domestic product (GDP) growth.

The state budget deficit increased from 0.5 percent of GDP in 2014 to 1.5 percent of GDP in the reporting year and totaled KGS 6.3 billion. The revenue of the state budget from operating activities increased by 7.3 percent compared to 2014 and amounted to KGS 128.1 billion or 30.2 percent of GDP. The state budget expenditure for operating activities increased by 10.1 percent in 2015 and amounted to KGS 105.3 billion or 31.8 percent of GDP.

Decrease of the trade deficit in the external economic sector contributed to reduction of the current account deficit and improvement of the balance of payments of the country in the reporting year. The balance of payments deficit decreased from USD 128.6 million in 2014 to USD 14.8 million in 2015. The current account deficit decreased by 56.2 percent and amounted to USD 814.9 million or 12.5 percent of GDP. The trade deficit totaled USD 2.1 billion, having decreased by 39.5 percent.

In the reporting year, increase of the loan portfolio and the deposit base was observed in the banking sector of the country. The loan portfolio of commercial banks grew by 19.3 percent and reached KGS 94.0 billion by the end of 2015<sup>1</sup>. The deposit base of the banking sector grew by 28.6 percent and amounted to KGS 100.2 billion<sup>2</sup> by the end of the reporting year. During the reporting period, the assets of the banking sector increased by 29.4 percent and amounted to KGS 178.0 billion, meanwhile, the main share of the banks' assets accounted for the loans issued.

In the reporting year, the sector of non-bank financial-credit institutions developed in accordance with the Microfinance Development Strategy for 2011-2015. In 2015, one NFCI – CJSC MCC “FINCA” – has successfully completed the process of transformation into a bank and received the banking license.

### 1.1. Real Sector of Economy<sup>3</sup>

The dynamic of the economic growth in the Kyrgyz Republic remained positive in the reporting year. According to the preliminary data of the National Statistics Committee of the Kyrgyz Republic (NSC), the gross domestic product (GDP) in real terms increased in 2015 by 3.5 percent as against growth by 4.0 percent in 2014. The slowdown in GDP growth was caused mainly by a drop in production in industry due to lower production volumes at the Kumtor gold mining enterprises. GDP growth in 2015 was supported by the sectors of services, construction and agriculture. Excluding the Kumtor gold mining enterprises, growth of country's GDP was 4.5 percent (in 2014, an increase was 5.0 percent). In nominal terms, the GDP amounted to KGS 423.6 billion. The GDP deflator was 2.2 percent as against 8.4 percent in 2014.

<sup>1</sup> Excluding loans extended to the banks and other financial-credit institutions (FCI).

<sup>2</sup> Excluding deposits of the banks and FCIs.

<sup>3</sup> According to preliminary data.

**Table 1.1.1.**

## Gross Domestic Product Sector Composition

	2014			2015		
	Share, percent	Growth rate, percent	Contribution to growth, percentage points	Share, percent	Growth rate, percent	Contribution to growth, percentage points
<b>GDP</b>	<b>100</b>	<b>4.0</b>	<b>4.0</b>	<b>100</b>	<b>3.5</b>	<b>3.5</b>
Agriculture, forestry and fishery	14.7	-0.5	-0.1	14.0	6.2	0.9
Industry	16.5	-1.6	-0.3	15.3	-4.2	-0.7
Mining	0.7	-0.3	-0.002	0.9	63.8	0.4
Manufacturing	13.7	-2.9	-0.5	12.1	-7.8	-1.1
Provision (supply) of electricity, gas, steam, and conditioned air	1.9	8.0	0.1	2.1	-2.8	-0.1
Water supply, purification and treatment of waste and generation of secondary materials	0.3	6.5	0.02	0.2	3.5	0.01
Construction	7.4	27.1	1.7	8.3	13.9	1.0
Services	47.4	4.6	2.1	50.3	3.7	1.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.8	8.6	1.4	18.7	6.6	1.2
Transport activity and storage of goods	3.7	4.0	0.2	3.9	1.2	0.05
Information and communication	4.3	6.9	0.3	4.3	5.2	0.2
Other	21.7	1.2	0.3	23.4	1.3	0.3
Net (less subsidies) taxes on products	14.0	4.0	0.6	12.1	3.5	0.5

Source: NSC of KR

A decline in industrial production was mainly due to lower production in the manufacturing sector (by 7.8 percent) in connection with a cutback in production at the Kumtor gold mining enterprises (by 8.3 percent). As a result, the volume of industrial production fell in real terms by 4.2 percent, amounting to KGS 175.2 billion. The contribution of industrial production to economic growth was negative and amounted to 0.7 percentage points.

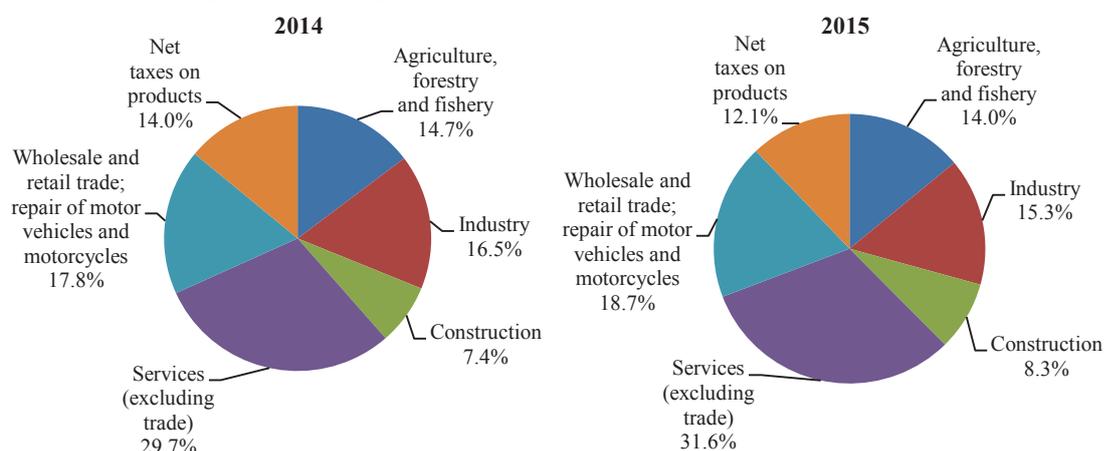
*Industrial production*

Excluding the Kumtor gold mining enterprises, at the end of 2015, the significant decrease was observed in the industrial production of chemical products (by 36.4 percent), motor vehicles (by 29.5 percent), cars and equipment (by 25.9 percent), as well as in the textile production of clothing and footwear, leather and other leather goods (by 11.3 percent).

The share of industry in the GDP sector composition was 15.3 percent in 2015.

**Chart 1.1.1.**

## GDP Sector Composition by Types of Economic Activity



*Agriculture* Measures on support of agriculture jointly taken by the Government of the Kyrgyz Republic, the National Bank of the Kyrgyz Republic and the banking sector combined with the favorable weather conditions contributed to significant growth in the agricultural sector. The volume of gross agricultural output in nominal terms amounted to KGS 197.1 billion in 2015, real growth was 6.2 percent. The contribution of this sector to GDP growth was positive and amounted to 0.9 percentage points, having increased by 1.0 percentage points compared with the year of 2014.

The increase in gross agricultural output was mainly due to the growth in the production of grain crop (excluding legumes, rice and buckwheat) (by 29.8 percent), gourds (by 24.1 percent) and vegetables (by 14.4 percent), as well as due to the extension of planted area by 0.4 percent.

*Trade and sphere of services* Growth in market services was 3.7 percent in 2015. The contribution of this sector to GDP growth was positive being 1.7 percentage points mainly due to the sector of “wholesale and retail trade; repair of motor vehicles and motorcycles” (1.2 percentage points).

The total volume of the “wholesale and retail trade; repair of motor vehicles and motorcycles” sector in 2015 increased by 6.6 percent compared to the same period in 2014. In the period under review, there was growth in all sectors of this industry, in particular, a turnover of motor fuel retail trade increased by 23.1 percent; the volume of maintenance and repair of motor vehicles – by 7.1 percent.

Freight transportation by all types of transport rose by 2.8 percent for the reporting year.

*Construction* Gross output in construction totaled KGS 116.1 billion in nominal terms in 2015, having increased by 13.9 percent in real terms against growth of the similar indicator by 27.1 percent in 2014. The construction sector made the positive contribution to GDP at the level of 1.0 percentage points. The increase in the volume of construction works was due to the growth of fixed asset formation.

*Investment* Fixed asset formation amounted to KGS 120.9 billion, having increased by 8.0 percent (in comparable prices). In 2014, growth of the similar indicator was 24.9 percent. Actual fixed asset formation increased mainly due to the growth in the volume of construction of the objects for wholesale and retail trade, for the manufacturing industries.

A structure of sources of financing fixed asset formation demonstrated the increase in investment from both the external (by 16.3 percent) and domestic sources (by 2.6 percent). The increase in investments from the external sources of financing was due to growth of direct foreign investment (by 21.8 percent) and foreign loans (by 17.6 percent). The increase in investment from the domestic sources of financing was due to increased investment from the republican (by 29.7 percent) and local budgets (by 26.0 percent), as well as due to increased investment under “funds of the population and charity of residents of the Kyrgyz Republic” (by 5.4 percent).

## 1.2. Public Finance Sector<sup>1</sup>

*Fiscal Policy* The fiscal policy was aimed in the reporting year at implementation of such measures as improvement of the tax legislation, development of the existing and applying new administration tools ensuring successful integration with the member-states of the Eurasian Economic Union, smoothing of the tax burden, provision of complete tax collection, improvement and automation of the tax reporting system.

According to the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, in the reporting year, the budget deficit increased and made KGS 6.3 billion

<sup>1</sup> The preliminary data of the Ministry of Finance of the Kyrgyz Republic.

or 1.5 percent of GDP (in 2014, the budget was executed with a deficit of 0.5 percent of GDP).

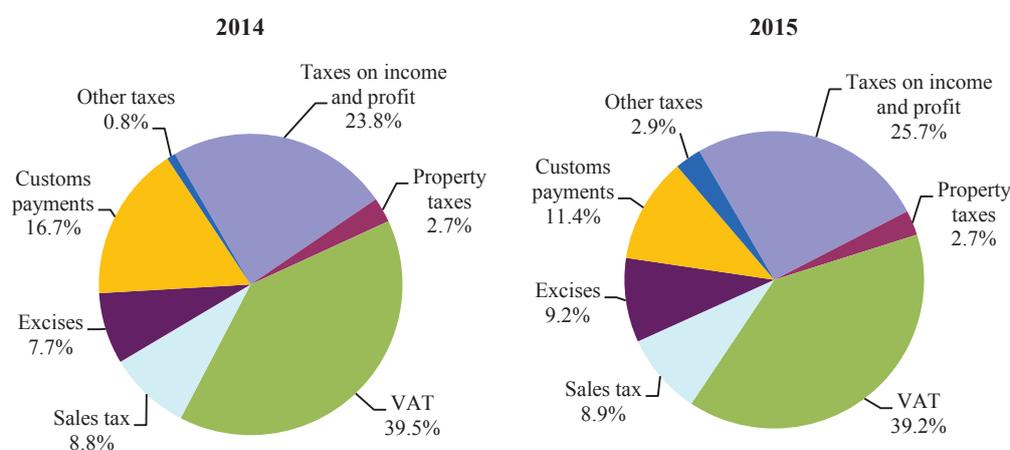
In 2015, revenue of the state budget from operating activities amounted to KGS 128.1 billion or 30.2 percent of GDP, having increased by 7.3 percent compared to the same period of 2014 (in 2014, revenue increased by 17.3 percent).

Tax receipts, which share is the major one in the revenue structure, amounted to KGS 84.7 billion, having increased by 2.4 percent compared to the similar indicator for 2014. Tax revenue were secured by 62.2 percent by returns from the State Tax Service of the Kyrgyz Republic and by 37.8 percent – from the State Customs Service of the Kyrgyz Republic (in 2014, this ratio was 48.5 and 51.5 percent, respectively)<sup>1</sup>.

In 2015, in accordance with the Law “On the National Bank of the Kyrgyz Republic”, the National Bank transferred 70 percent of its profit for 2014 to the state budget, which amounted to KGS 3.8 billion.

### **Chart 1.2.1.**

#### State Budget Tax Revenue Structure



Total state budget expenditures for operating activities amounted to KGS 105.3 billion in 2015, having increased by 10.1 percent (in 2014, the expenditure grew by 10.4 percent). In relation to GDP, expenditure increased from 30.3 percent in 2014 to 31.8 percent in 2015.

The structure of expenditures, allocated in accordance with an economic classification, did not change significantly. In 2015, state budget expenditures for wages increased by 12.5 percent (in 2014 – by 11.5 percent), amounting to KGS 39.5 billion or 37.6 percent of total expenditures for operating activities. Expenditures for social benefits and subsidies increased by 6.3 percent and amounted to KGS 27.7 billion or 26.4 percent of total expenditures for operating activities.

According to the functional classification of budget expenditures, growth of expenditures was observed in the reporting period in the following groups: economic issues – by 20.6 percent, environmental protection – by 17.0 percent, education – by 13.5 percent, general public services – by 12.7 percent, recreation, culture and religion – by 11.4 percent, defense, public order and security – by 9.8 percent, social security – by 6.5 percent, health care – by 5.8 percent, housing and communal services – by 4.5 percent.

Net acquisition of non-financial assets amounted to KGS 29.2 billion in 2015 or 6.9 percent of GDP (in 2014 – 6.5 percent of GDP)<sup>2</sup>.

<sup>1</sup> Due to the transfer of indirect taxes administration (VAT on imports and excise tax on imports) to the State Tax Service.

<sup>2</sup> The summary GDP indicator for 2014 was used for calculations.

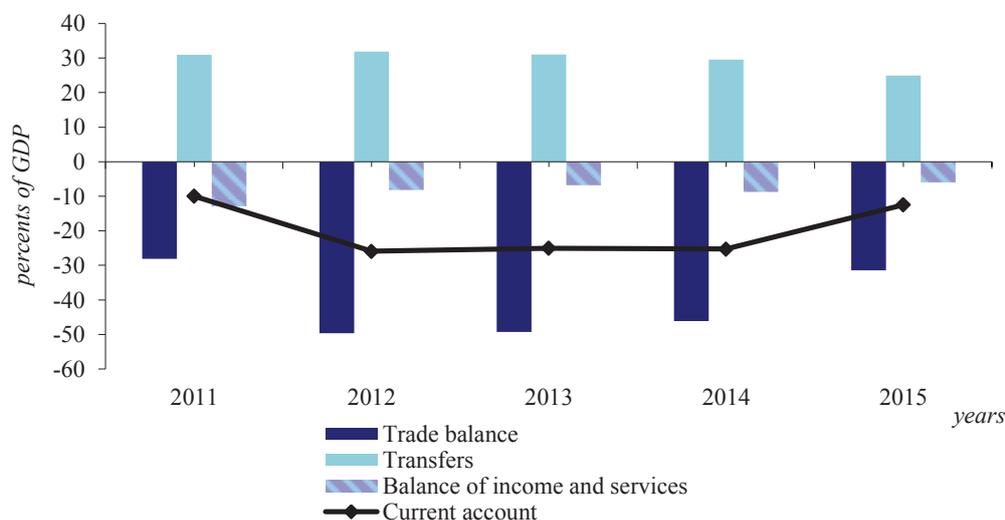
According to the data of the Ministry of Finance of the Kyrgyz Republic, the public external debt at the end of 2015 was USD 3.6 billion or 64.5 percent of GDP (in 2014 – USD 3.4 billion or 50.5 percent of GDP), the domestic debt – KGS 15.5 billion or 3.7 percent of GDP (in 2014 – KGS 12.4 billion or 3.1 percent of GDP). Public debt service expenditure was KGS 14.4 billion or 3.4 percent of GDP, of which interest payments were KGS 4.1 billion or 1.0 percent of GDP (in 2014, public debt expenditure was KGS 13.7 billion or 3.4 percent of GDP).

### 1.3. Balance of Payments of the Kyrgyz Republic

According to the preliminary data, the current account deficit decreased by 56.2 percent in 2015 and amounted to USD 814.9 million or 12.5 percent of GDP (in 2014, the current account deficit was 25.3 percent of GDP)<sup>1</sup>.

**Chart 1.3.1.**

Current Account



#### Foreign trade

The reporting period was characterized by a decrease of foreign trade indicators. More significant decline in import receipts of goods in comparison with export supply led to a reduction of the trade deficit by 39.5 percent (to USD 2.1 billion).

Export of goods in the reporting year fell by 12.0 percent and developed at a rate of USD 1.7 billion<sup>2</sup>. The largest export item is still gold, which value decreased by 7.2 percent due to the decrease in the volume of deliveries. In this case, export excluding gold fell by 14.9 percent and amounted to USD 1.0 billion. The decrease was noted in the supplies of kerosene<sup>3</sup> (by 44.9 percent), vegetables and fruits (by 43.4 percent), clothing and clothing accessories (by 59.8 percent), and other inorganic chemicals (by 72.7 percent) and a number of other goods.

The import receipts (FOB) in the reporting year amounted to USD 3.7 billion – down by 29.6 percent. The main factor of the reduction in the volume of import was that of the decrease by 91.6 percent in supplies of motor vehicles, including pre-used ones. Moreover, the decrease was observed in imports of oil products by 38.0 percent, primarily, due to the drop in the average contract prices, meanwhile the volume of

<sup>1</sup> Including additional estimates of the National Bank on re-export of oil products and export estimates of the “shuttle traders”, the current account deficit in 2015 corresponded to 8.6 percent of GDP.

<sup>2</sup> Including the National Bank estimates, the export amounted to USD 2.1 billion.

<sup>3</sup> Export of on-board stock.

supplies increased. The reporting period was characterized by the reduction in the supplies of medicaments (by 31.0 percent), clothing and clothing accessories (by 23.1 percent), cast iron and steel (by 10.8 percent), fertilizers (by 45.2 percent) and other goods.

During the year, the decline was observed in export (by 5.9 percent) and import (by 22.3 percent) of services. A dynamics of services balance was formatively influenced by the decrease in the imports of transport services (by 25.2 percent) and in the imports of services under the item “travel” (by 21.6 percent). As a result, the balance of services deficit amounted to USD 113.7 million (decrease by 66.0 percent).

A net inflow of current transfers amounted to USD 1.6 billion, having decreased by 25.2 percent compared to the same period of 2014. In the structure of current transfers, the significant volume of receipts was provided by remittances of migrant workers. For the year of 2015, the net inflow of remittances of individuals through the money transfer systems amounted to USD 1.3 billion against USD 1.8 billion in 2014.

*Money transfers*

The negative balance of income decreased by 10.7 percent (to USD 275.0 million), which was, mainly, due to the reduction of income from investment activity in the Kyrgyz Republic to be paid to direct foreign investors.

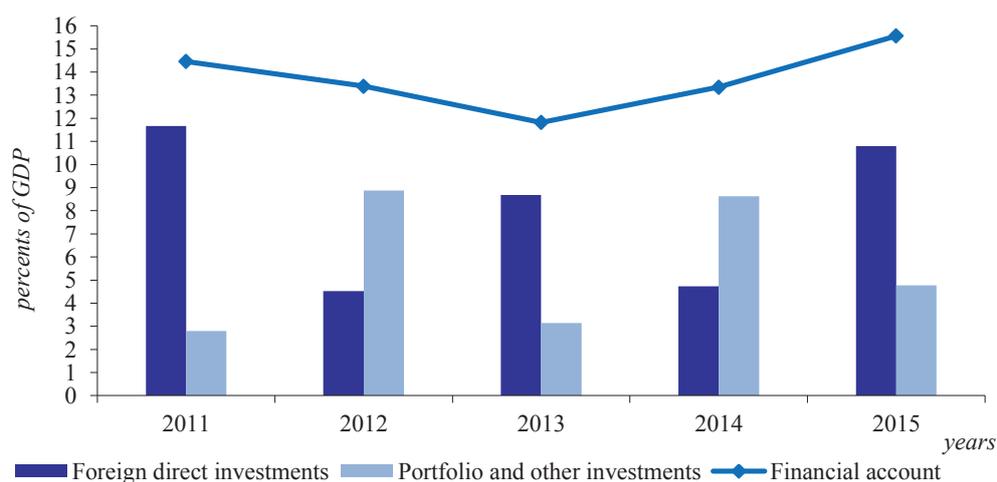
The balance of the capital and financial account increased by 6.1 percent and amounted to USD 1.1 billion. In the reporting year, the financial account was characterized by an increase of the capital receipts under the item “Direct Investment” and a decrease of the borrowed capital under the item “Other Investment”. The main receipts on the financial account were provided by the item “Direct Investment”; their share constituted 69.3 percent of all receipts. Thus, the net inflow of direct investment in the reporting year grew 2.0 times and amounted to USD 704.5 million<sup>1</sup>.

*Capital account*

The balance of the item “Other Investment” remained positive and amounted to USD 304.3 million, which is 52.1 percent lower than the level of 2014. The change in the volume of “Other Investment” is, primarily, due to the decrease in the loans received by the government and private sectors, as well as the decline in the inflow on the loans payable.

**Chart 1.3.2.**

Financial Account



<sup>1</sup> Data of the NSC on direct foreign investment were additionally estimated by the National Bank regarding the funds to receive the right for subsoil use, with a view to the development of “Dzherui” gold mine and contributions into the authorized capital of the Russian-Kyrgyz Development Fund. The cost of mineral rights and contributions to the authorized capital according to the “Balance of Payments and International Investment Position Manual” are investments in the equity capital which recorded as direct investment of a non-resident.

*Errors and Omissions* By the end of 2015, the negative balance of the item “Errors and Omissions” amounted to USD 312.8 million, which indicates the availability of statistical discrepancies related to the moment of transactions registry, incomplete coverage or data used from different sources. The balance of payments was negative at the rate of USD 14.8 million as against USD 128.6 million in 2014.

Gross international reserves at the end of the year amounted to USD 1,778.3 million, which corresponded to 4.9 months of coverage of the future volume of import of goods and services.

## 1.4. Banking Sector<sup>1</sup>

*Basic banking sector trends* Growth of basic indicators of the banking sector was observed by the end of 2015, in particular, growth of assets, a loans portfolio and resource base.

The level of capital adequacy of the banking sector is high, suggesting that there is some potential to further improve financial intermediation, enhance efficiency of the banking sector, and ensure a “safety cushion” in the future.

Systemic risks in the banking sector are moderate. The banking sector is still poorly integrated into international financial markets.

*Number of banks* As of 31 December 2015, 24 commercial banks, including the Bishkek Branch of the National Bank of Pakistan, operated in the Kyrgyz Republic.

Among the operating commercial banks, 16 banks are noted for foreign participation in capital. At the end of 2015, the share of foreign capital accounted for 42.8 percent of banks’ capital (in 2014 – 35.8 percent).

*Banking sector assets* During the reporting period the total assets of the banking sector increased by 29.4 percent and amounted to KGS 178.0 billion. The main share of the banks’ assets – 52.8 percent – accounted for the loans issued.

**Table 1.4.1.**

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

Asset category	2014		2015	
	billions of KGS	Share, percents	billions of KGS	Share, percents
Loans and financial lease to clients	78.8	57.2	94.0	52.8
Correspondent accounts and deposits with other banks	16.9	12.3	36.7	20.6
Cash	11.5	8.3	10.7	6.0
Correspondent account with the NBKR	7.9	5.8	9.9	5.5
Securities portfolio	6.4	4.7	7.7	4.3
Fixed assets	6.5	4.8	7.7	4.3
Loans to financial-credit institutions	3.8	2.7	3.2	1.8
Securities purchased under repurchase (repo) agreements	0.2	0.2	0.3	0.2
Investments and financial participation	0.2	0.2	0.2	0.1
Special LLP*	-4.0	-2.9	-6.3	-3.6
Other assets	9.4	6.8	14.0	7.8
<b>Total</b>	<b>137.6</b>	<b>100.0</b>	<b>178.0</b>	<b>100.0</b>

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

<sup>1</sup> The data of regulatory reporting of commercial banks are used based on adjustments made by the banks for prior periods.

The volume of highly liquid funds placed by the commercial banks in cash, short-term assets and on correspondent accounts with the National Bank of the Kyrgyz Republic increased for the accounting period by 57.8 percent, having reached the level of KGS 57.3 billion or 32.2 percent of the total assets at the end of 2015.

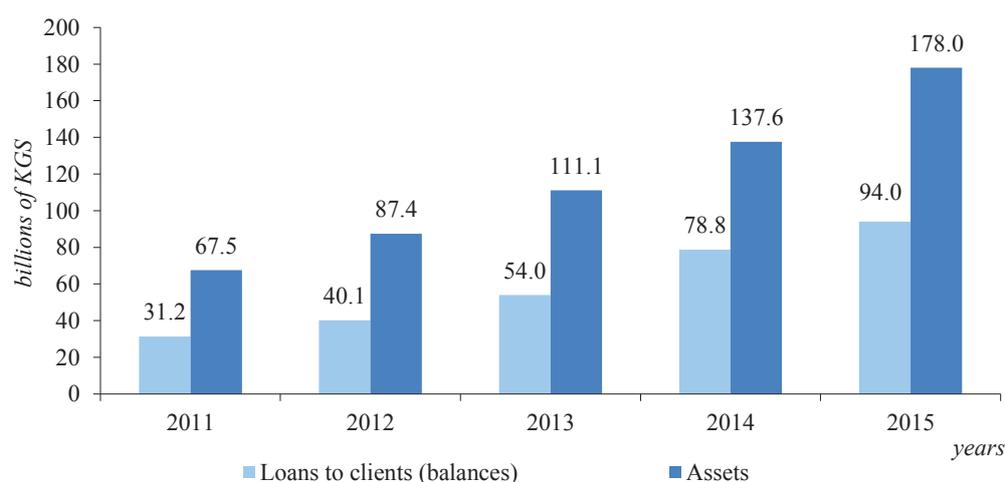
The loan portfolio<sup>1</sup> grew by 19.3 percent and reached KGS 94.0 billion. The share of the loan portfolio in the assets of the banking sector decreased by 4.5 percentage points compared with 2014 and made up 52.8 percent.

*Loan portfolio*

The number of borrowers of banks at the end of 2015 increased in comparison with 2014 by 40.9 percent to 319,742 people.

#### **Chart 1.4.1.**

Pattern of Assets and Loan Portfolio of Banks (end-of-period)



The volume of “performing” assets was 94.3 percent of total assets and that of “non-performing” assets – 5.7 percent. The share of “non-performing” loans in the loan portfolio of banks developed at the rate of 7.1 percent.

In the context of some quality deterioration in the loan portfolio, allocations to the LLP in the reporting period increased and amounted to KGS 1,429.4 million.

#### **Table 1.4.2.**

Classification of Assets, Off-Balance Sheet Liabilities and Lending to Clients

(In percent, unless stated otherwise)

Category	Assets and off-balance liabilities		Loans to clients	
	2014	2015	2014	2015
<b>Total performing</b>	<b>95.4</b>	<b>94.3</b>	<b>95.5</b>	<b>92.9</b>
<i>including:</i>				
Standard	30.4	49.1	0.9	16.9
Satisfactory	59.8	32.9	86.8	54.7
Under watch	5.2	12.3	7.8	21.2
<b>Total non-performing</b>	<b>4.6</b>	<b>5.7</b>	<b>4.5</b>	<b>7.1</b>
<i>including:</i>				
Substandard	1.6	2.5	1.5	3.3
Doubtful	1.1	1.1	1.4	1.8
Losses	2.0	2.0	1.5	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

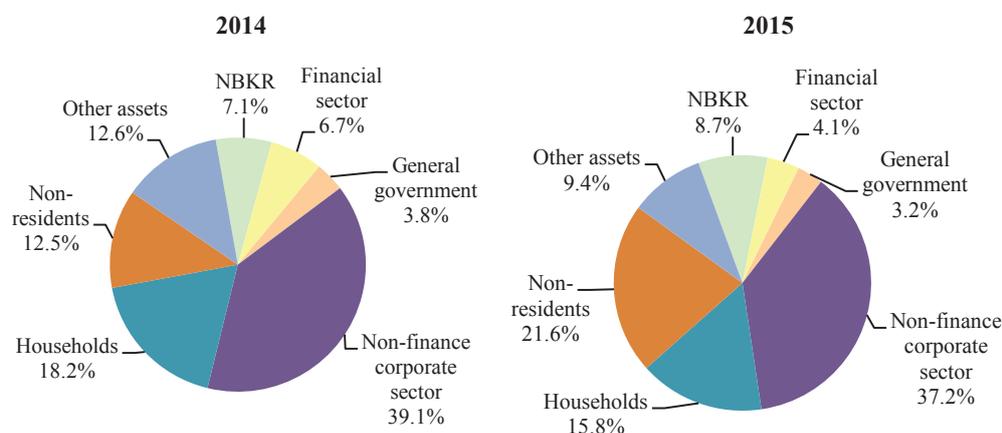
<sup>1</sup> Hereinafter excludes loans to the banks and other financial-credit institutions.

*Institutional structure of assets*

By the end of 2015, the level of “dollarization” of the loan portfolio made up 55.1 percent.

In the reporting period, the structure of banking assets was institutionally well diversified. The banks’ assets placed in the corporate sector accounted for 37.2 percent of total assets of banks, in the household sector – 15.8 percent.

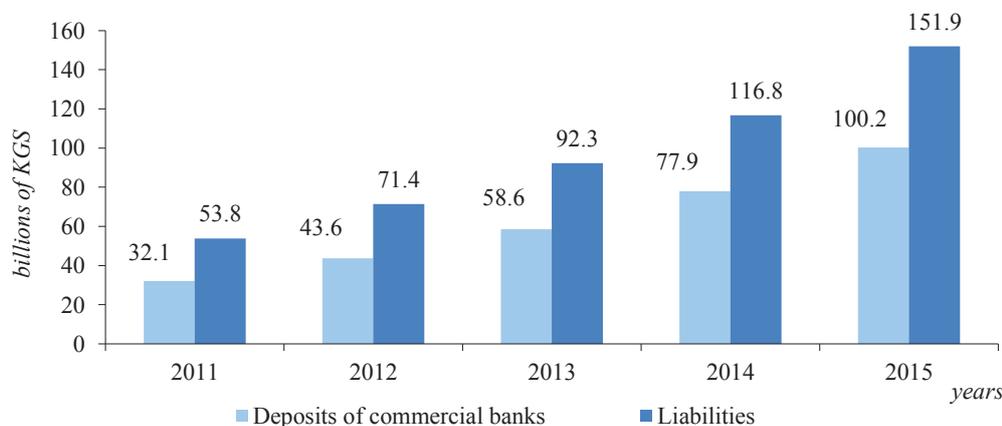
**Chart 1.4.2.**  
Institutional Structure of Assets of Banks



*Banking sector liabilities*

By the end of 2015, the volume of liabilities of commercial banks increased by 30.1 percent to KGS 151.9 billion. The share of the deposit base<sup>1</sup> in the gross volume of liabilities developed at the rate of 66.0 percent. For the reporting period, growth of the deposit base of the banking sector amounted to 28.6 percent.

**Chart 1.4.3.**  
Pattern of Liabilities and Deposit Base of Banks



The share of liabilities to non-residents in the structure of banks’ liabilities amounted to 21.6 percent. In this regard, the liabilities in foreign currency amounted to 62.9 percent of the gross volume of liabilities.

<sup>1</sup> The data excluding banks and FCI.

**Table 1.4.3.**

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

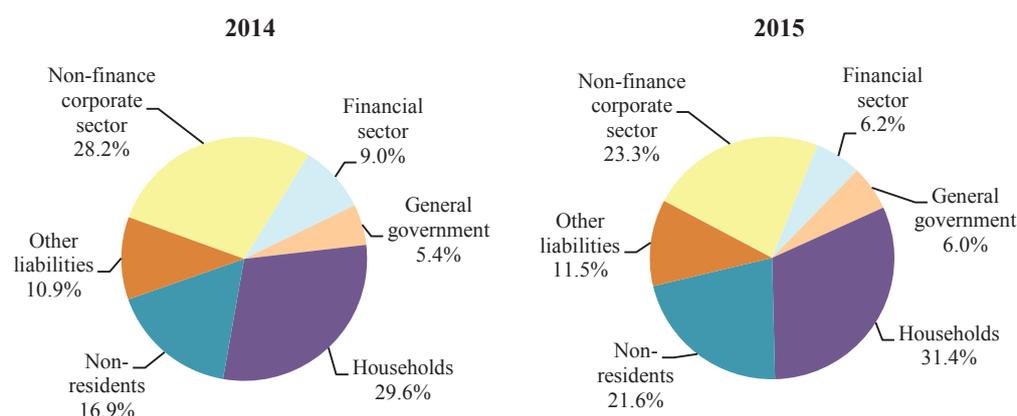
Liability category	2014		2015	
	billions of KGS	Share, percents	billions of KGS	Share, percents
Time deposits	31.1	26.6	38.3	25.2
Settlement accounts	24.9	21.4	29.2	19.2
Demand deposits	16.1	13.8	21.8	14.4
Loans received	12.4	10.6	21.6	14.2
Other liabilities	12.8	11.0	13.4	8.8
Government deposits	6.3	5.4	7.1	4.7
Settlement accounts and deposits of banks	3.6	3.1	7.1	4.7
Deposits of non-residents	4.2	3.6	6.4	4.2
Liabilities to the NBKR	3.7	3.2	4.7	3.1
Government loans	1.5	1.3	1.9	1.3
Securities sold under repurchase (repo) agreements	0.2	0.2	0.3	0.2
<b>Total</b>	<b>116.8</b>	<b>100.0</b>	<b>151.9</b>	<b>100.0</b>

Institutionally, the liabilities of banks were generally concentrated in the non-finance corporate and households sectors. At the end of 2015, these sectors accounted for more than half (54.7 percent) of total liabilities of banks.

*Institutional structure of liabilities*

**Chart 1.4.4.**

## Institutional Structure of Liabilities of Banks



The structure of the deposit base remained virtually unchanged. Thus, at the end of 2015, the share of settlement accounts and demand deposits was 50.9 percent, while the time deposits accounted for 38.2 percent. In general, the volume of deposits of commercial banks<sup>1</sup> amounted to KGS 100.2 billion. The corporate deposits increased over the reporting period by KGS 6.8 billion or 20.5 percent. The deposits of individuals also increased by KGS 12.5 billion or 36.1 percent. The level of “dollarization” of the deposit base amounted to 65.6 percent.

*Deposit base*

Net total capital<sup>2</sup> of commercial banks increased by 26.3 percent and amounted to KGS 27.6 billion in 2015. Paid-up authorized capital<sup>3</sup> increased by 44.0 percent to KGS 16.1 billion.

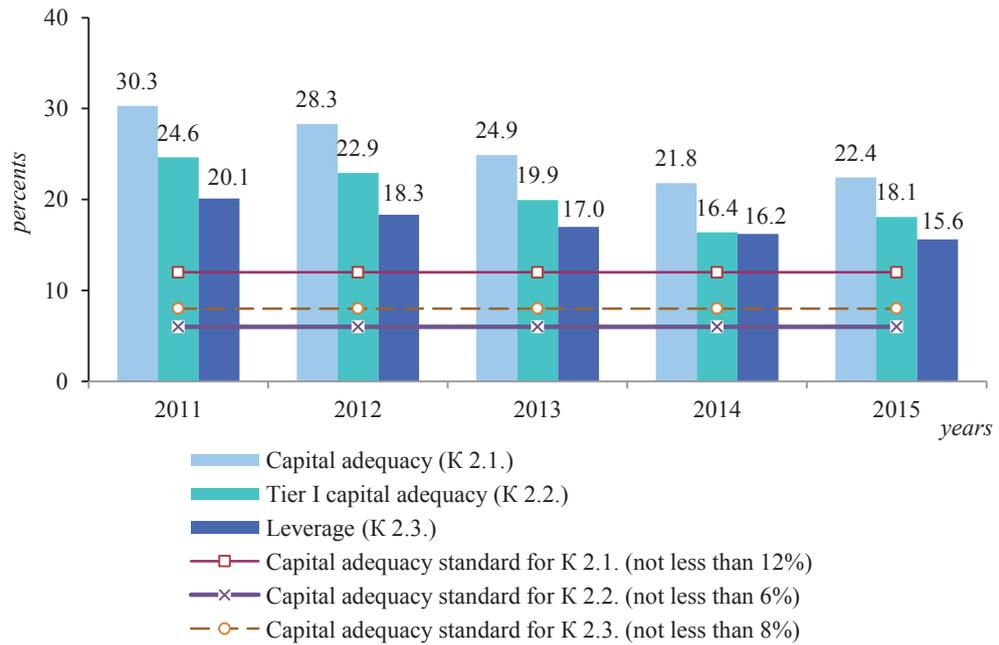
*Capital of commercial banks*

<sup>1</sup> Excluding the deposits of the banks and FCI.

<sup>2</sup> Total regulatory capital of the Bank includes authorized capital, reserves, retained earnings (losses) of previous years, the reporting year profit (loss), and general provisions formed in the bank for the performing assets.

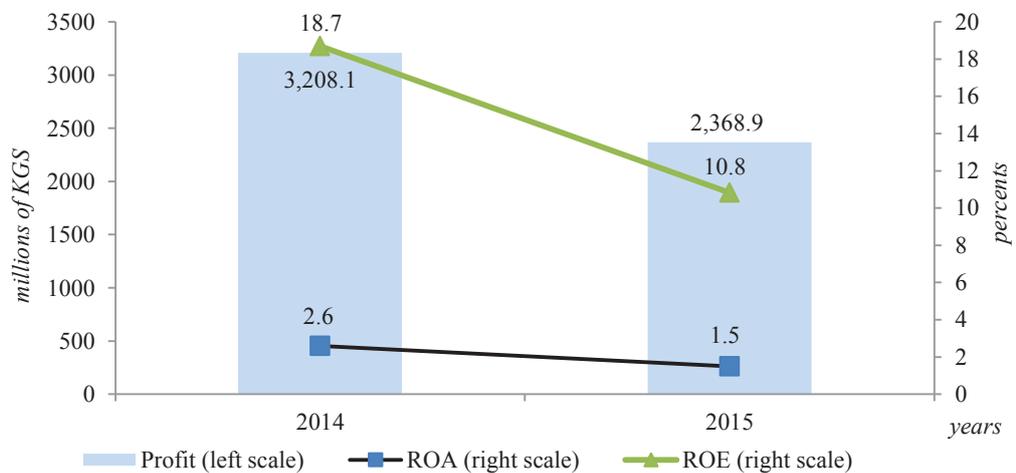
<sup>3</sup> This category comprises ordinary and preference shares.

**Chart 1.4.5.**  
Pattern of Capital-Based Indicators



The level of capital adequacy of the banking sector reflects a relative stability of the banking sector, as well as the availability of a certain potential to enhance the level of financial intermediation and the efficiency of the banking sector in the future.

**Chart 1.4.6.**  
Changes in Net Profit and ROE and ROA Indicators



By the end of 2015, the net profit of the banking system amounted to KGS 2.4 billion, having decreased by KGS 0.8 billion or by 26.2 percent compared to the same period of 2014.

**Table 1.4.4.**

Composition of Income and Expenses  
(billions of KGS)

Category	2014	2015
Total interest income	13.4	19.3
Total interest expense	5.1	8.9
Net interest income	8.3	10.4
Allocations to LLP (loans)	0.5	1.4
Net interest income after allocations to LLP	7.7	8.9
Total non-interest income	4.3	5.6
Total non-interest expenses	0.0	1.3
Total other operating and administrative expenses	8.2	10.4
Net operating income (loss)	3.9	2.9
Allocations to LLP (on other assets)	0.2	0.2
Net income (loss) before tax	3.6	2.7
Profit tax	0.4	0.3
Net income (loss)	3.2	2.4

The rate of return on assets (ROA) declined in 2015 from 2.6 percent to 1.5 percent and the rate of return on equity (ROE) decreased by 7.9 percentage points and developed at the rate of 10.8 percent.

## 1.5. Sector of Non-bank Financial-Credit Institutions

In 2015, measures were implemented within the framework of the Microfinance Development Strategy of the Kyrgyz Republic for 2011-2015 aimed at further development of the microfinance sector, in particular, ensuring access for the population of Kyrgyzstan to quality financial services for development of their own businesses, creation of new jobs, development of business mainly in rural areas and an improvement of living standards of the whole population of the republic.

*Microfinance  
Development  
Strategy*

Due to the transformation of the CJSC MCC “FINCA” into a bank, a decrease was observed at the end of 2015 with regard to the basic indicators of the sector of non-bank financial-credit institutions (hereinafter – NFCI), in particular, assets, loan portfolio, resource base, which resulted in deterioration of the financial intermediation indicators. The systemic microcredit risks are moderate, since at this stage the NFCIs have a limited range of financial services.

*Basic NFCI  
sector trends*

As of 31 December 2015, 627 non-bank financial-credit institutions, including specialized financial-credit institution the OJSC “Financial Company of Credit Unions” (hereinafter – “SFCI”), microfinance institutions (hereinafter – MFO) and credit unions (hereinafter – CU) operated in the territory of the Kyrgyz Republic.

*NFCI number*

According to regulatory reporting, the total NFCI assets<sup>1</sup> decreased by 31.2 percent for the reporting year and amounted to KGS 19.9 billion as of December 31, 2015.

*NFCI assets*

<sup>1</sup> The NFCI sector data are presented excluding the loan portfolio of the SFCI OJSC “FCCU”, because the loans were extended to the credit unions, which reissued these loans thereafter.

**Table 1.5.1.**

Pattern of NFCI Assets (end-of-period)

Asset category	2014*		2015	
	millions of KGS	Share, percents	millions of KGS	Share, percents
Loans and financial lease to clients	21,780.1	75.3	14,042.7	70.7
Correspondent accounts and deposits in other banks	2,841.2	9.8	3,029.1	15.2
Other assets	1,620.5	5.6	1,083.9	5.5
Loans to financial-credit institutions	1,165.7	4.0	932.0	4.7
Fixed assets	977.0	3.4	576.5	2.9
Investments and financial participation	861.1	3.0	679.4	3.4
Cash	175.7	0.6	188.4	0.9
Securities portfolio	12.7	0.0	8.8	0.0
Special LLP**	-528.6	-1.8	-664.8	-3.3
<b>Total</b>	<b>28,905.4</b>	<b>100.0</b>	<b>19,876.0</b>	<b>100.0</b>

\* The data of NFCI assets for 2014 are presented taking into account the CJSC MCC "FINCA" assets.

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

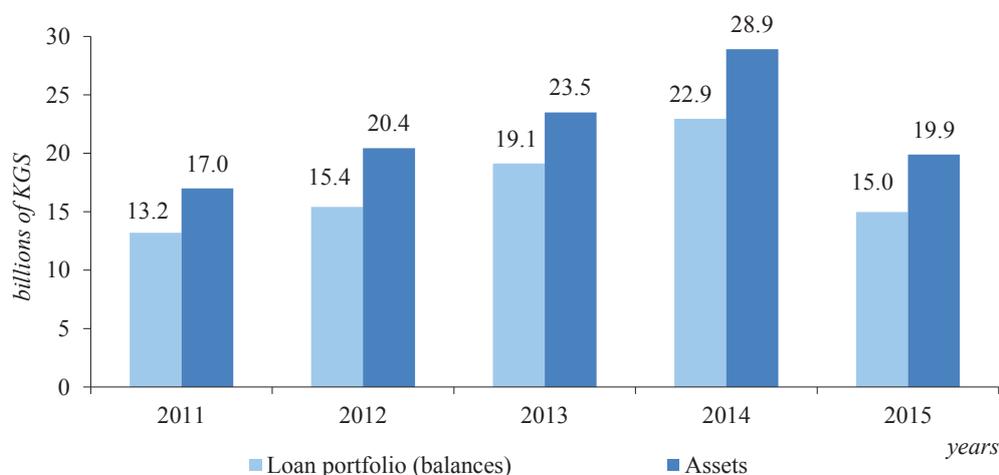
The volume of liquid assets placed by the NFCIs in cash, short-term assets, and on the settlement accounts with the commercial banks increased during the reporting period by 6.2 percent, having amounted to KGS 3.2 billion or 16.1 percent of total assets at the end of 2015.

*Loan portfolio*

Due to the transformation of the CJSC MCC "FINCA" into a bank, the loan portfolio of non-bank financial-credit sector, compared with 2014, decreased by 34.7 percent and amounted to KGS 15.0 billion. Excluding the CJSC MCC "FINCA", the loan portfolio of NFCIs, compared with 2014, decreased by 3.4 percent. The share of the loan portfolio in the NFCI assets decreased by 4.6 percentage points and totaled 70.7 percent compared with 2014. The number of NFCI borrowers at the end of 2015 amounted to 334,831 people, having decreased by 110,844 people or by 24.9 percent compared with 2014. In this regard, coverage of financial services decreased by 2.0 percentage points and amounted to 5.6 percent.

**Chart 1.5.1.**

Pattern of Assets and NFCI Loan Portfolio (end-of-period)



The volume of “performing” loans was 93.6 percent of the loan portfolio, with that of the “non-performing” loans making 6.4 percent. In this case, the share of “non-performing” loans increased by 3.2 percentage points for the year then ended.

**Table 1.5.2.**

NFCI Loan Portfolio Quality

Category	<i>millions of KGS</i>		<i>percents</i>	
	2014	2015	2014	2015
<b>Total performing</b>	<b>22,224.5</b>	<b>14,016.3</b>	<b>96.8</b>	<b>93.6</b>
<b>Total non-performing</b>	<b>721.3</b>	<b>958.3</b>	<b>3.2</b>	<b>6.4</b>
<i>including:</i>				
Substandard	268.8	309.8	1.2	2.1
Doubtful	141.5	122.4	0.6	0.8
Losses	311.0	526.1	1.4	3.5
<b>Total loan portfolio</b>	<b>22,945.8</b>	<b>14,974.7</b>	<b>100.0</b>	<b>100.0</b>

\* The data of NFCI loan portfolio quality for 2014 are presented taking into account the CJSC MCC “FINCA” loan portfolio

The share of microfinance organizations (microfinance companies, microcredit companies, microcredit agencies) decreased in the aggregate NFCI loan portfolio from 95.0 percent (KGS 21.8 billion) to 93.8 percent (KGS 14.0 billion), while the share of credit unions increased from 5.0 percent (KGS 1.2 billion) to 6.2 percent (KGS 0.9 billion).

Activity of SFCIs is directed to issue loans to maintain the financing system in the rural areas as part of lending to the credit unions. The loan portfolio of SFCIs at the end of the reporting period amounted to KGS 473.0 million, which is higher by 15.6 percent than the similar figure in 2014.

The aggregate loan portfolio of credit unions (CUs) decreased by 19.0 percent due to the reduction in the number of credit unions and amounted to KGS 0.9 billion at the end of 2015. In the structure of the loan portfolio the main share of loans falls on lending to agriculture – 50.9 percent, trade and services – 26.6 percent (in 2014 – 46.9 and 34.6 percent, respectively). The number of CU borrowers decreased by 12.7 percent and totaled 9,926 people as at 31 December 2015.

Eight credit unions had deposit licenses by the end of 2015. The volume of deposits attracted from the CU participants fell by 40.1 percent and amounted to KGS 8.5 million and liabilities to other FCIs decreased by 16.2 percent and totaled KGS 452.4 million.

The aggregate loan portfolio of microfinance organizations (MFOs) decreased by 35.6 percent and at the end of 2015 amounted to KGS 14.0 billion. In general, the MFO loan portfolio consists of short- and medium-term loans. The main sectors of lending by the MFOs were those of agriculture, which accounted for 38.8 percent (at the end of 2014 – 36.7 percent) of the total loan portfolio, as well as trade and services – 27.0 percent (at the end of 2014 – 26.1 percent). The main sources of lending to the MFOs were the funds obtained from the international financial institutions and foreign organizations. The number of MFO’s borrowers decreased by 25.2 percent and totaled 324,905 people as at 31 December 2015.

At the end of 2015, the volume of NFCI liabilities decreased by 44.2 percent, to KGS 10.8 billion.

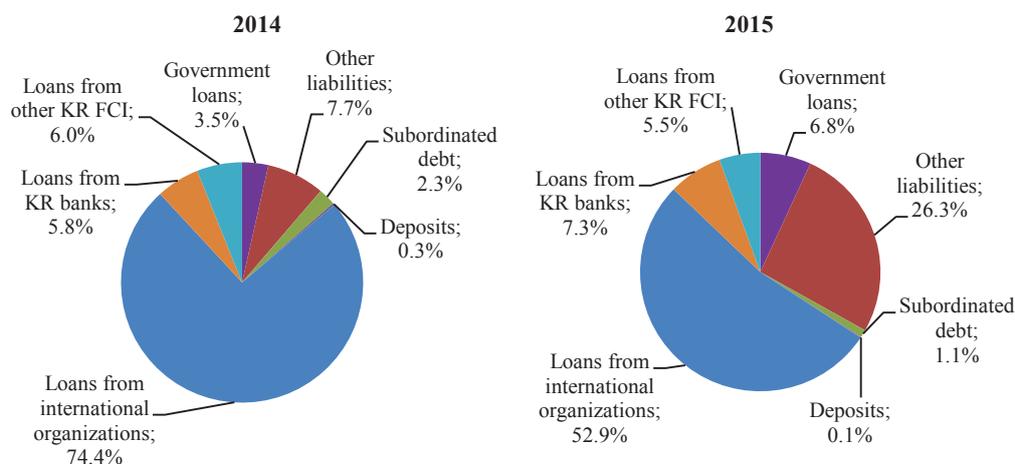
*SFCI*

*Credit unions*

*Microfinance organizations*

*NFCI liabilities*

**Chart 1.5.2.**  
Structure of NFCI Liabilities  
(percents)



The share of liabilities to foreign entities in the structure of NFCI liabilities was 52.9 percent. This being the case, the liabilities in foreign currency amounted to 50.1 percent of the total of liabilities.

**Table 1.5.3.**  
Structure of NFCI Liabilities (end-of-period)

Liability category	2014*		2015	
	millions of KGS	Share, percents	millions of KGS	Share, percents
Loans received, including:	17,319.8	89.7	7,821.9	72.6
- from KR banks	1,118.7	5.8	786.6	7.3
- from other KR FCIs	1,165.7	6.0	593.5	5.5
- from international financial organizations and donors	7,951.9	41.2	958.8	8.9
- from international FCIs	6,407.4	33.2	4,744.9	44.0
- from the Government of KR	676.1	3.5	738.1	6.8
Other liabilities	1,494.0	7.7	2,832.9	26.3
Subordinated debt	447.3	2.3	114.5	1.1
Time deposits	49.6	0.3	8.3	0.1
Demand deposits	0.4	0.0	0.3	0.0
<b>Total</b>	<b>19,311.2</b>	<b>100.0</b>	<b>10,777.9</b>	<b>100.0</b>

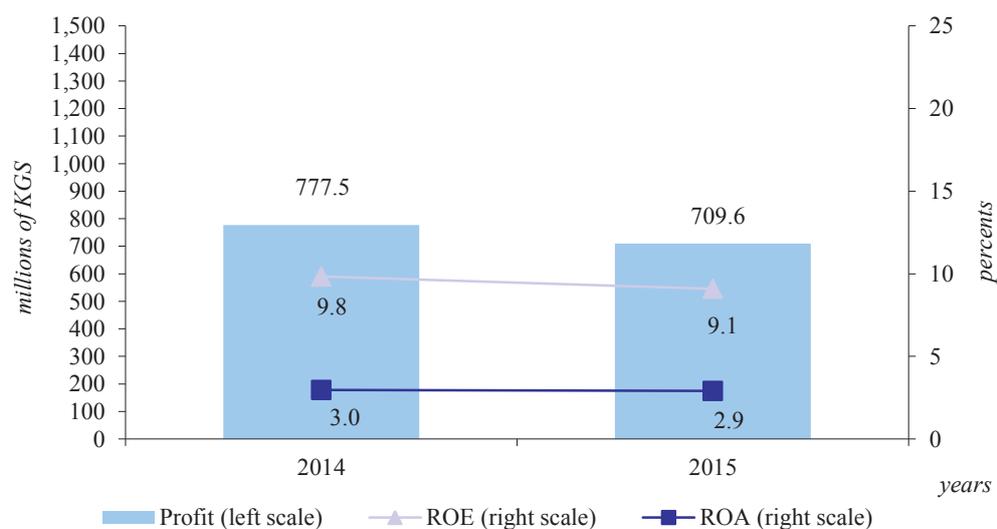
\* The data of NFCI liabilities structure for 2014 are presented taking into account the CJSC MCC "FINCA" liabilities

#### NFCI capital

The total amount of paid-up authorized capital of non-bank financial-credit institutions amounted to KGS 4.7 billion. The overall size of NFCI authorized capital decreased during the year by 11.3 percent or by KGS 0.6 billion (in 2014 – KGS 5.3 billion). In this regard, NFCI equity capital amounted to KGS 7.5 billion, having thus decreased by 9.6 percent or by KGS 0.8 billion.

**Chart 1.5.3.**

Changes in Net Profit and ROE and ROA Indicators



Having decreased by KGS 67.9 million or by 8.7 percent as against 2014, the net profit of the NFCI system totaled KGS 709.6 billion at the end of 2015.

**Table 1.5.4**

Composition of Income and Expenses

*(millions of KGS)*

Category	2014*	2015
Total interest income	6,761.9	5,005.0
Total interest expenses	2,435.5	1,517.9
Net interest income	4,326.4	3,487.1
Allocations to LLP (loans)	365.4	356.2
Net interest income after allocations to LLP	3,961.0	3,130.9
Total non-interest income	134.4	92.2
Total non-interest expenses	35.9	1,528.9
Total other operating and administrative expenses	3,171.0	889.5
Net operating income (loss)	888.5	804.7
Allocations to LLP (on other assets)	14.4	9.7
Net income (loss) before tax	874.1	795.0
Profit tax	96.7	85.4
Net profit (loss)	777.5	709.6

\* The data of NFCI income and expenses for 2014 are presented taking into account the CJSC MCC "FINCA" income and expenses

The rate of return on assets (ROA) declined in 2015 from 3.0 percent to 2.9 percent, the rate of return on equity (ROE) decreased from 9.8 percent to 9.1 percent.

## 1.6. Financial Markets

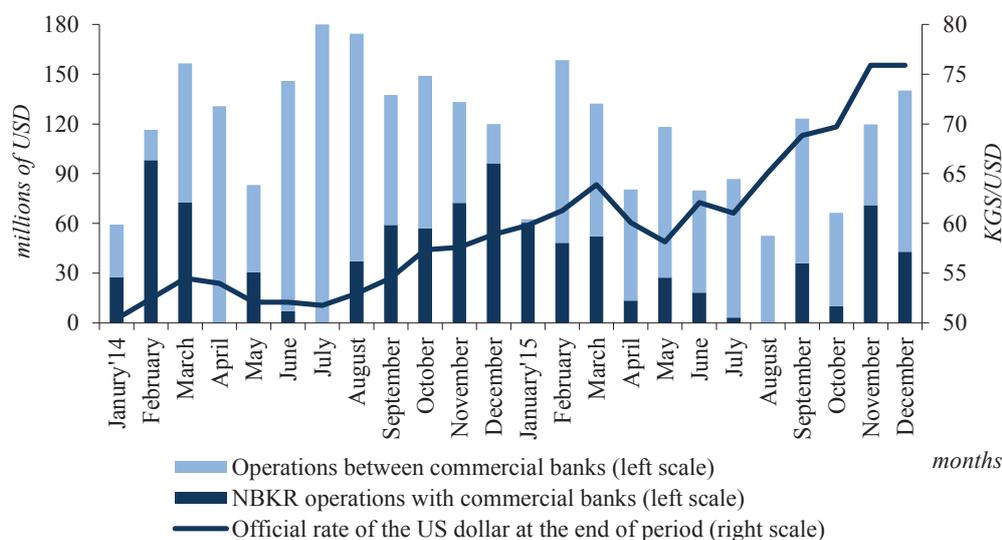
### 1.6.1. Foreign Exchange Market

*Exchange rate movement*

In the period under review, the situation in the domestic foreign exchange market was characterized by the upward trend of the US dollar exchange rate. The main factors contributing to this trend were the worldwide US dollar appreciation, on the one hand, and the deterioration of the economic situation in the countries-main trading partners, as well as a significant depreciation of the national currencies in these countries, on the other hand. At the end of the accounting year, the US dollar rose by 28.9 percent, from KGS 58.8865 to 75.8993 per 1 USD.

**Chart 1.6.1.1.**

Exchange Rate Movement and Volume of Interbank Foreign Exchange Auction Operations



*National Bank interventions*

In 2015, the National Bank conducted foreign currency sale and purchase operations in order to smooth short-term exchange rate fluctuations in the interbank foreign exchange market. Net sales on these operations amounted to USD 295.2 million.

*Foreign exchange market structure by currencies*

The total volume of spot-operations on purchase/sale of foreign currency in the foreign exchange market<sup>1</sup> amounted to KGS 451.2 billion, having decreased by 24.0 percent. The amount of USD operations decreased over the past year by 21.3 percent, with their share in the total volume of operations having increased up to 64.8 percent (+2.2 percentage points). The share of operations in Russian rubles decreased from 28.5 to 25.3 percent, with the volume of operations in this currency having decreased by 32.6 percent. The share of operations in Kazakh tenge decreased to 6.4 percent (-0.4 percentage points), but the volume of operations decreased by 28.8 percent. The operations with the Euro increased by 28.8 percent, while their share increased simultaneously by 1.5 percentage points to 3.6 percent. The volume of operations with other currencies<sup>2</sup> increased by 18.2 percent, while their share increased to 0.02 percent (+0.01 percentage points).

*Swaps*

The total volume of swaps conducted by the commercial banks both in the domestic market and with the non-resident banks totaled 37.0 billion in KGS terms, having

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

<sup>2</sup> British pound, Swiss franc, Turkish lira, Uzbek sum, Canadian dollar, Chinese yuan and Japanese yen.

increased 2.2 times in comparison with the same indicator for 2014. In the period under review, the National Bank had one swap operation in the amount of KGS 85.0 million followed by prolongation.

At the end of 2015, the weighted average selling rate of cash US dollar in exchange offices increased by 28.3 percent and amounted to 75.9737 KGS/USD by the end of December. The weighted average selling rate of the Euro in the exchange offices grew by 15.8 percent for the year and amounted to 82.8511 KGS/EUR, the Russian ruble – by 2.0 percent to 1.0381 KGS/RUB. The Kazakh tenge, by contrast, fell by 29.9 percent to 0.2241 KGS/KZT.

*Exchange rate movement at exchange bureaus*

### 1.6.2. Interbank Credit Market

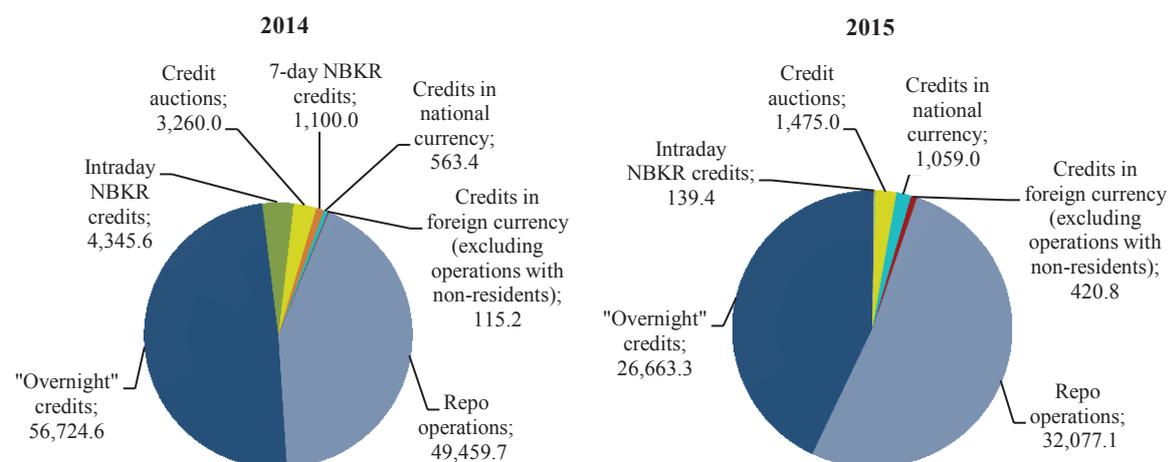
In 2015, multidirectional dynamics of the participants' activity was observed in the interbank market of credit resources. During the year, the interbank market rates on the transactions with the term up to 7 days were, as a rule, within an interest rate corridor determined by the National Bank.

As a result, the total volume of KGS operations in the interbank credit market (including the “overnight” credits extended by the National Bank) amounted to KGS 61.4 billion, having decreased by 46.8 percent in comparison with the same indicator for 2014. The repo operations and the “overnight” credits were in demand in this market segment.

*Operations in national currency*

#### **Chart 1.6.2.1.**

Volume of Domestic Interbank Credit Market Operations  
(millions of KGS)



In the period under review, the weighted average interest rate of interbank credits in national currency was 14.1 percent (+3.5 percentage points in annual terms), while that of the repo operations was 9.3 percent (+2,5 percentage points), the weighted average rate of foreign currency credits was 1.4 percent (+0,9 percentage points). Weighted average maturity of repo operations increased from three to four days, while that of the credits in national currency fell from 59 to 44 days.

**Table 1.6.2.1.**

Weighted Average Interbank Market Interest Rates and the National Bank Rates (period average)  
(percents)

	2014	2015
<b>Interbank market rates</b>		
Rates of credits in national currency	10.5	14.1
Rates of credits in foreign currency	0.5	1.4
Rates of repo operations	6.8	9.3
<b>National Bank operations rates</b>		
Rates of "overnight" credits	9.1	12.1
Rates of "overnight" deposits	2.0	3.8
Rates of credit auctions	10.3	11.1
Rates of 7-day credits	7.3	-

**1.6.3. Securities Market**

**1.6.3.1. Government Securities Market**

The market for government securities (GS) in 2015 was presented by the following types of securities:

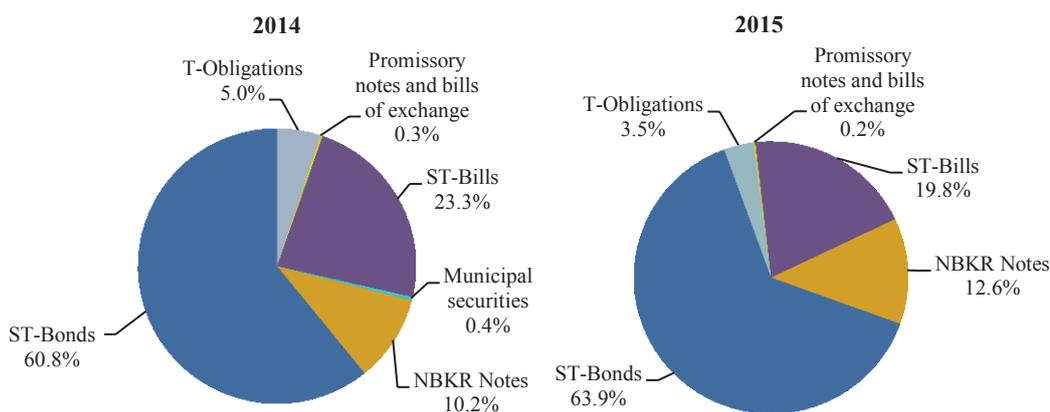
- State Treasury Bills (ST-Bills);
- State Treasury Bonds (ST-Bonds);
- Notes of the National Bank;
- Treasury Obligations (T-Obligations);
- Bills of Exchange.

*Outstanding of Government Securities*

Having increased by 29.6 percent over the year, the total volume of outstanding government securities amounted to KGS 17.0 billion at the end of the reporting period. The increase was mainly due to the growth of the volume of outstanding ST-Bonds and Notes of the National Bank at the end of the year.

**Chart 1.6.3.1.1.**

Structure of Outstanding Government Securities

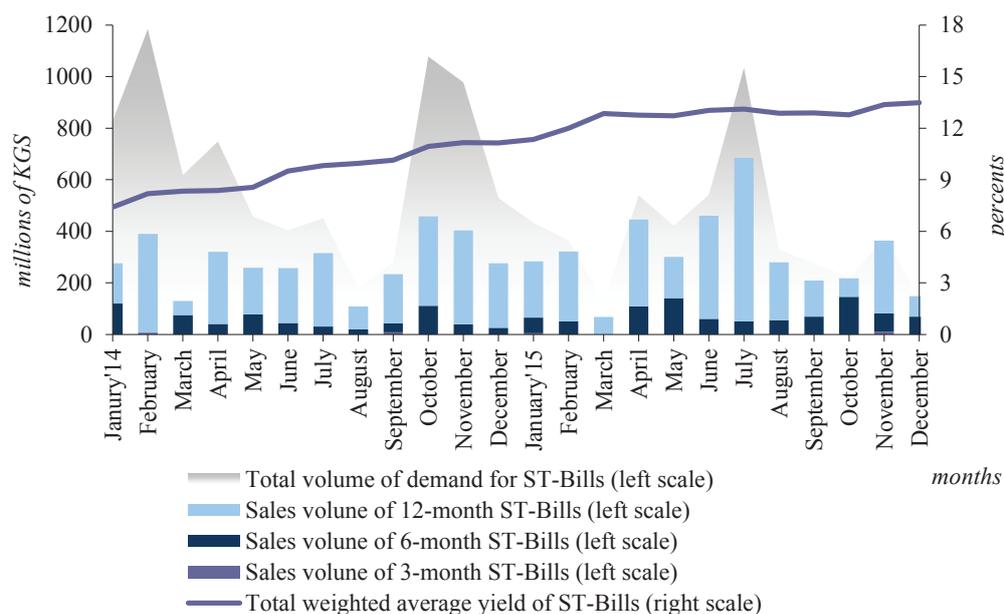


**1.6.3.1.1. State Treasury Bills**

In the period under review, the State Treasury Bills were put into circulation by the Ministry of Finance for a period of 3, 6, and 12 months to finance the current state budget deficit. The auctions on a primary placement of ST-Bills were held weekly at the National Bank, an agent for their placement and settlement.

**Chart 1.6.3.1.1.1.**

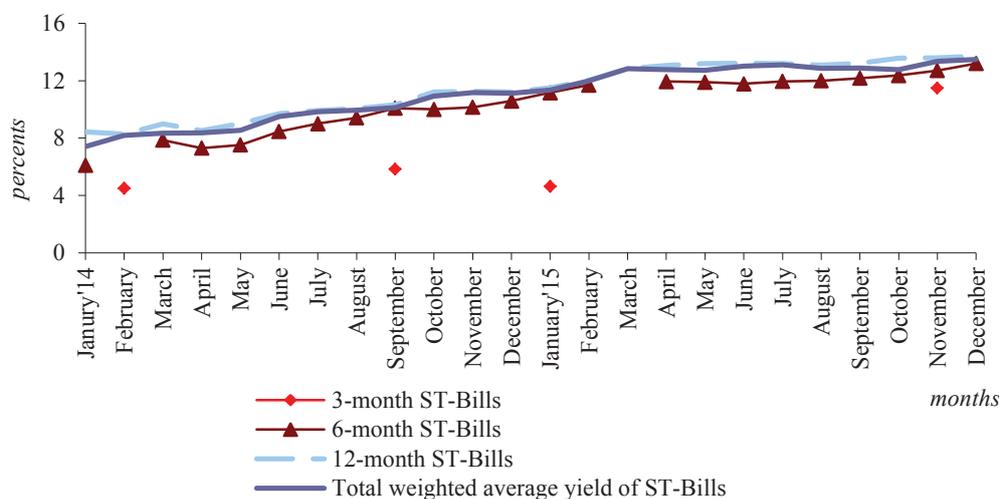
**Demand and Placement of ST-Bills**



The total weighted average yield of ST-Bills was 12.8 percent according to the results in 2015 (in 2014 – 9.5 percent). In this regard, the 12-month ST-Bills, holding the largest share in the total volume of these outstanding securities, the average monthly yield increased by 3.3 percentage points to 13.0 percent.

**Chart 1.6.3.1.1.2.**

**Weighted Average Yield by All Types of ST-Bills**



The total volume of the announced issue of State Treasury Bills amounted to KGS 6.6 billion, having increased as compared to the same indicator for 2014 by 23.5 percent and total sales of ST-Bills amounted to KGS 3.8 billion (+10.5 percent).

*ST-Bills issue volume*

**Table 1.6.3.1.1.1.**

Total Volume of Issue and Average Annual Yield of ST-Bills

	2014			2015		
	Sales volume, millions of KGS	Share, percents	Yield, percents	Sales volume, millions of KGS	Share, percents	Yield, percents
<b>Total</b>	<b>3,419.9</b>	<b>90.5</b>	<b>9.5</b>	<b>3,777.3</b>	<b>100.0</b>	<b>12.8</b>
including:						
3-month ST-Bills	15.0	0.4	5.2	14.0	0.4	8.1
6-month ST-Bills	615.5	16.3	8.8	878.9	23.3	12.1
12-month ST-Bills	2,789.4	73.8	9.7	2,884.5	76.4	13.0

*Structure of ST-Bills market*

The structure of holders of ST-Bills was dominated by the commercial banks with the 54.4 percent share in the total volume of outstanding ST-Bills, which is 3.3 percentage points lower than the similar indicator for 2014. In nominal terms, the volume of bills in the portfolios of banks developed at the end of 2015 at the rate of KGS 1.8 billion.

The number of banks holding the ST-Bills grew to 15, and the concentration index of the banking portfolio of these securities rose from 0.23 to 0.28, which is equivalent to a division of the market between four banks with equal shares. The reduction of the share of banks accompanied with the decrease in the share of resident legal entities from 1.0 to 0.4 percent was due to increased activity of institutional investors, which resulted in the increase in their share over the year by 3.9 percentage points to 45.2 percent. Non-residents did not participate in the auctions in the period under review.

*ST-Bills secondary market operations*

In the secondary market, the commercial banks actively used the ST-Bills in the operations on repo terms. In the reporting year, the volume of these operations as compared to the same indicator for 2014 decreased by 15.7 percent, to KGS 10.2 billion. The volume of interbank operations on purchase and sale of ST-Bills prior to their maturity (on "outright" terms) in the secondary market increased by 15.5 percent, amounting to KGS 96.0 million. The weighted average term ST-Bills prior to their maturity amounted in these operations to 241 days, while the weighted average rate was 13.4 percent.

**1.6.3.1.2. State Treasury Bonds***Demand and supply in ST-Bonds market*

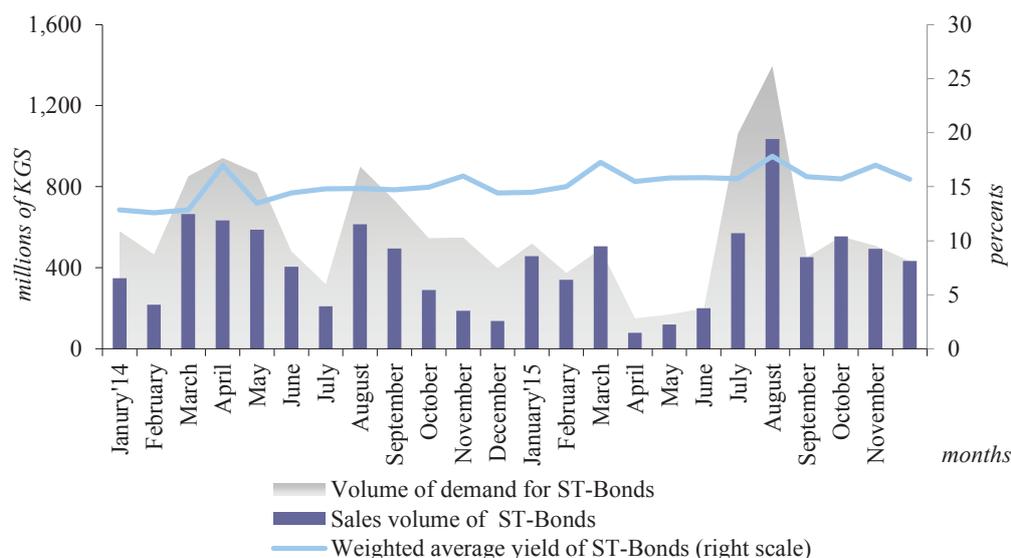
In the period under review, the issuer offered ST-Bonds with maturities of two, three, and five years.

The total level of supply of ST-Bonds was increased by the Ministry of Finance 1.9 times compared to the year of 2014. Thus, in the reporting year, the rate of sales of ST-Bonds amounted to KGS 5.2 billion, having increased by 9.4 percent, which eventually led to the 40 percent increase in the volume of these outstanding securities, to KGS 10.0 billion. The sales of the larger part were formed by the three market participants, having altogether provided for 87.7 percent of the total volume of placement, thereby indicating the permanent high level of ST-Bond market concentration.

In the reporting period, the total average weighted yield of ST-Bonds amounted to 16.0 percent, having increased by 1.6 percentage points compared to the similar indicator for 2014.

**Chart 1.6.3.1.2.1.**

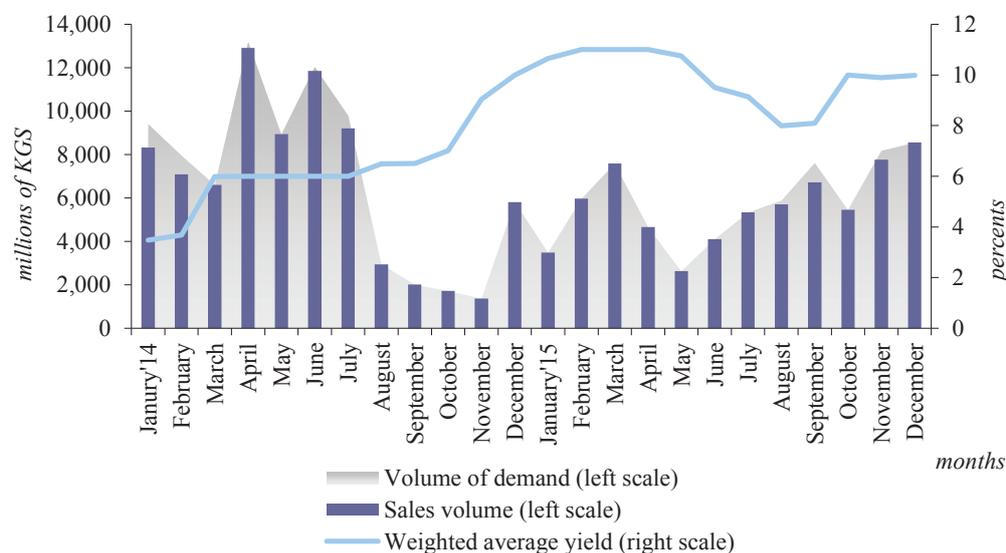
Demand and Placement of ST-Bonds

**1.6.3.1.3. Notes of the National Bank**

In 2015, the 7- and 14-day notes were placed in the market. The National Bank continued using notes as a tool to absorb excess liquidity by regulating the volume of their supply depending on monetary policy objectives and the level of liquidity in the banking system.

**Chart 1.6.3.1.3.1.**

Demand and Placement of Notes of the National Bank

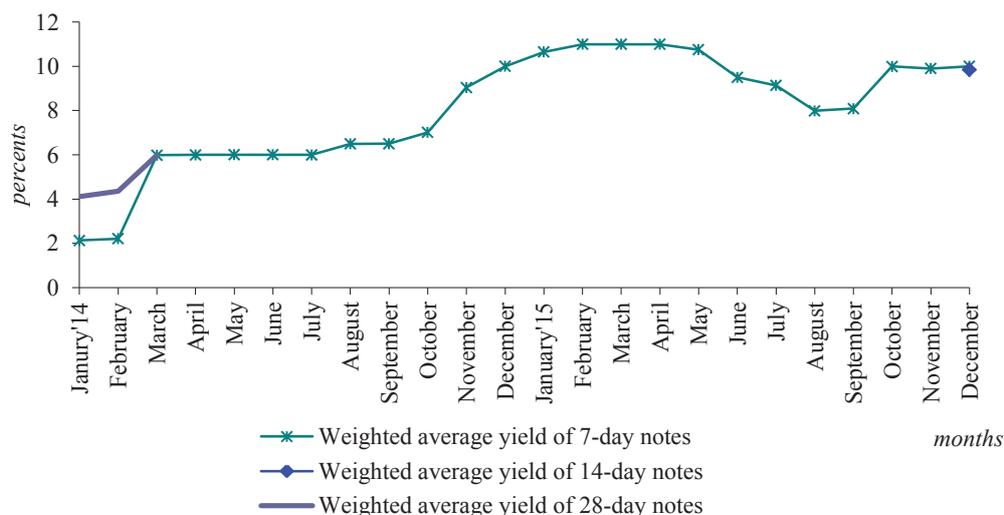


Over the year of 2015, in accordance with the strategic and tactical monetary policy objectives to curb inflation, the National Bank decreased the annual volume of supply of notes by 5.1 percent to KGS 130.5 billion compared with 2014. The overall placement of all types of notes decreased by 13.7 percent to KGS 67.9 billion compared to the previous year.

The weighted average yield on all types of notes compared with the index of 2014 increased by 3.6 percentage points to 9.9 percent.

**Chart 1.6.3.1.3.2.**

Weighted Average Yield by Types of Notes of the National Bank



The outstanding notes of the National Bank amounted to KGS 2.1 billion (+60.5 percent) at the end of 2015. In the structure of holders of notes, the share of commercial banks reached the level of 97.6 percent and that of resident legal entities was 2.4 percent. The notes of the National Bank were in assets of six banks.

#### 1.6.3.1.4. Other Government Securities

In 2015, the share T-Obligations in the structure of government securities decreased to 3.5 percent (-1.5 percentage points). As a result, the amount of outstanding T-Obligations decreased over the past year by 9.8 percent and amounted to KGS 594.6 million.

The volume of outstanding bills of exchange, issued by the Ministry of Finance in the process of reregistering debts of banks and other financial institutions to depositors, amounted to KGS 34.7 million, with their share accounting for 0.2 percent.

At the end of the reporting period, the total volume of municipal securities<sup>1</sup> placed by the Bishkek municipality in the previous years was redeemed in 2015.

#### 1.6.3.2. Corporate Securities Market<sup>2</sup>

In 2015, the total volume of securities operations in the stock market amounted to KGS 8.9 billion, having increased 2.3 times. The number of concluded securities operations increased by 5.9 percent compared to the same period of the previous year.

66 issues of securities totaling KGS 6.3 billion were registered in the reporting year.

At the end of the year, 23 issuers were listed at the Kyrgyz Stock Exchange.

#### 1.6.4. Deposit and Credit Market

##### Deposit base

At the end of 2015, the deposit base<sup>3</sup> of commercial banks totaled KGS 102.9 billion, having increased by 24.6 percent since the beginning of the year. Without regard to the exchange rate changes, the deposit base increased by 6.3 percent. The deposits in national currency decreased by 1.8 percent to KGS 35.4 billion, the

<sup>1</sup> According to the Bishkek municipality data.

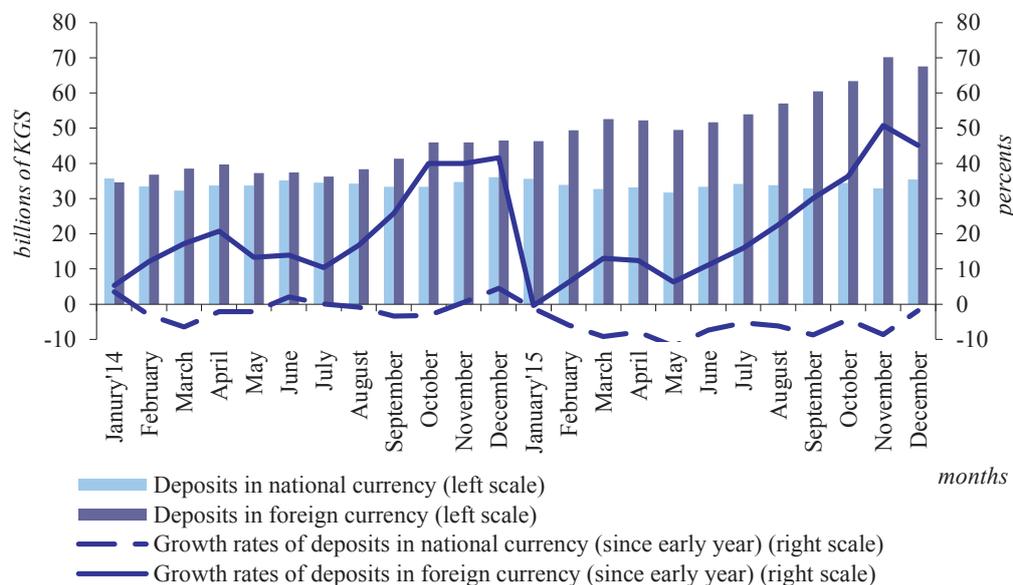
<sup>2</sup> According to the data of the State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic.

<sup>3</sup> Including the Government deposits and the deposits of other financial institutions and excluding the loans of the Government and local authorities of the Kyrgyz Republic.

volume of deposits in foreign currency increased by 45.1 percent, to 67.5 billion in terms of KGS. The deposits in the US dollars, without regard to the US dollar exchange rate changes, increased by 14.9 percent over the year.

**Chart 1.6.4.1.**

Volume of Deposit Base (end-of-period)



The share of deposits of legal entities in the deposit base remained significant and was 48.0 percent. The KGS deposits of legal entities decreased by 11.9 percent over the year, with growth of the volume of deposits of enterprises in foreign currency by 37.0 percent. The share of deposits of the population increased from 41.9 to 45.8 percent. The visible increase in the deposits in foreign currency – by 51.7 percent – was noted in the currency structure of deposits of individuals. The deposits in national currency increased by 13.6 percent for the year then ended.

*Deposit base structure*

The time structure of the deposit base changed because of the changes in the exchange rate. The shares of funds on the settlement accounts decreased from 33.2 to 31.6 percent, while the shares of demand deposits, on the contrary, increased by 24.4 percent (+2.5 percentage points). In this regard, the balances on term deposits of clients of banks increased by 22.2 percent, with their share having increased over the year from 44.9 to 44.0 percent. The structure of term deposits changed towards the increase in the share of long-term deposits (over one year) by 0.9 percentage points to 12.0 percent in the total deposit base (or up to 27.2 percent in the volume of term deposits), while the share of short-term deposits decreased by 1.8 percentage points to 32.1 percent (or down to 76.2 percent in the volume of term deposits). As a result, the duration of time deposits increased from 11.4 to 12.2 months, while the same indicator for the entire deposit base increased from 5.1 to 5.4 months.

As a result, the concentration index of the deposit market remained at the level of 0.11. This index reflects the average level of concentration in this market, which is equivalent to nine participants present in the market.

The volume of new deposits<sup>1</sup> accepted by the banks amounted to KGS 400.2 billion in 2015, having thus increased by 1.9 percent compared to the same indicator in 2014. The deposits in national currency increased by 5.9 percent to KGS 190.1 billion and the deposits in foreign currency decreased by 1.5 percent to KGS 210.1 billion. At the same

*New deposits*

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

*Deposit interest rates*

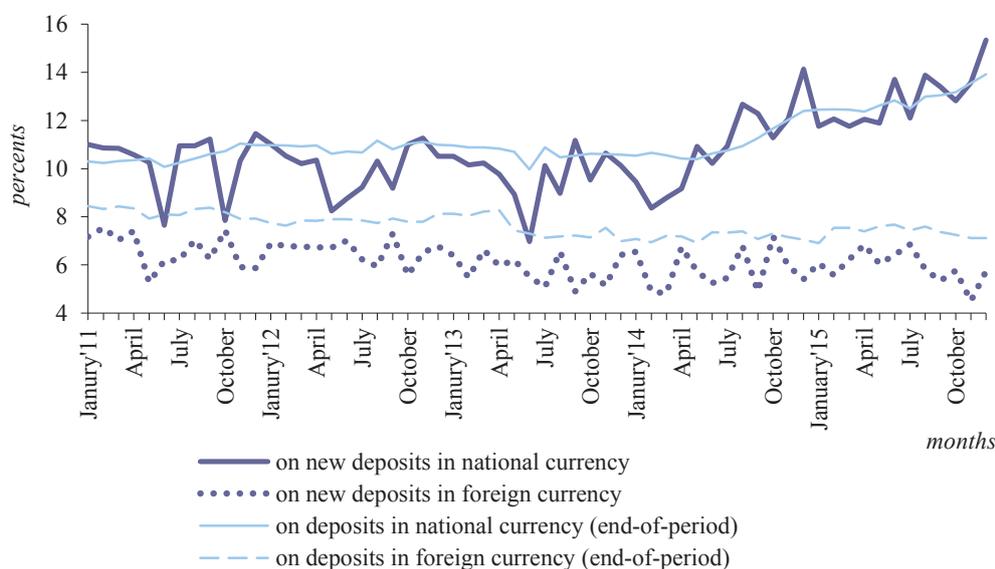
time, the main inflow of deposits was provided by receipt of funds on the term deposits in foreign currency.

The weighted average interest rate of the deposit base in national currency was 7.2 percent by the end of 2015, having increased over the year by 0.2 percentage points. The rate of deposits balances in foreign currency increased to 3.5 percent (+0.3 percentage points).

As compared with the corresponding figures of 2014, the weighted average interest rate of the new deposits in foreign currency increased by 0.2 percentage points, having reached the rates of 1.1 percent, while this rate in national currency was 2.5 percent, having not changed over the year. In this regard, the value of new time deposits in national currency increased by 2.0 percentage points to 12.9 percent, while the value of new time deposits in foreign currency increased by 5.9 percent (+0.1 percentage points). The interest rates of time deposits in national currency increased by 1.5 percentage points to 12.5 percent; this rate of deposits in foreign currency increased 6.5 percent (+0.1 percentage points).

**Chart 1.6.4.2.**

Time Deposit Interest Rate Developments



*Basic credit market trends*

In 2015, the upward trend was noted in volumes of lending by the commercial banks to the real sector of the economy. The main reason was increase of the loan portfolio resulted from the banking license received by the CJSC “FINCA Bank” in March 2015.

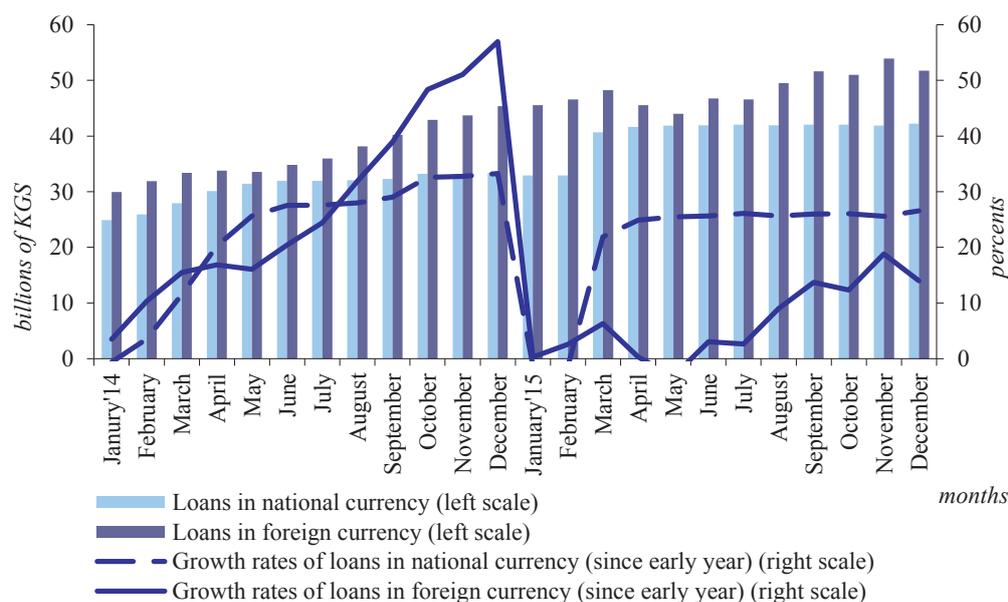
*Loan portfolio of banks*

The total loan portfolio<sup>1</sup> of banks grew by 19.3 percent over the year, amounting to KGS 94.0 billion by the end of the year. Without regard to the changes in the exchange rate, growth of the loan portfolio of banks was 4.6 percent. The increase in the loan portfolio resulted from growth of loans in national currency by 26.5 percent, to KGS 42.2 billion, and in foreign currency – by 14.0 percent, to KGS 51.7 billion. As a result, the rate of “dollarization” of the loan portfolio decreased from 57.6 to 55.1 percent.

<sup>1</sup> Excluding the accrued discount.

**Chart 1.6.4.3.**

Volume of Bank Loans (end-of-period)



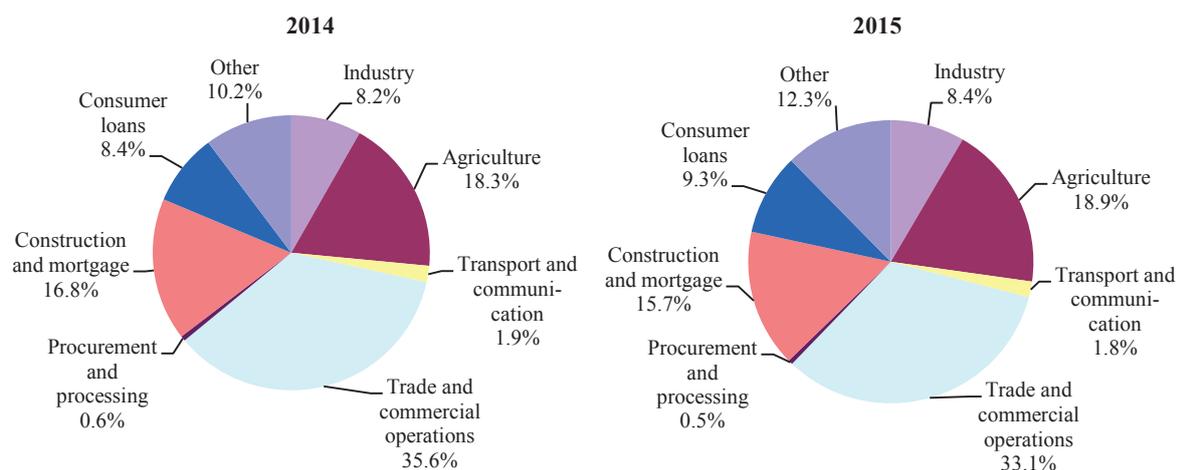
The upward trend in the short-term lending was observed in 2015, with the share of loans with maturity of more than three years having decreased, thereby leading to the slight decrease in the duration of the loan portfolio from 30.6 to 28.3 months.

*Time structure of loan portfolio of banks*

The concentration of the credit market remained at a relatively low level of 0.09, whereas the sectoral concentration index of the loan portfolio at the rate of 0.32, on the contrary, pointed to a distribution of loans of a majority of banks between the three sectors – trade and agriculture and mortgage lending.

**Chart 1.6.4.4.**

Loan Portfolio of Commercial Banks by Sectors of Economy (millions of KGS)



The volume of loans newly given by the commercial banks decreased by 1.4 percent and amounted to KGS 78.4 billion compared to the similar indicator of 2014. The decline resulted from decrease of the foreign currency loans by 11.6 percent to 39.5 billion in KGS terms. The volume of loans in national currency increased by 11.6 percent to KGS 39.0 billion.

*Sectoral structure  
of loans issued  
by banks*

Multidirectional dynamics of the volume of newly issued loans was observed in all the sectors of the economy. By the end of the year, the share of loans to trade, being the most significant one, increased by 0.7 percentage points, to the level of 43.8 percent. The share of lending to agriculture amounted to 18.5 percent (+1.1 percentage points), for the consumer loans – 10.8 percent (+2.3 percentage points), for the industry – 8.8 percent (-1.5 percent), for construction – 4.1 percent (-0.1 percentage points), for the mortgage lending – 3.4 percent (-2.0 percentage points). The share of loans for social services amounted to 2.7 percent of total loans (+1.4 percentage points), transport – 1.6 percent (-0.1 percentage points), and for procurement and processing – 0.4 percent (-0.2 percentage points). The share of loans for communication amounted to 0.1 percent, having not changed over the year, while the share of other loans was 5.7 percent (-1.8 percentage points).

**Table 1.6.4.2.**

Behavior of KR Banking Sector Loan Portfolio by Regions (end-of-period)\*

	2014		2015	
	<i>billions of KGS</i>	<i>Share, percents</i>	<i>billions of KGS</i>	<i>Share, percents</i>
Bishkek city	46.4	59.1	54.1	57.8
Osh city and Osh oblast	9.4	12.0	10.9	11.7
Jalal-Abad oblast	7.1	9.0	8.7	9.3
Chui oblast	5.1	6.5	7.2	7.7
Issyk-Kul oblast	4.0	5.0	4.6	4.9
Talas oblast	2.2	2.8	3.2	3.4
Batken oblast	2.4	3.1	2.7	2.9
Naryn oblast	1.9	2.4	2.2	2.4
<b>Total</b>	<b>78.5</b>	<b>100.0</b>	<b>93.6</b>	<b>100.0</b>

\* The loan portfolio is given including the accrued discount

In the period under review, the bulk of the loan portfolio by regions was issued in the city of Bishkek (57.8 percent), in the city of Osh and in the Osh oblast (11.7 percent).

*Interest rates of  
loans newly issued  
by banks*

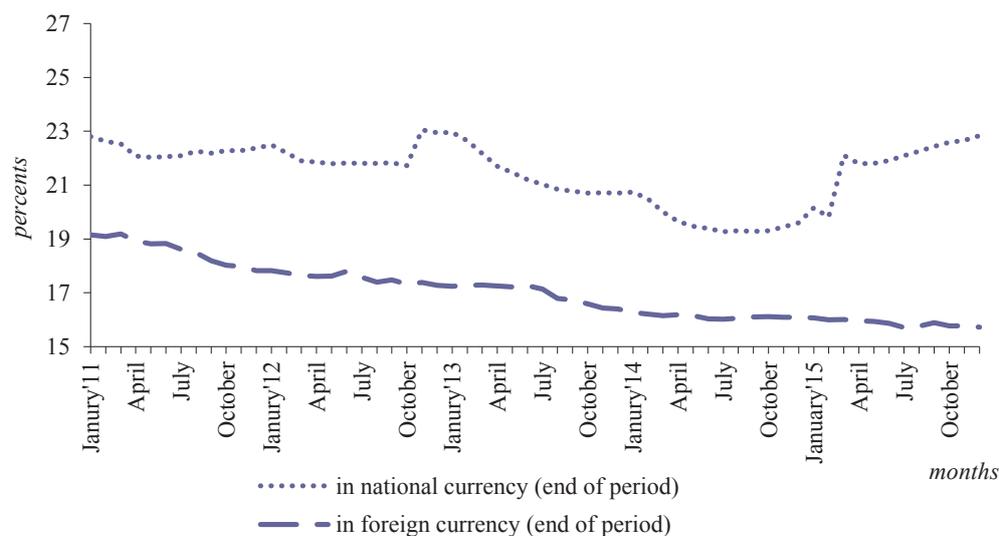
The weighted average interest rate of newly issued loans in national currency was 23.6 percent for the year as a whole, having increased by 3.5 percentage points as against the year of 2014. The increase in the interest rates was recorded in all the sectors of the economy. The maximum value of interest rates was recorded on the loans for communication, the minimum value – for industry. The weighted average interest rate of new loans in foreign currency was 14.3 percent for the period, having decreased by 0.7 percentage points. The lowest interest rates of loans in foreign currency were those of interest rates of loans to communication, and the highest interest rates were noted with regard to the consumer loans.

*Interest rates of  
loans issued by  
banks*

The weighted average interest rate of loans, forming the portfolio of operating commercial banks, was at the end of the year in national currency 22.8 percent (+3.2 percentage points) and in foreign currency – 15.7 percent (-0.4 percentage points).

**Chart 1.6.4.5.**

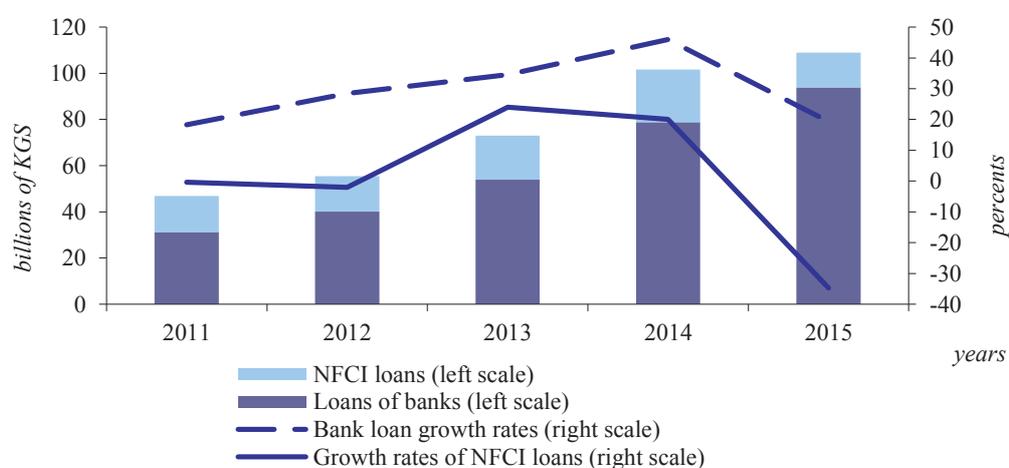
## Weighted Average Loan Interest Rate Developments



Having increased over the year by 7.1 percent, the total volume of loan portfolio of commercial banks and non-bank financial-credit institutions amounted to KGS 108.9 billion by the end of 2015 (in 2014, the increase was 39.2 percent).

**Chart 1.6.4.6.**

## Volume of Loans to Economy Including NFCI Loans (end-of-period)

**Table 1.6.4.3.**

## NFCI Loan Portfolio Behavior by Regions (end-of-period)

(millions of KGS)

	2014	2015
Bishkek city	4,745.4	3,494.6
Osh oblast and Osh city	4,048.4	3,097.3
Jalal-Abad oblast	3,718.1	2,126.9
Chui oblast	3,179.0	2,126.6
Issyk-Kul oblast	2,211.9	1,515.3
Naryn oblast	1,565.6	1,010.2
Batken oblast	2,033.0	905.6
Talas oblast	1,334.2	652.2
Outside KR	110.1	46.0
<b>Total</b>	<b>22,945.8</b>	<b>14,974.7</b>

NFCI loan  
portfolio

The bulk of NFCI loan portfolio by regions in the period under review was issued in Bishkek, Osh cities and the Osh oblast, with a total share of 44.0 percent.

***Table 1.6.4.4.***

NFCI Loan Portfolio by Sectors of Economy (end-of-period)  
(millions of KGS)

Sector	2014	2015
Industry	208.5	160.5
Agriculture	8,532.8	5,930.1
Transport and communication	362.6	155.5
Trade and services	6,232.2	4,042.5
Procurement and processing	19.4	13.0
Construction and purchase of property (mortgage)	914.0	864.7
Loans to individuals	2,953.3	2,446.2
Other	3,722.9	1,362.2
<b>Total</b>	<b>22,945.8</b>	<b>14,974.7</b>

The weighted average rates of loans to the microfinance institutions increased to the level of 32.2 percent (+2.1 percentage points), loans of the credit unions – to 27.9 percent (+2.3 percentage points).

In the period under review, decrease was observed in the rates of NFCIs loans growth by the sectors of economy. This reduction of indicators was due to the transformation of the MCC “FINCA” into CJSC “FINCA Bank”. The volume of loans issued to agriculture decreased by 30.5 percent. The volume of loans issued for trade and services decreased by 35.1 percent, the consumer loans – by 17.2 percent, for construction and mortgage – by 5.4 percent, for industry – 23.0 percent, for transport and communication – by 57.1 percent, for procurement and processing – by 33.2 percent.

**ACTIVITY OF THE NATIONAL BANK  
OF THE KYRGYZ REPUBLIC  
IN 2015**



## CHAPTER 2. MONETARY POLICY

Persisting trend of slowdown of the world economy, a drop in prices in the world oil market and, as a consequence, deterioration of the economies and weakening of the national currencies of key trading partners, as well as the global appreciation of the US dollar resulted in persistence of inflationary expectations and rise of devaluation expectations in 2015. In these circumstances, the monetary policy of the National Bank was aimed at limiting the monetary component of inflation and, consequently, at reducing the pressure on the exchange rate. Thus, the National Bank used the existing and developed new monetary policy tools. In 2015, the National Bank managed to decrease inflation rate in annual terms from 11.6 percent at the beginning of the year to 3.4 percent in December.

Actions of the National Bank were focused on strengthening the impact of the monetary policy interest rate channel and development of the interbank money market for the purpose of stimulating the real sector of the economy. The policy rate, the value of which was used as a reference in determining the value of money, was the main monetary policy tool.

The National Bank adhered to the floating exchange rate regime existing in the country. The National Bank conducted the foreign exchange interventions in order to smooth and to prevent short-term fluctuations of the exchange rate.

In 2015, the National Bank took a series of measures aimed at limiting the level of dollarization of the economy in order to reduce foreign exchange risk in the banking system due to the increasing volatility of the exchange rate.

The volume of gross international reserves, which include currency portfolio, Special Drawing Rights (SDR) and gold assets, totaled USD 1,778.3 million by the end of 2015. During the reporting year, the National Bank purchased gold in the domestic market in order to increase the amount of international reserves. International reserves were mainly used in order to smooth short-term fluctuations of the exchange rate in the domestic market, as well as to service external liabilities of the Government and the National Bank.

### 2.1. Monetary Policy Framework

#### *Monetary policy goal*

The goal of the National Bank is to achieve and maintain price stability through the appropriate monetary policy implementation. The National Bank determines the monetary policy taking into account the results of the development processes in the domestic economy and in the economies of key trading partners of the Kyrgyz Republic.

The monetary policy was conducted in accordance with the Main Directions of the Monetary Policy for the medium term<sup>1</sup>, which determined monetary policy strategic objectives and targets. The quantitative monetary policy target is to restrain inflation rate within the range of 5-7 percent in the medium term as defined in the National Sustainable Development Strategy of the Kyrgyz Republic for 2013-2017.

Upon the transition to the interest rates targeting in 2014, the policy rate was determined by the Board of the National Bank on a monthly basis. A decision-making was based on the results of modeling and forecasting, obtained with the use of the Forecasting and Policy Analysis System (FPAS). The meetings of the Board of the National Bank on the policy rate were conducted in accordance with the schedule of meetings posted on the official web-site of the National Bank. In order to inform the public and form adequate inflationary expectations, the National Bank issued

<sup>1</sup> Approved with the Resolution of the National Bank of the Kyrgyz Republic Board No 55/3 on 17 December 2014.

press releases on a regular basis and organized press conferences on monetary policy issues. The tactical decision-making was done by the Monetary Regulation Committee (MRC) on the weekly basis. The National Bank and the Ministry of Finance held regular meetings for operational coordination of monetary and fiscal policies within the Interagency Coordination Council.

The exchange rate policy remained unchanged and was conducted by the National Bank in accordance with the floating exchange rate regime existing in the country. The National Bank undertook interventions in order to smooth exchange rate fluctuations. With the increased demand for foreign currency, the National Bank intervened on the foreign exchange market by primarily selling US dollars.

*Exchange rate policy*

During 2015, the main factors of the consumer price index development were the scheduled increase in tariffs for electricity and heat in accordance with the Medium Term Tariff Policy of the Government of the Kyrgyz Republic for 2014-2017 and rise in prices for non-food imported products as a result of change in the US dollar exchange rate and the increase of customs duties due to the Kyrgyz Republic's accession to the EEU (Eurasian Economic Union). Dependence of domestic consumer prices on price development in the world commodity and raw materials still persisted; meanwhile the share of food products was the most significant in the structure of the consumer goods basket.

*Inflation factors*

Taking into account persisting inflationary pressure and strengthening exchange rate pressure during 2015, the monetary policy measures were aimed at restricting a monetary component of inflation and reducing pressure on the exchange rate.

*Monetary policy measures*

Due to persistence of inflation risks, in early 2015, the policy rate was increased to 11.00 percent and remained unchanged during January-April of the reporting year. Subsequently, due to slowdown in the inflation rates and influence of the external factors, the Board of the National Bank decided to decrease the policy rate to 9.50 percent in May 2015 and to 8.00 percent in July 2015. In the second half of 2015, high demand for foreign currency was observed in the domestic foreign exchange market, which resulted in increased volatility of the exchange rate. In September 2015, in order to reduce pressure on the exchange rate, the policy rate was set at the level of 10.00 percent and remained at this level until the end of the reporting year.

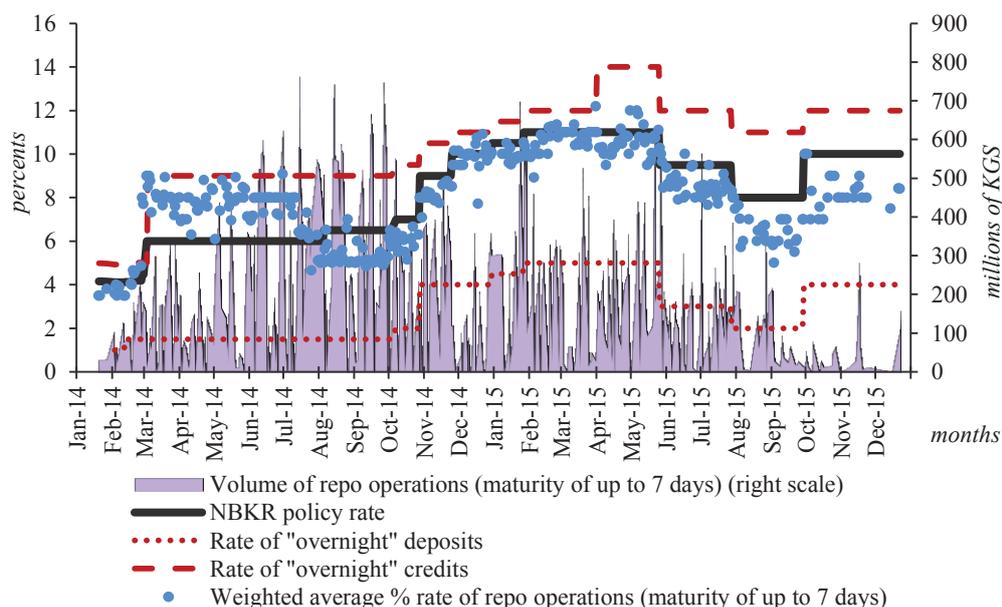
Change of the policy rate varied the interest rate corridor set around it: the interest rate of "overnight" credit, which defines an upper limit (ceiling), changed in the range from 11.0 to 14.0 percent, the interest rate of "overnight" deposit, which defines the lowest level (floor), changed in the range from 2.0 to 5.0 percent. At the end of 2015, the corridor rates constituted 12.0 percent and 4.0 percent, respectively.

The National Bank carried out management of excess liquidity in the banking system through the open market operations (issue of notes of the National Bank) and the deposit operations. In 2015, the average daily volume of notes in circulation was KGS 1.3 billion (in 2014 – KGS 2.4 billion). The average daily volume of "overnight" deposits was KGS 1.3 billion (in 2014 – KGS 768.4 million). Thus, in 2015, the average daily volume of sterilization operations amounted to KGS 2.6 billion. The gross volume of these operations on sales of notes of the National Bank amounted to KGS 67.9 billion, and on "overnight" deposits – KGS 325.6 billion.

Excess liquidity was also sterilized when the National Bank conducted foreign exchange interventions – net sales amounted to KGS 19.9 billion.

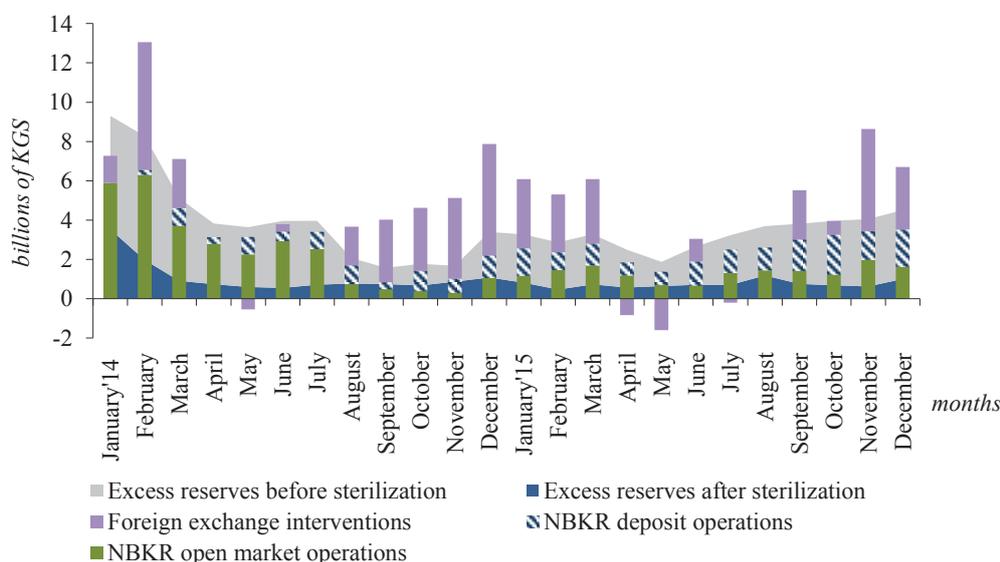
A decline in the activity of commercial banks was observed in the interbank credit market during certain periods of the reporting year. The total volume of repo operations in the interbank market decreased by 35.1 percent compared to the same period of the previous year. The interest rates of the interbank market were within the interest rate corridor set by the National Bank indicating the increasing influence of the National Bank policy rate on the rates of the money market.

**Chart 2.1.1.**  
Changes in Rates of National Bank and Interbank Repo Operations  
(for up to 7 days)



In 2015, the average daily volume of excess reserves of the banking system prior to the operations on sterilization amounted to KGS 3.3 billion (in 2014 – KGS 4.0 billion), upon the operations on sterilization – KGS 743.0 million (in 2014 – KGS 1.0 billion).

**Chart 2.1.2.**  
Excess Reserves and NBKR operations



## 2.2. Monetary Policy Implementation

In 2015, activities of the National Bank to limit inflationary risks in the economy and the pressure on the foreign exchange market, determined the structure of its operations.

The National Bank conducted the operations on sterilization of excess liquidity of the banking system, mainly, by the “overnight” deposits, the auctions of notes

and the foreign exchange interventions. At the end of the reporting year, the share of “overnight” deposits in the structure of the National Bank operations was 72.5 percent, having increased from 44.0 percent in 2014; the share of issue of notes of the bank fell from 25.2 percent in 2014 to 15.1 percent in 2015.

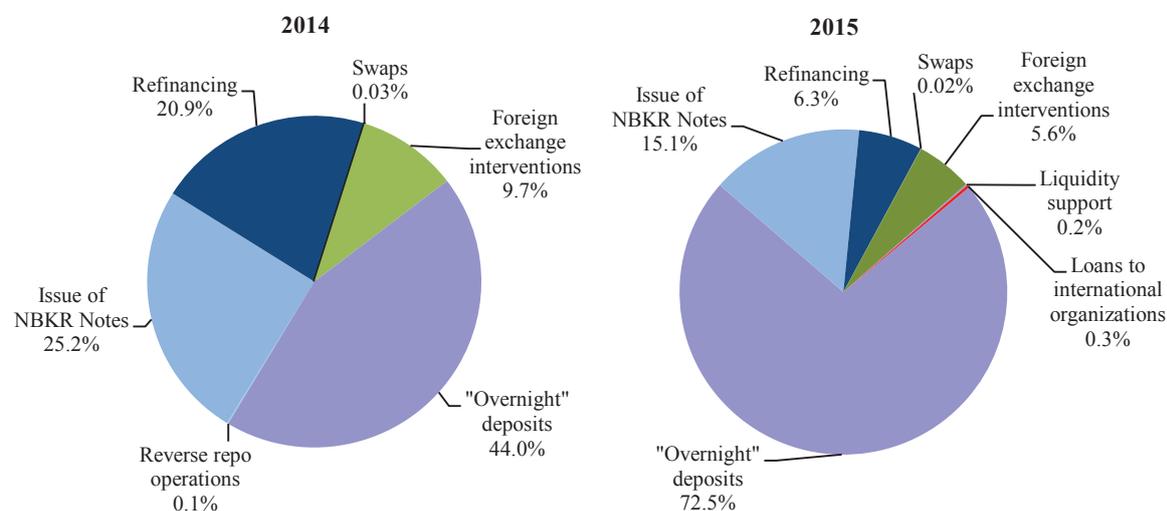
The resources were provided to the commercial banks through the credit auctions, the “overnight” credits, intraday credits and the credits to maintain liquidity.

New refinancing tools were introduced during the reporting year. To maintain positive rates of economic development and to facilitate the adaptation of the Kyrgyz Republic economy to operation within the EEU the National Bank developed a new tool – loans to the international organizations established by the Kyrgyz Republic in cooperation with other states within the EEU.

As a result, in the total volume of operations of the bank, the share of refinancing operations was 6.8 percent in 2015, including the credits to maintain liquidity and loans to the international organizations (in 2014 – 20.9 percent).

### **Chart 2.2.1.**

Structure of National Bank Operations



In the reporting year, the National Bank continued its participation in the domestic market due to existing high demand for foreign currency. In 2015, the share of operations on foreign exchange interventions totaled 5.6 percent, having decreased by 4.1 percentage points compared to 2014. In the reporting year, the National Bank operated as a net seller in the foreign exchange market, meanwhile net sales of the US dollars amounted to USD 295.2 million (in 2014 – USD 516.3 million).

The National Bank also continued conducting the operations on purchase of gold in the domestic market, which volume in 2015 amounted to KGS 689.6 million.

#### **2.2.1. Domestic Foreign Exchange Market Operations**

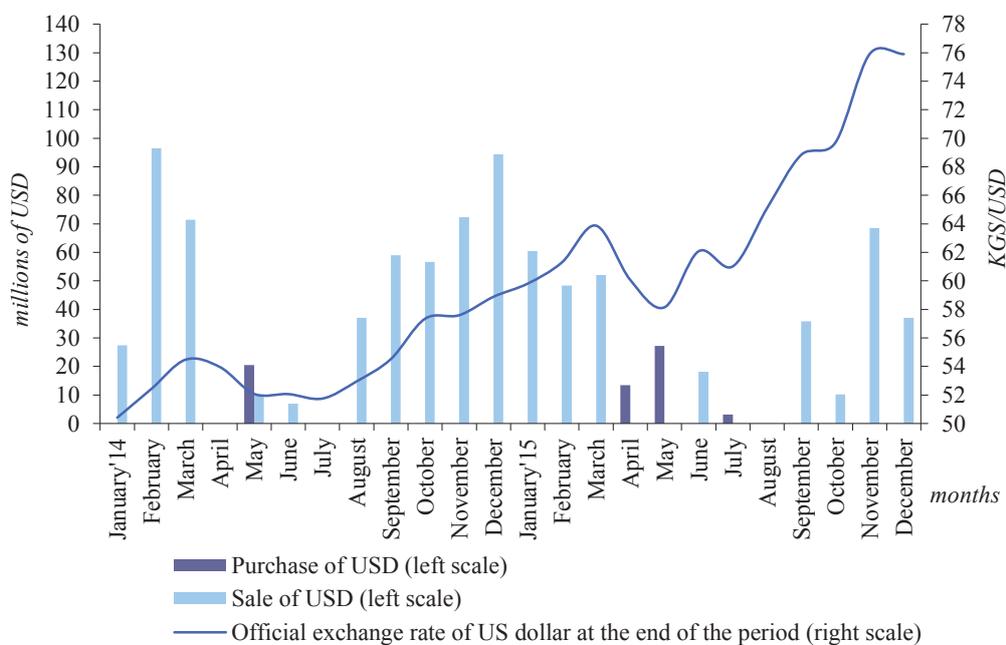
Within the framework of the existing regime of floating exchange rate, participation of the National Bank in the foreign exchange auctions depended on the market situation and was aimed at smoothing the short-term exchange rate fluctuations.

In the first quarter, in terms of seasonal fluctuations and high devaluation expectations of participants in the foreign exchange market against the background of the foreign economic situation (slowdown in the economies of the countries-main trading partners of the Kyrgyz Republic, the markets adjustment prior to the decision made by the US Federal Reserve System about raising the policy rates, the decline in oil prices, the weakening of the currencies of most of the CIS countries) a

predominance of demand over supply of foreign currency was observed in the foreign exchange market. Thus, in order to smooth the fluctuations in the exchange rate, the National Bank performed the foreign exchange sale operations, which amounted to USD 160.9 million in the first quarter. At the end of the first quarter, the exchange rate increased by 8.5 percent and amounted to KGS 63.8736 for one US dollar.

**Chart 2.2.1.1.**

Foreign Exchange Operations of National Bank in 2015



In the second quarter of the reporting year, the behavior of the exchange rate was multidirectional. In April and May, the seasonal increase in inflows of remittances conditioned a predominance of foreign currency supply over demand, and therefore Kyrgyz som strengthened, in June there was an inverse dynamics. During this period, the National Bank conducted the operations both on sale and on purchase of US dollars. At the same time, the net purchase by the National Bank amounted to USD 22.6 million. Overall, in the second quarter of the reporting year, the exchange rate of the US dollar against Kyrgyz som decreased by 2.8 percent and totaled KGS 62.0788 for one USD at the end of this quarter.

In the first half of the third quarter, balance between supply and demand of foreign currency persisted in the domestic foreign exchange market. Since the middle of August, the US dollar started strengthening its positions against the background of high demand. This is due to the influence of external (in particular, the transition to a floating exchange rate of tenge in Kazakhstan and, as a consequence, its one-stage devaluation) and internal factors. During this period the National Bank conducted the operations on sale and purchase of US dollars in order to smooth increased volatility of the exchange rate. In the third quarter, net sales of the National Bank amounted to USD 32.7 million. The exchange rate of the US dollar increased by 10.8 percent and amounted to KGS 68.8359 for one US dollar at the end of the third quarter.

The impact of external and internal factors on the exchange rate persisted in the fourth quarter. As a result, in the fourth quarter, the National Bank sold USD 124.2 million, as well as USD 8.4 million in cash. The exchange rate of the US dollar increased by 10.3 percent and amounted to KGS 75.8993 for one US dollar.

Overall, in 2015, the total volume of US dollars purchased by the National Bank in the domestic foreign exchange market amounted to USD 44.0 million; that of the sales

– USD 339.1 million, the sales of cash US dollars made USD 8.4 million. The net sales totaled USD 295.2 million. The official US dollar-Kyrgyz som exchange rate increased by 28.9 percent in the reporting period.

### 2.2.2. Operations with Notes of the National Bank

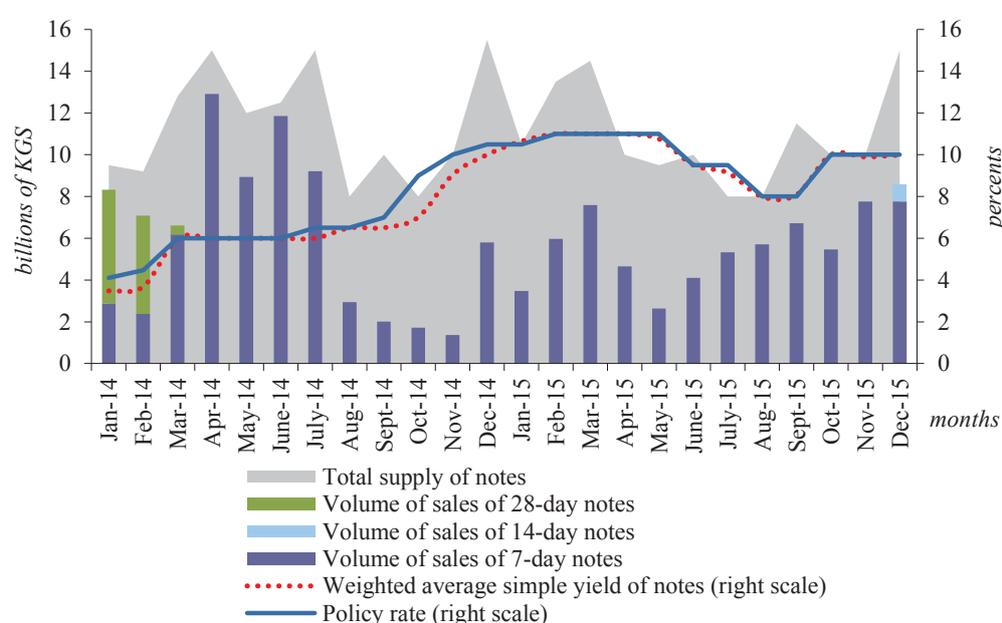
The Notes of the National Bank are the government securities with maturity of 7, 14 and 28 days, which the National Bank places on the auction basis to regulate the level of liquidity in the banking system.

Taking into account the level of demand for this tool in the banking system, total sales of notes of the National Bank amounted to KGS 67.9 billion in 2015, having decreased from KGS 78.8 billion in 2014.

The share of the National Bank Notes with maturity of 7 days (98.8 percent) was the most significant in their sales, the sales of notes of the NBKR with maturity of 14 days amounted to 1.2 percent. In 2015, the National Bank did not issue the notes with maturity of 28 days.

#### Chart 2.2.2.1.

Sales Volume of Notes of National Bank and Policy Rate Developments



### 2.2.3. Refinancing of Banks

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

The National Bank used the following types of refinancing instruments:

- the “intraday” credit provided in 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 national currency for one day on the repayment basis on collateral, to maintain short-term liquidity of banks;
- the 7-day credits provided in 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 to provide the commercial banks with the six months credits in national currency on the repayment basis to maintain liquidity and at lending to certain sectors of the economy;
- the credits for liquidity maintaining provided on the repayment basis on collateral to protect integrity of the banking system, to maintain liquidity of the bank and protect the interests of the depositors.

In 2015, the amount of extended intraday credits totaled KGS 139.4 million, of which KGS 45.5 million was rescheduled into the “overnight” credit (in 2014, the demand for the intraday loans was KGS 4.3 billion). In 2015, the volume of “overnight” credits reached the level of KGS 26.7 billion, the volume of “overnight” credits were KGS 56.7 billion in 2014.

During 2015, the National Bank continued improving the tool to accommodate the commercial banks with the credit funds through the credit auctions, in particular, the National Bank decided to provide the commercial banks with the opportunity to prolong credits received in 2014.

Overall, in 2015, within the framework of credit auctions, the commercial banks were accommodated with the credit funds in the amount of KGS 1.5 billion, including KGS 300.0 million obtained by the NFCIs through the commercial banks.

In 2015, the National Bank developed Provisional Regulations “On Credits to Maintain Liquidity”. According to these Regulations the commercial banks are accommodated with the credit funds to ensure stability of the banking system, to prevent the systemic risks and to protect the borrowers’ interests. In 2015, the commercial banks were accommodated with the credit funds in the amount of KGS 702.3 million within the framework of this tool.

In 2015, in order to promote and support a long-term economic development in the Kyrgyz Republic, a new tool was introduced – loans to the international organizations established by the Kyrgyz Republic in cooperation with other states within the EEU. The amount of the credit funds accommodated to the international organizations in 2015 totaled KGS 1.2 billion.

**Table 2.2.3.1.**

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

	Q1	Q2	Q3	Q4	Total
<b>Intraday credits*:</b>					
2014	153.3	3,664.7	527.5	-	<b>4,345.6</b>
2015	-	93.9	45.5	-	<b>139.4</b>
<b>"Overnight" credits:</b>					
2014	4,196.5	35,336.5	11,583.2	5,608.4	<b>56,724.6</b>
2015	12,422.1	6,420.0	7,011.9	809.3	<b>26,663.3</b>
<b>7-day credits:</b>					
2014	-	400.0	700.0	-	<b>1,100.0</b>
2015	-	-	-	-	<b>0.0</b>
<b>Credit auctions**:</b>					
2014	360.0	1,200.0	990.0	710.0	<b>3,260.0</b>
2015	300.0	1,175.0	-	-	<b>1,475.0</b>
<b>Credits for liquidity support:</b>					
2014	-	-	-	-	<b>0.0</b>
2015	-	-	702.3	-	<b>702.3</b>
<b>Loans to international organizations:</b>					
2014	-	-	-	-	<b>0.0</b>
2015	-	-	1,200.0	-	<b>1,200.0</b>

\* Including intraday credits, redesigned into the “overnight” credits

\*\* Amount of credits actually issued for the indicated period

### 2.2.4. Reserve Requirements

Reserve requirements (RR) are one of the monetary policy tools and represent the amount of money, which the commercial banks are bound to deposit in the correspondent accounts with the National Bank in accordance with the established requirements. The ratio of required reserves and the procedure of implementation thereof is established with the decision of the National Bank proceeding from the current monetary policy objectives.

During January-September 2015, the ratio of reserve requirements for the banks stood at the level of 9.0 percent of the calculation base. In 2015, the base period of compliance with the RR was four calendar weeks. The minimum daily threshold amount of money in the correspondent account with the National Bank to comply with the RR was set at the level of 90 percent of the amount of the bank's required reserves allocated for the corresponding period.

The National Bank decided to introduce differentiated norms of the reserve requirements for the banks on the liabilities in the national and foreign currencies as one of the measures to decrease the level of dollarization in the economy, as well as to enhance savings of the population in the national currency.

Differentiation of required reserves with respect to liabilities in the national and foreign currencies was carried out in stages. In October 2015, the ratio of required reserves on liabilities in the national currency was established at the level of 8.5 percent, for liabilities in foreign currency – at the level of 9.5 percent. Since 14 December 2015, the ratio of required reserves on liabilities in the national currency was reduced to the level of 4.0 percent; the ratio of required reserves on liabilities in foreign currency was increased to 12.0 percent.

In December 2015, the Board of the National Bank decided to establish the ratio of required reserves on liabilities in Armenian drams, Belarusian rubles, Kazakh tenge, Chinese yuans and Russian rubles at the level of 4.0 percent taking into account close trade relations of the Kyrgyz Republic with the People's Republic of China and the countries of the EEU, as well as to enhance the transition of population and economic agents to the settlements in the national currencies of those countries.

During 2015, one case of a violation of the reserve requirements and seven cases of a failure to comply with the minimum level of the volume of required reserves were recorded in six commercial banks. Corresponding penalties were applied to these banks.

#### **Table 2.2.4.1.**

Reserves of Commercial Banks in National Currency\*  
(millions of KGS)

	Q1	Q2	Q3	Q4
<b>2014, total</b>	<b>7,904.0</b>	<b>6,388.5</b>	<b>6,542.3</b>	<b>7,076.0</b>
<i>including:</i>				
required reserves	5,768.1	5,759.7	5,798.6	6,202.0
excess reserves	2,135.8	628.8	743.7	874.0
<b>2015, total</b>	<b>7,433.7</b>	<b>7,506.7</b>	<b>7,871.2</b>	<b>8,549.5</b>
<i>including:</i>				
required reserves	6,763.5	6,866.8	6,991.8	7,779.2
excess reserves	670.2	640.0	879.4	770.3

\* average volume for the period

## 2.3. Management of International Reserves

According to the Law “On the National Bank of the Kyrgyz Republic”, maintenance of liquidity and safety of reserve assets are the priorities of the National Bank in the area of management of international reserves in accordance with the key principles.

Management of international reserves was regulated by the Investment Policy, the Risk Management Policy when Managing the International Reserves, Regulations “On Limits in Management of Investment Asset of International Reserves.”

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 2015, the Investment Committee held 25 meetings on management of international reserves. To minimize the risks emerging in management of reserve assets, criteria were established, as well as the requirements and restrictions imposed on counterparties, types of instruments, and the size and maturity of investment.

*Volume and structure of international reserves*

Gross reserves at the end of 2015 amounted to the equivalent of about USD 1,778.3 million, having decreased for the year by USD 179.3 million or 9.2 percent. The international reserves of the National Bank comprise the assets in gold, SDRs and the currency portfolio.

During 2015, the volume of gross international reserves was influenced by the National Bank foreign exchange operations conducted in the domestic market; 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 of precious metals; income from management of international reserves; the purchases of gold in the domestic market of Kyrgyzstan; and receipt of foreign currency in favor of the Government and the National Bank.

*Structure of the currency portfolio of international reserves*

**Table 2.3.1.**

Structure of National Bank Reserve Assets\*  
(percents)

	2014	2015
Currency portfolio	83.0	81.6
Gold	7.8	8.1
Special Drawing Rights (SDR)	9.2	10.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* end-of-period

In 2015, the currency portfolio of international reserves included: the US dollars, Euros, Swiss francs, British pounds, Australian and Canadian dollars, Japanese yens, Russian rubles, Chinese yuans, Singapore dollars and Norwegian kroner.

**Table 2.3.2.**

Structure of Allocation of National Bank International Reserves\*  
(percents)

	2014	2015
Central banks	37.2	38.0
International financial institutions	17.5	17.8
Commercial banks	42.0	40.4
NBKR	3.2	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* end-of-period

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

The working capital 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).

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 international financial institutions. The time deposits were placed in the international financial institutions, foreign central and commercial banks with high international ratings.

*Structure of international reserves*

*Working capital placement*

*Investment portfolio management*

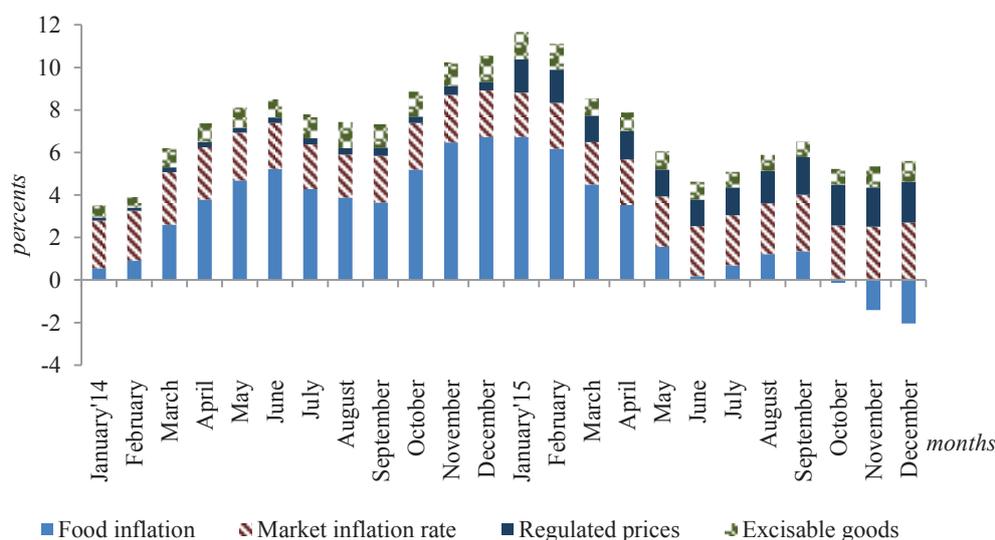
## 2.4. Monetary Policy Results

In 2015, formation of the inflation rate was, mainly, due to rise in the prices for non-food products and the increase in the tariffs for electricity and heat. The monetary policy measures taken by the National Bank and the favorable price environment in the world commodity and raw materials markets conditioned moderate inflation rates during 2015. Growth of the domestic agricultural production in the country by 6.2 percent in January-December 2015 had an additional influence on weakening of inflationary processes in the country.

According to the National Statistics Committee, the inflation rate reached 3.4 percent year-on-year by the end of 2015 (December 2015 to December 2014).

### **Chart 2.4.1.**

Contributions to Formation of Inflation<sup>1</sup>



<sup>1</sup> According to the NSC calculations CPI groups include the following:

- food inflation – the prices for all types of food and non-alcoholic beverages;
- regulated prices – the tariffs for the housing and communal services, electricity, gas, telephone, postal service, public transport and others;
- excisable goods – the prices for alcoholic beverages, tobacco products and fuels and lubricants;
- market inflation rate – the rest of CPI.

*Monetary base*

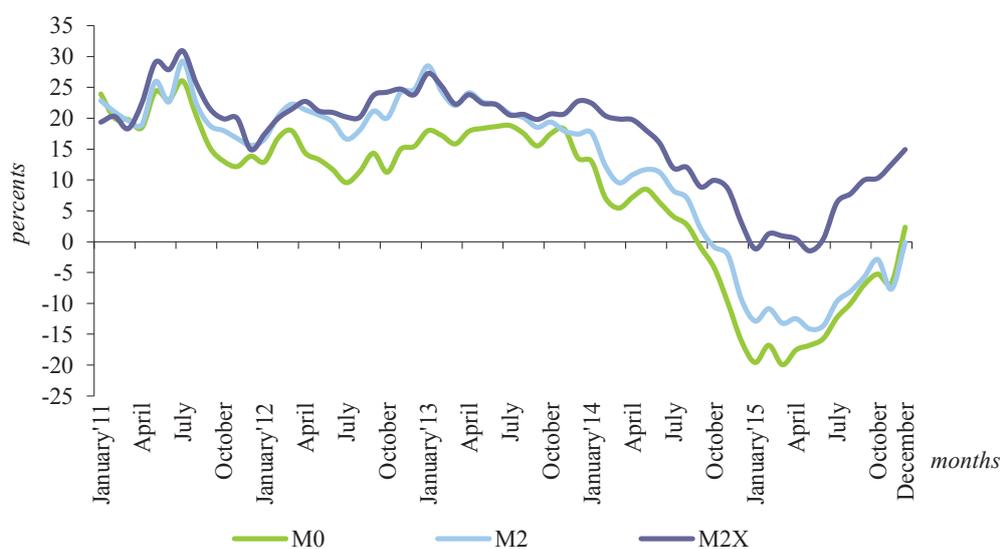
The monetary base amounted to KGS 67.1 billion at the end of 2015, having increased by 4.0 percent over the year. The expansion of the monetary base was, mainly, due to the operations conducted by the public authorities, which increased the monetary base by KGS 21.0 billion. The operations of the National Bank contributed to a reduction of the monetary base by KGS 18.4 billion.

*Monetary aggregates*

During 2015, M0 monetary aggregate (money outside banks) increased by KGS 1.2 billion or by 2.3 percent and totaled KGS 53.1 billion at the end of the year (in 2014, the decrease was 16.2 percent). M2 monetary aggregate (M0 + the deposits, including the settlement accounts in national currency) fell by 0.1 percent to KGS 82.3 billion (in 2014, the decrease was 9.4 percent), mainly, due to the reduction of the deposits in national currency by 4.4 percent.

**Chart 2.4.2.**

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

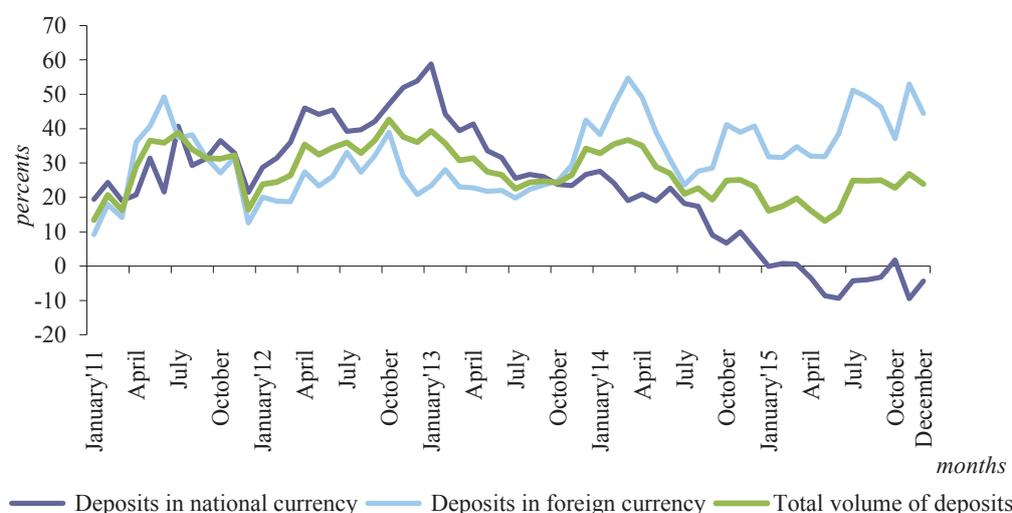


Broad money M2X (M2 + deposits including the settlement accounts in foreign currency) amounted to KGS 143.1 billion at the end of 2015, having increased by KGS 18.6 billion or 14.9 percent during the reporting year (in 2014, M2X increased by 3.0 percent). Growth of broad money M2X was due to the increase in the deposits of the banking system in foreign currency by 44.4 percent. In general, the total volume of deposits<sup>1</sup> increased by 23.9 percent and totaled KGS 90.0 billion at the end of 2015. Excluding the effect of the exchange rate change, M2X growth rates made 4.5 percent, meanwhile, the deposits, included in M2X, increased by 5.9 percent.

<sup>1</sup> Excluding deposits of the Government of the Kyrgyz Republic and non-residents.

**Chart 2.4.3.**

Annual Rates of Change in Deposits of Commercial Banks Included in M2X  
(end-of-period)



The increase in the net foreign assets of the banking system made the main contribution (20.8 percentage points) to growth of M2X broad money. State budget revenue in foreign currency in the amount of USD 375.4 million became the main factor of growth of net foreign assets. The reduction of net domestic assets provided negative contribution (-5.9 percentage points) to change of M2X broad money conditioned by the increase of capital accounts resulted from revaluation of assets in foreign currency due to changes in exchange rates. Meanwhile, in 2015, the credit to the economy<sup>1</sup> grew by 17.2 percent, to KGS 96.2 billion (in 2014 – by 43.6 percent), moreover, the credits in national currency increased by 21.4 percent, in foreign currency – by 13.7 percent. Excluding the influence of changes in the exchange rate, growth rates of the credit to the economy constituted 2.9 percent.

*Factors affecting M2X*

**Table 2.4.1.**

Sources of M2X Broad Money Formation (end-of-period)  
(millions of KGS)

	2014	2015	Growth, in millions of KGS	Growth rates, in percent	Impact on M2X, p.p.
Net foreign assets	108,589.6	134,500.1	25,910.5	23.9	20.8
Net international reserves	109,754.8	135,521.0	25,766.2	23.5	20.7
Other foreign assets	6,067.6	7,907.7	1,840.1	30.3	1.5
Distribution of SDR	-7,232.9	-8,928.6	-1,695.7	23.4	-1.4
Net domestic assets	15,954.8	8,642.9	-7,311.9	-45.8	-5.9
Net claims to general government	-20,830.9	-17,021.4	3,809.5	-18.3	3.1
Net claims to Government	-19,150.9	-17,021.4	2,129.5	-11.1	1.7
Net claims to special funds	-1,680.0	0.0	1,680.0	-100.0	1.3
Claims to other sectors	82,148.3	96,244.8	14,096.5	17.2	11.3
Other items	-1,352.0	-8,100.1	-6,748.1	499.1	-5.4
Capital account	-44,010.6	-62,480.3	-18,469.8	42.0	-14.8
<b>Broad money M2X</b>	<b>124,544.4</b>	<b>143,143.0</b>	<b>18,598.6</b>	<b>14.9</b>	<b>14.9</b>
Money outside banks	51,904.1	53,118.0	1,213.8	2.3	1.0
Deposits of other deposit corporations	72,640.2	90,025.0	17,384.8	23.9	14.0
Deposits in national currency	30,482.3	29,149.3	-1,333.0	-4.4	-1.1
Deposits in foreign currency	42,158.0	60,875.8	18,717.8	44.4	15.0

<sup>1</sup> Excluding credits to the Government of the Kyrgyz Republic and non-residents.

## CHAPTER 3. SUPERVISION AND REGULATION OF FINANCIAL-CREDIT INSTITUTIONS

In order to ensure stability of the banking system and to protect interests of depositors and creditors, the National Bank exercises supervision and regulation of banks and non-bank financial-credit institutions, in accordance with the legislation of the Kyrgyz Republic.

The main instrument to perform functions of supervision and regulation is a combination of the off-site supervision with comprehensive and targeted (if necessary) inspections of financial-credit institutions.

In the reporting period, the work was continued on the improvement of quality and enhancement of efficiency of banking supervision, on the development and improvement of regulatory legal acts of the National Bank, in particular, on the issues of reducing the risks in activities of financial-credit institutions.

### 3.1. Banking Supervision<sup>1</sup>

#### 3.1.1. Licensing

*Authorized capital of banks*

At the end of 2015, 24 commercial banks operated on the territory of the Kyrgyz Republic. The total amount of paid-up authorized capital of commercial banks was KGS 16.1 billion, the share of foreign capital in authorized capital of the banking system amounted to 42.8 percent or KGS 6.8 billion. During 2015, the total amount of authorized capital of banks increased by KGS 4.9 billion or by 44.0 percent.

In 2015, the Board of the National Bank set a minimum amount of the authorized capital for newly opened and existing commercial banks (including branches of non-resident banks) in the amount of at least KGS 600 million. The following terms were set for the authorized capital formation in order to increase gradually the minimum amount of the authorized capital of operating banks (including branches of non-resident banks):

- till 1 July 2015 – KGS 300 million;
- till 1 July 2016 – KGS 400 million;
- till 1 July 2017 – KGS 600 million.

As of 1 July 2015, all commercial banks of the country fulfilled the requirements on the minimum amount of authorized capital.

Moreover, since 1 July 2016, the minimum amount of capital (equity funds) was set for commercial banks in the amount not less than the minimum amount of the authorized capital.

*Issue of license*

During 2015, the licenses were issued to the CJSC “FINCA Bank” and the OJSC “Chang An Bank” for the right to conduct banking operations. A prior permission was issued to the CJSC MFC “Kompanion Financial Group” to obtain a banking license due to its reorganization into a bank.

The National Bank also considered the issue on expansion of the existing banks activity, as well as by means of removing the restrictions. Thus, additional licenses were issued to the CJSC Bank “Bai-Tushum” and the CJSC “KICB” for the right to issue electronic money. An additional license was given to the OJSC “Capital Bank” for the right to carry out banking operations with precious metals in form of refined gold bullions, emitted (released) by the National Bank of the Kyrgyz Republic.

In 2015, lending restrictions were also removed from the banking licenses of the OJSC “Aiyl Bank”, therefore the bank was provided with the opportunity of crediting the clients regardless of their industry.

<sup>1</sup> Data of the banking system indicators are based on the Periodic Regulatory Bank Reporting (PRBR).

During the reporting period, the National Bank revoked the banking licenses of the OJSC “IB Issyk-Kul” and the CJSC “Manas Bank” due to their insolvency. The Banks Reorganization and Debt Restructuring Agency appointed as an administrator of the banks data.

In 2015, the OJSC “Kazkommertsbank Kyrgyzstan” was renamed into the OJSC “Kyrgyzkommertsbank”.

In accordance with the legislation of the Kyrgyz Republic, the National Bank considered applications for the purchase of shares of commercial banks and the procedures were carried out to approve bank officials.

**Table 3.1.1.1.**

Development of Network of Branches, Savings Offices and Field Cash Offices

*Branches, offices  
and field cash  
offices*

	Number of Branches		Number of Savings Offices		Number of Field Cash Offices	
	2014	2015	2014	2015	2014	2015
Bishkek city	60	64	254	250	29	36
Batken oblast	21	24	55	61	1	5
Jalal-Abad oblast	43	47	136	143	7	13
Issyk-Kul oblast	40	40	44	47	11	12
Naryn oblast	18	20	16	20	1	1
Osh oblast	55	57	163	175	15	16
Talas oblast	15	17	17	20	1	5
Chui oblast	41	45	57	64	10	20
<b>Total</b>	<b>293</b>	<b>314</b>	<b>742</b>	<b>780</b>	<b>75</b>	<b>108</b>

During 2015, the commercial banks opened 33 branches, 72 savings offices, and 43 field cash offices in different regions of the country. At the same time, 12 branches, 34 savings offices, and 10 field cash offices of various commercial banks were closed.

### 3.1.2. Off-Site Supervision

In 2014, off-site (distant) supervision of commercial banks was exercised within the framework of approved supervision strategies for each commercial bank and the general strategy of supervision of commercial banks of the Kyrgyz Republic. Supervision and regulation were oriented to ensuring stability of the banking system and protecting the interests of depositors and creditors of commercial banks.

In order to identify problems of commercial banks at an early stage, taking into account the level of the banking system development, activity of the National Bank in 2015 was also aimed at studying and applying certain elements of risk-based supervision in practice.

At the end of 2015, indicators of financial intermediation (the ratio of assets to GDP) rose from 34.3 percent at the end of 2014 to 42.0 percent in 2015. The ratio of loans<sup>1</sup> to GDP was 22.2 percent, having increased by 2.5 percentage points since the beginning of the year. The volume of deposits of commercial banks<sup>2</sup> was 22.0 percent of GDP, having increased by 4.1 percentage points.

<sup>1</sup> Excluding the loans to the banks and other financial-credit institutions.

<sup>2</sup> Excluding the deposits received from the banks, FCIs and public authorities.

*Capital indicators*

In 2015, the net total capital<sup>1</sup> increased by KGS 5.8 billion, while the net risk assets<sup>2</sup> increased by KGS 22.8 billion.

The ratio of adequacy of total capital significantly exceeded its standard level, indicating that there is a certain potential in the banking system to increase the supply of financial services.

***Table 3.1.2.1.*****Indicators of Capital of Commercial Banks (end-of-period)**

	2014	2015
Net total capital, <i>billions of KGS</i>	21.8	27.6
Net risk assets, <i>billions of KGS</i>	100.1	122.9
Total capital adequacy ratio, <i>percents</i>	21.8	22.4
Total capital adequacy ratio (not less), <i>percents</i>	12.0	12.0
Number of banks with capital adequacy ratio more than 30 percents	7	6
Number of banks with capital adequacy ratio from 20 to 30 percents	8	10
Number of banks with capital adequacy ratio under 20 percents	9	8

*Credit risk*

The credit risk is assessed on the basis of the classification of assets and off-balance sheet liabilities<sup>3</sup>. The risk of non-repayment, calculated as the ratio of the loan loss provisions to the total assets bearing the risk of credit losses increased at the end of 2015 compared to its value at the end of 2014 (2.6 percent) and made up 3.8 percent.

*Currency risk*

The currency risk is assessed based on the ratio of assets and liabilities in foreign currency, and their share in the total assets and liabilities of commercial banks. At the end of 2015, the foreign currency assets of the banking system amounted to KGS 99.9 billion or 56.1 percent of total assets. The liabilities of commercial banks in foreign currency totaled KGS 95.6 billion or 62.9 percent of total liabilities.

***Table 3.1.2.2.*****Assets and Liabilities of Commercial Banks in Foreign Currency (end-of-period)**

	2014	2015
Assets of foreign currency, <i>billions of KGS</i>	71.2	99.9
Share of foreign currency assets in total assets structure, <i>percents</i>	51.8	56.1
Liabilities of foreign currency, <i>billions of KGS</i>	67.9	95.6
Share of foreign currency liabilities in total liabilities structure, <i>percents</i>	58.2	62.9

*Liquidity risk*

The liquidity risk is considered in terms of coverage for the liabilities by the assets in each maturity periods, which makes it possible to assess the need for the funds given a gap by maturities and liabilities. At the end of 2014, the negative gap by maturities of assets and liabilities was observed in all periods up to 365 days. The analysis of the liquidity risk showed that at the end of 2015 the negative gap by maturities of assets and liabilities was observed only in the periods up to 30 days and from 91 to 180 days.

<sup>1</sup> Net total capital of a bank includes authorized capital, reserves, undistributed profit (loss) of previous years, profit (loss) of the reporting year and total reserves for “performing” assets formed in the bank.

<sup>2</sup> Net risk assets include the loans to the clients, leasing, corporate securities, cash assets held in the foreign banks, other assets and off-balance sheet liabilities assessed by the degree of the credit risk inherent in them.

<sup>3</sup> The data are given in section 1.4. “Banking Sector”, Table 1.4.2. “Classification of Assets, Off-Balance Sheet Liabilities and Lending to Clients”.

**Table 3.1.2.3.**

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

2015*	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Financial assets	68.6	10.9	11.2	22.8	68.6	182.1
Financial liabilities	71.0	9.9	16.1	18.4	32.6	148.0
Amount of excess of financial assets over financial liabilities	-2.4	1.0	-4.9	4.4	36.0	34.1
in percent of the total volume of financial assets	-3.5	9.3	-43.9	19.2	52.5	18.7

\* data as of 31 December 2015, inclusive.

2014**	Maturity in days					Total
	0-30	31-90	91-180	181-365	more than 365	
Financial assets	44.7	7.4	6.7	14.0	65.6	138.3
Financial liabilities	52.7	11.8	9.5	15.6	22.4	112.0
Amount of excess of financial assets over financial liabilities	-8.0	-4.4	-2.9	-1.5	43.2	26.4
in percent of the total volume of financial assets	-5.8	-3.2	-2.1	-1.1	31.2	19.1

\*\* data as of 31 December 2014, inclusive.

The actual values of liquidity standard in the commercial banks remained at the level well above the regulatory one.

The main banking supervision efforts were aimed at assessing the bank risks, analyzing activities of commercial banks and submitting them to stress tests, including an identification of exposure of commercial banks to credit risk through the impact of the direct and indirect currency risk.

Taking into account the progressive advance of the banking sector in the country, accompanied by complication of the banking operations, the National Bank on a regular basis conducts work on improvement of methods of supervision over the commercial banks. In this context, in 2015, under the World Bank project, the National Bank continued developing the risk-based supervision system and tested this system during inspection of two commercial banks.

### 3.1.3. Inspection

In 2015, as part of inspections (on-site supervision), the National Bank conducted the comprehensive and targeted inspections of commercial banks.

The comprehensive inspections were carried out in accordance with a methodology of the CAMELS rating system. In the reporting year, comprehensive inspections were completed in 20 commercial banks. 318 prescriptions were forwarded to the commercial banks based on the results of the comprehensive inspections.

The targeted inspections were carried out for detailed study of certain operations conducted by the commercial banks, 191 targeted inspections were carried out in the reporting year. The object of targeted inspections of commercial banks was that of the study and evaluation of certain banking operations for compliance with the banking legislation: foreign exchange and cash operations, authorized capital formation, allowances for assets, correct calculation of prudential norms established by the

National Bank; the use of government subsidies provided for the project “Agriculture Financing”; the operations to combat the financing of terrorism and extremism and anti-money laundering, and other. 24 prescriptions were forwarded to the commercial banks based on the results of the targeted inspections; the results of certain targeted inspections were reviewed by the Supervision Committee of the National Bank.

The results of inspections of the reporting period indicate an overall satisfactory financial status of the commercial banks. At the same time, there were breaches of the law in terms of operations with insiders and affiliated entities, operations in foreign currency, credit risk management, credit management, classification of assets and creation of adequate reserves, recording of other property; violations when calculating certain prudential standards and ratios, incorrect filling of certain reports, as well as a violation of the AML/CFT legislation in the part of compulsory control. The shortcomings in the systems of internal control and banking risk management were revealed in some banks.

Active interaction of the National Bank with the State Financial Intelligence Service under the Government of the Kyrgyz Republic continued in 2015. As part of a bilateral agreement, there was regular exchange of information on activities and observance by the commercial banks of the legislation on anti-money laundering and combating the financing of terrorism and extremism.

#### **3.1.4. Enforcement Measures**

In order to protect the interests of depositors and creditors of commercial banks, the supervisory measures were taken in the reporting year, as well as the restrictions of activities of some commercial banks. With regard to certain commercial banks, the National Bank revised and lifted the previously imposed restrictions because these banks fulfilled the requirements.

During 2015, direct banking supervision was still effective in CJSC “BTA Bank”. The bank functioned normally and provided the full range of banking services.

In order to protect the interests of depositors and other creditors and to study in detail the financial status of the OJSC “Rosinbank”, taking into account high concentration of the bank’s funds in the commercial banks of the Russian Federation, in which the Central Bank of the Russian Federation had introduced temporary administration, and their coherence with the OJSC “Rosinbank”, the Supervision Committee of the National Bank implemented direct banking supervision in the OJSC “Rosinbank” in August, 2015.

In 2015, the Supervision Committee of the National Bank held 62 meetings and discussed 140 issues relating to activities of the commercial banks. The restrictions were imposed on the three banks with regard to mobilization of deposits from the individuals and legal entities, operations with insiders, affiliated entities and associated ones with the bank, and other operations.

Based on the results of inspections carried out in the commercial banks, various enforcement measures were implemented by the National Bank in respect of these banks. In particular, the values of limits on the open foreign exchange position were reduced for one commercial bank, penalties were imposed on two commercial banks, and the requirements to change the officials of the two commercial banks were submitted.

With regard to the commercial banks operating in a normal mode, the corrective actions were applied as part of the off-site supervision, as well as based on the inspections findings. These enforcement measures were mainly of a preventive nature and were taken to ensure the reliability, stability and to enhance efficiency in activities of the banks, in accordance with the banking legislation of the Kyrgyz Republic.

### 3.2. Supervision over Non-bank Financial-Credit Institutions

As of 31 December 2015, the system of non-bank financial-credit institutions, subject to licensing and regulation by the National Bank, comprised the specialized financial-credit institution – the OJSC “Financial Company of Credit Unions” (SFCI), 125 credit unions, 172 microfinance organizations (including six microfinance companies, 109 microcredit companies, and 57 microcredit agencies) and 329 exchange bureaus.

*NFCI licensing*

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

In the reporting year, the National Bank issued 221 licenses to the exchange bureaus (including licenses issued by the exchange bureaus with expired previous license), five certificates of accounting registration to the MCCs, four certificates of accounting registration to the MCAs, one license to the MFC and four licenses to the CUs. A license of one exchange bureau was resumed.

For the failure to comply with the legislation of the Kyrgyz Republic and the regulatory legal acts of the National Bank, 32 MCC certificates, three CU licenses and six license of exchange bureaus were withdrawn. Due to a termination of activity, 18 MCC licenses, three MCA certificates and 11 CU licenses were canceled.

**Table 3.2.1.**

Changes in Number of NFCIs and Exchange Bureaus

Title	2014	2015
SFCI	1	1
Microfinance organizations (MFC, MCC and MCA)	215	172
Credit unions	135	125
Exchange bureaus	309	329
<b>Total NFCI</b>	<b>660</b>	<b>627</b>

In 2015, as in the previous periods, supervision over activities of non-bank financial-credit institutions was aimed to ensure further qualitative growth of the sector, the increase in the availability of microfinance services, which ultimately contributed to financial stability and stability of non-bank financial-credit institutions. Off-site supervision based on periodic regulatory reporting and on-site inspections that resulted in the enforcement measures as established by law, remained to be the supervision tools.

*Off-site supervision*

Thus, based on the off-site supervision findings connected with revealing of the law breaches in activities of non-bank financial-credit institutions, the following actions were applied:

- 30 warnings, 150 prescriptions were sent to microfinance organizations, and the certificate of one MFO was suspended;

- 33 warnings, 119 prescriptions were sent to credit unions, the licenses of two CUs were suspended, and the requirement was forwarded to change the administration of one CU. In January of the reporting year, in order to preserve assets, the National Bank introduced the conservation regime in one CU with the right to attract deposits. In November 2015, the conservation regime was terminated due to a court decision on forced liquidation of the CU;

- two warnings and 141 prescriptions were forwarded to exchange bureaus. A license of one exchange bureau was suspended and thereafter resumed upon elimination of violations.

The prescription was sent and the restriction was imposed on certain types of operations conducted by the SFCI. In March 2015, the National Bank introduced temporary administration regime in the SFCI in order to avoid the risk of losing control of the organization.

#### *Inspections*

In the reporting year, the National Bank conducted 92 inspections of microfinance organizations, 80 inspections of credit unions, and one targeted inspection of the SFCI for compliance with the requirements of the legislation of the Kyrgyz Republic, including the laws on combating the financing of terrorism and extremism and anti-money laundering.

Based on the inspections findings, appropriate enforcement measures were applied to the NFCI.

In 2015, the National Bank conducted 482 inspections of exchange bureaus for compliance with the requirements of the legislation of the Kyrgyz Republic, including the requirements of AML/CFT. The following enforcement measures were applied to the exchange offices for disclosed violations: 13 warnings, 89 prescriptions and 22 license temporary suspensions.

During the reporting year, the National Bank carried out patrol inspections in cooperation with the State Service to Combat against Economic Crimes under the Government of the Kyrgyz Republic, the State Tax Service under the Government of the Kyrgyz Republic, as well as the Ministry of Internal Affairs of the Kyrgyz Republic to verify implementation of the foreign exchange operations with cash foreign currency without an appropriate license. During these inspections, 187 facts of unlicensed activities were revealed; the personalities of offenders were identified and in accordance with the Code of the Kyrgyz Republic on Administrative Responsibility the offenders were brought to administrative responsibility and imposed penalty in the amount of KGS 280.5 thousand was credited to the republican budget.

#### *Risk-based supervision*

The National Bank continued improving methods of NFCIs supervision. In particular, measures were taken to regulate NFCI through the risk-based supervision (RBS), previously introduced methodology for assessing the activity of microfinance organizations through the RBS was still implemented, the international experts conducted the consultations on the RBS practical implementation and application for NFCIs.

#### *Requirements to MCC authorized capital*

Since the beginning of 2015, the requirements of the National Bank to increase the size of the minimum authorized capital of microcredit companies up to KGS 5 million have entered into force. These measures are aimed at improving the microcredit market and ensuring stable functioning of the MFOs.

### **3.3. Supervision and Regulation Methodology**

In 2015, the work was continued to improve the regulatory and legal framework that governs activities of the financial-credit institutions.

#### *Licensing of banks activities*

The National Bank adopted amendments and additions to the Regulation “On Licensing Bank Activities”, aimed at simplifying the procedures for opening and functioning of the branches, savings offices and field cash offices by the commercial banks, as well as providing an opportunity for the banks to conduct operations with precious metals.

To ensure stability, security and reliability of the banking system and to increase public confidence in the commercial banks, the National Bank approved the new requirements for the minimum authorized capital and equity funds for the new and existing commercial banks with determining the terms of their formation. The Regulation “On Procedure of Capital Provision by Non-resident Bank to its Branch” was adopted to establish requirements for placing of the capital allocated for the branch by the non-resident bank as a connected deposit within the National Bank.

The National Bank introduced amendments and addenda into certain regulatory legal acts, which provide for enhancing the value of standard liquidity, the introduction of short-term liquidity ratios for the banks, as well as the “instant” liquidity ratio<sup>1</sup> for individual banks in order to minimize the risks in the banks activity. The requirement on support of “additional reserve capital of a bank” (“capital buffer” indicator<sup>2</sup>) was also established.

*Prudential standards and requirements*

To reduce the level of dollarization of the economy and minimize indirect currency risks, when lending in foreign currency to the clients, whose income is generated in the national currency, the National Bank raised the requirements to the banks with regard to formation of reserves to cover potential losses and damages on newly issued credits in foreign currency. At the same time, the requirements, for formation of the reserves to cover potential losses and damages on the credits issued by the commercial banks in national currency, were weakened.

In order to minimize operational risks in the banks activity, amendments and addenda were adopted in the Regulation “On Minimum Requirements for Operational Risk Management in Commercial Banks of the Kyrgyz Republic”, which strengthened the requirements on application outsourcing services by the banks.

*Risk management*

Amendments and addenda were introduced into certain regulatory legal acts regarding other banks’ proprietary within the framework of the policy on bringing thereof in line with the legislation of the Kyrgyz Republic.

Amendments and addenda were approved in certain regulatory legal acts related to the crediting activity of the banks in order to create the conditions for provision of services on contracted financing by the banks and reducing the associated risks.

Amendments and addenda were introduced in the Regulation “On Commercial Banks Operations with Precious Metals” in order to bring the regulatory legal acts of the National Bank in line with the Concept of Creation and Development of Bank Precious Metals Market in the Kyrgyz Republic, as well as to develop the market of new savings and investment instruments in precious metals of the citizens and business units of the country.

During the reporting period, amendments and addenda were approved in several regulatory legal acts with regard to the standards of applying enforcement measures to officials and/or significant shareholders of the bank in accordance with the legislation of the Kyrgyz Republic, as well as with regard to the determination of characteristics and establishing the procedure of recognition activities as unhealthy and unsafe banking practices.

*Enforcement measures*

To assess indirect currency risks of the banks when lending to clients, amendments and addenda were introduced in the Regulation “On Periodic Regulatory Bank Report”. According to these amendments and addenda, the banks shall provide information on the share of a borrower’s income in foreign currency relative to the total aggregate income of a borrower.

*Regulatory bank reporting*

Within the framework of improving the regulatory and legal framework, which governs the non-bank financial-credit institutions, the National Bank approved the new versions of the provisions regulating the registration and licensing of microfinance organizations and credit unions.

*NFCI regulation*

During the reporting period, amendments and addenda were introduced in several regulatory legal acts of the National Bank, according to these amendments and addenda the microfinance and microcredit companies are entitled to borrow funds from the founders (shareholders) within the limits set by the National Bank.

<sup>1</sup> This indicator shall be observed by the banks on a daily basis, the deposit base of which is eight percent or more of the deposit base of the banking system taken as a whole.

<sup>2</sup> This indicator is defined similarly to the calculation of the total capital adequacy ratio. The bank is not entitled to pay dividends to achieve the established values of this indicator.

The amendments and addenda were adopted in the Regulation “On Minimum Requirements to External Audit of Microfinance Organizations in the Kyrgyz Republic” in order to bring in conformity with the Laws “On Microfinance Organizations in the Kyrgyz Republic”, “On Audit Activity”, as well as to improve the quality of financial reporting of microfinance companies and agencies. These amendments and addenda related to the establishment of criteria according to which microcredit companies and agencies shall conduct an external audit of its activities on an annual basis.

In order to protect the rights of the financial services consumers, the amendments and addenda were adopted in the Regulation “On Minimum Requirements for Credit Risk Management in Credit Unions” in part of establishing the requirements for the credit union agreement and procedure of its conclusion.

*Deposit  
Protection  
System*

The amendments and addenda were introduced into the guidelines for maintenance of the database on the bank’s obligations towards its depositors, which provide for the inclusion of individual entrepreneurs’ accounts in the Deposit Protection System in order to bring thereof in conformity with the Law “On Protection of Bank Deposits”.

*Islamic Principles  
of Financing*

As part of further development of the Islamic principles of banking and financing, the amendments were introduced in some regulatory legal acts on regulation of the activities of the banks operating in accordance with the Islamic principles of banking and financing. These amendments are aimed at reducing the level of dollarization and minimization of credit risks arising from currency risks, based on the example of traditional banks regulation.

In 2015, the National Bank approved amendments in the regulatory legal acts on regulation of the non-bank financial-credit institutions operating in accordance with the Islamic principles of banking and financing. These amendments related to standardization of the typical agreements concluded between the financial-credit institution and the client, to establishment of the requirements for credit risk management and compliance with the limits on the open foreign exchange positions.

## CHAPTER 4. PAYMENT SYSTEM

In 2015, the National Bank continued ensuring a reliable and stable operation of the national payment system of the Kyrgyz Republic.

The main directions of payment systems development for 2015 is optimization and improvement of the legal and regulatory framework conducive to enhancement of reliability and efficiency of functioning of payment systems; supervision over new participants of the payment services market and their systems; expansion of the coverage sphere of retail non-cash payments and development of innovative technologies. During the reporting year, the National Bank implemented measures to develop the national system “Elcard” and make all budget payments and receipts through this system in the territory of the Kyrgyz Republic in order to minimize the risk of impact on the payment system after the imposition of sanctions against the Russian Federation as one of the key trading partners of the republic.

An important event in the payment system was an adoption of the Law “On the Payment System of the Kyrgyz Republic”. This Law regulates operation of the payment system in the Kyrgyz Republic under conditions of the innovative technologies progress, ensures transparency and manageability of cash flows in the economy, safety and reliability of the national payment system, as well as protection of the final consumers rights when working with the electronic payment systems.

In order to improve and bring in conformity with the adopted Law and new international standards in the sphere of payment systems, a number of regulatory and legal acts were developed, which were aimed at:

- licensing of the payment system operators and payment organizations, regulation and supervision over their activity;
- developing the innovative technologies through provision of remote banking and payment services and issuance of e-money by the commercial banks of the republic, their dissemination and cashing;
- facilitating access to retail banking services in the remote regions through agents of the commercial banks;
- minimizing the risks when carrying out emission, acquiring, processing and distribution of bank payment cards in the territory of the Kyrgyz Republic;
- establishing the procedure of registration of the international payment systems operators in the National Bank;
- improving the oversight over the payment system of the republic.

During the reporting year, the National Bank organized specialized seminars for the commercial banks and law enforcement agencies on risk management in the payment systems and minimization of the fraudulent operations in order to coordinate and consolidate efforts on risk minimization in the payment systems. These seminars were also held with the involvement of international payment systems operators and international experts.

As part of the work of the Interagency Commission on increasing the share of non-cash payments and settlements in the Kyrgyz Republic, the implementation of the Action Plan of the State Program of Measures to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic for 2012-2017 (State Program) was coordinated and monitored.

In 2015, the National Bank continued its work to meet the demand for cash, regulated the structure of money in circulation and satisfied the need of the economy in required denominations of banknotes and coins in the national currency.

## 4.1. Payment System Development

### 4.1.1. Non-cash Payments

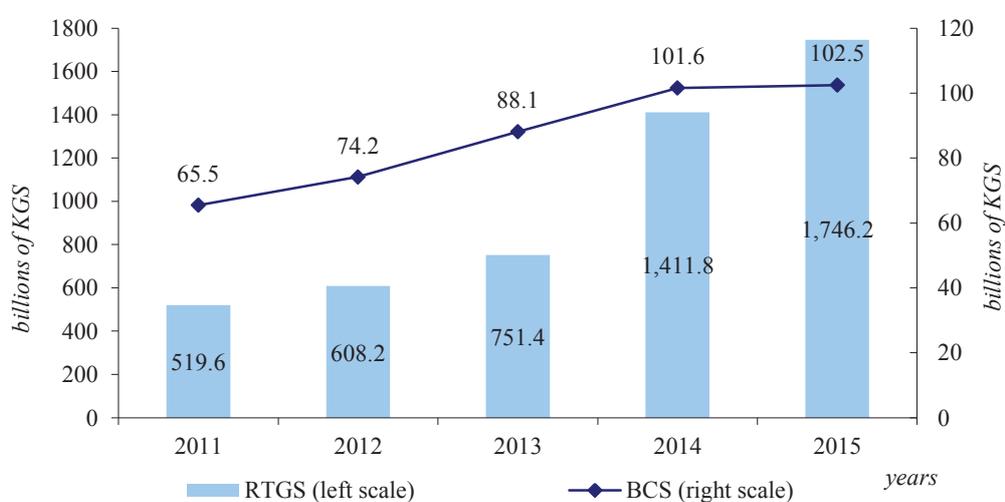
#### *Payment system*

The payment system of the Kyrgyz Republic comprises the Real Time Gross Settlement System (RTGS), the Bulk Clearing System (BCS), the systems of payments with the use of payment cards, and the money transfers systems and cross-border payments. The National Bank of the Kyrgyz Republic; the commercial banks, including their branches, the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, the Interstate Bank and the CJSC “Interbank Processing Center”, as special participant, are the participants of the payment systems in the Kyrgyz Republic.

In 2015, the payments made through the interbank payment systems (RTGS and BCS) amounted to 3.6 million payments totaling KGS 1,848.7 billion.

#### **Chart 4.1.1.1.**

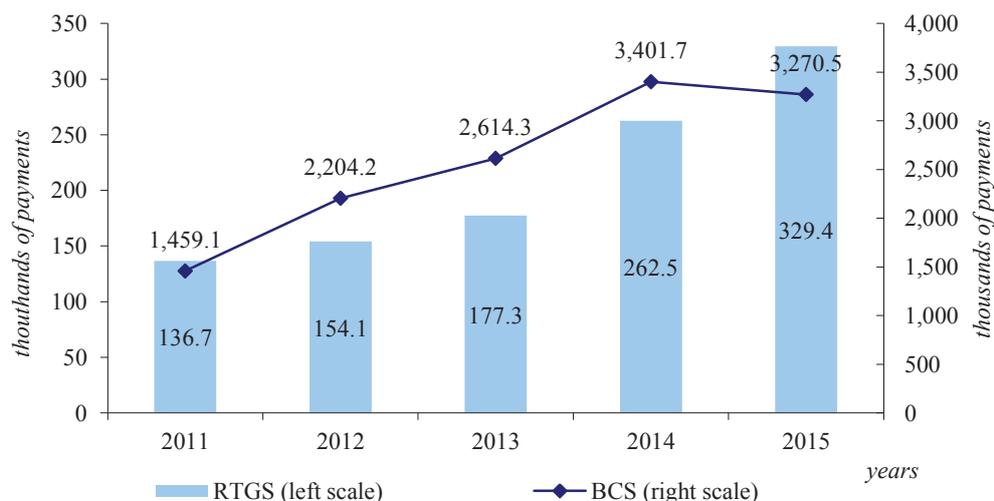
Volume of Payments via Interbank Payment Systems (RTGS and BCS)



In the reporting period, the number of payments via the RTGS increased by 25.5 percent and the number of payments via the BCS decreased by 3.9 percent compared with 2014. The volume of payments via the RTGS and BCS increased by 23.7 and 0.9 percent, respectively. Growth of interbank payments was mainly due to the increase in the volume of payments on the banking operations, including the operations through the Automated Trading System of the National Bank (operations with securities, foreign currency, credit operations). Reduction of interbank payments via the BCS was due to a decrease in clearing payments upon the transition of the Social Fund of the Kyrgyz Republic for service from one bank to another commercial bank, therefore the part of interbank payments, previously made via the BCS, became intrabank payments.

**Chart 4.1.1.2.**

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

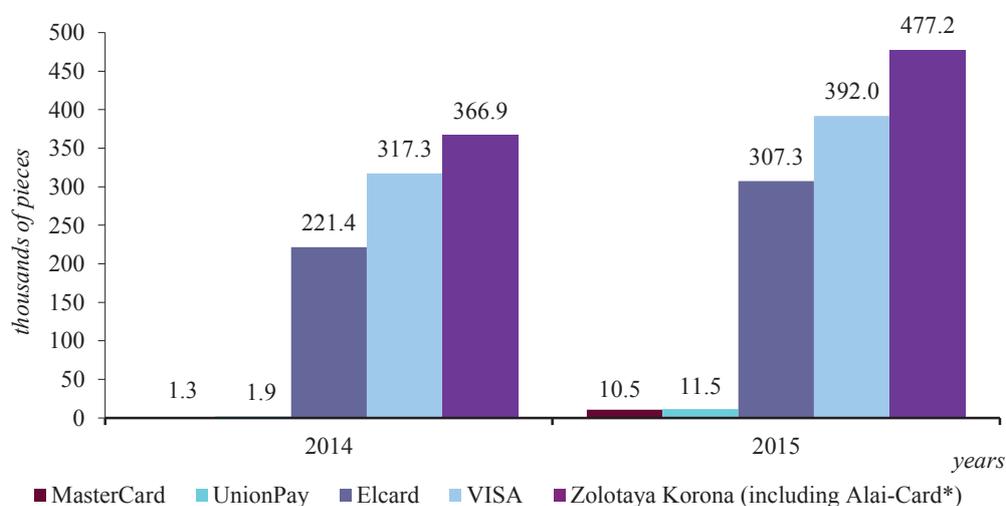


The total number of issued payment cards amounted to 1.2 million, having thus increased by 31.8 percent, of which the number of cards of the national payment card system “Elcard” amounted to 307.3 thousand. The growth of the number of payment cards is largely due to the increase in the number of bank cards issued under salary projects.

*Bank payment cards*

**Chart 4.1.1.3.**

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



\* “Alai-Card” is a trademark (brand) under which cards of the “Zolotaya Korona” payment system are issued and serviced”.

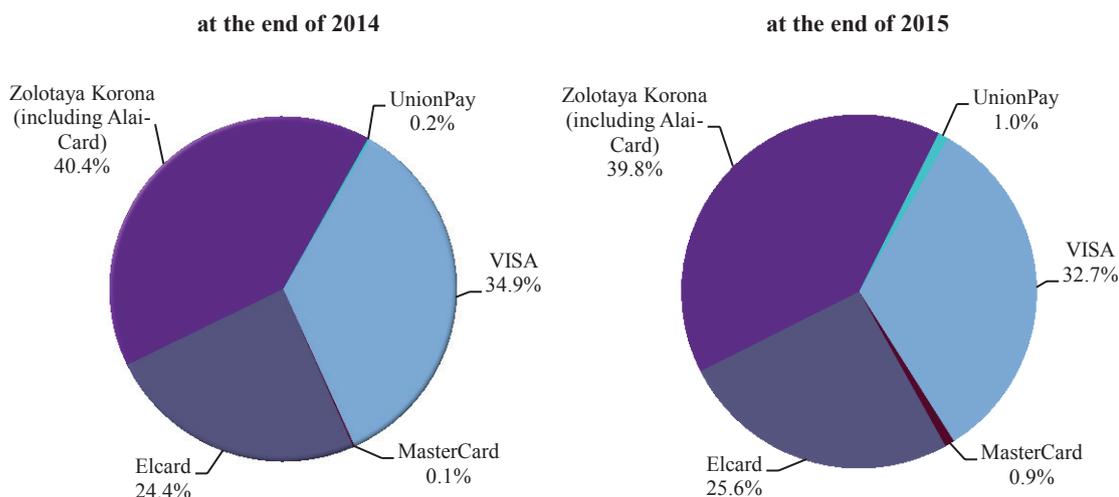
Totally in 2015, 20.5 million operations were conducted with the use of payment cards, which is by 33.1 percent more than in 2014.

*Operations with the use of cards*

The total volume of payment card operations was KGS 100.5 billion for 2015, having increased by 19.9 percent compared with the same indicator of 2014. This demonstrates further activities of commercial banks in the bank card market within the framework of the State Program, as well as the use by the public of banking products, such as the from card to card, Internet banking, and other.

**Chart 4.1.1.4.**

**Ratio of Number of Bank Payment Cards**



In 2015, the value of transactions of trade and service enterprises with the use of cards increased by 27.6 percent – from KGS 2.9 billion in 2014 to KGS 3.7 billion in 2015.

*Card acceptance  
servicing  
infrastructure*

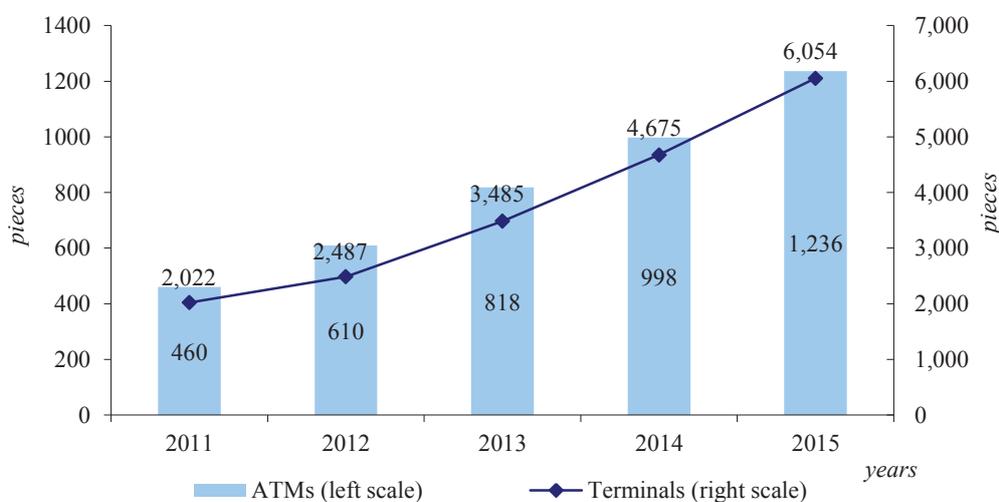
A breakdown by systems shows the total number of operating terminals and ATMs as at the end of the reporting period:

- The national system “Elcard” – 454 ATMs and 1,664 terminals. The cards of the national system “Elcard” were also accepted for servicing by 273 ATMs and 1,707 terminals of international payment systems;
- The international system “Zolotaya Korona” – 363 ATMs and 1,710 terminals;
- The international systems “Visa&MasterCard” – 419 ATMs and 2,680 terminals.

Thus, at the end of 2015, the bank payment cards were accepted for servicing by 1,236 ATMs and 6,054<sup>1</sup> terminals (of which 4,628 pos-terminals were installed at trade and service points and 1,426 terminals were installed in the branches and savings offices of commercial banks) throughout the territory of the Kyrgyz Republic.

**Chart 4.1.1.5.**

**Dynamics of Number of ATMs and Terminals (end-of-period)**



<sup>1</sup> Excluding the cash-in terminals.

In 2015, in order to increase the efficiency of payment systems, integration projects with the Russia's National Payment Card System (NPCS) were initiated and the Memorandum of Cooperation with the Chinese company, that will ensure acceptance and servicing the cards of the national system "Elcard" abroad, as well as cross-border payments and development of e-commerce, was signed.

*Integration of payment systems*

#### 4.1.2. Operators of Payment Systems and Payment Organizations

In 2015, the National Bank began issuing licenses and continued conducting inspections of the payment system operators and payment organizations. In total, 19 licences were issued to the payment system operators and 19 licences to the payment organizations, carrying out their activity in the territory of the Kyrgyz Republic. Inspections were conducted in the payment organizations in order to assess their financial status, to analyze compliance with the legislation of the Kyrgyz Republic, as well as to ensure the smooth and secure functioning of the payment system.

The National Bank continued registering money transfer system operators functioning in the territory of the Kyrgyz Republic. In 2015, 18 operators of the money transfer systems were registered, 12 thereof are the operators of local money transfer systems. In total, 37 operators of the money transfer systems, of which 16 are the operators of local money transfer systems, were registered by the end of 2015.

#### 4.1.3. Payment System Oversight

In the reporting year, the National Bank carried out activities in order to improve methods of payment system oversight and bring it in compliance with the Law "On Payment System of the Kyrgyz Republic" and international standards. Thus, the new versions of the Policy and Rules of Payment System Oversight in the Kyrgyz Republic, which set the criteria of significance for the payment systems and adherence to international principles for the financial market infrastructure.

*Conformity of the payment system to the international standards*

To provide an exchange of information and to carry out joint payment system oversight, the Agreement on Cooperation was signed between the Central Bank of the Russian Federation and the National Bank of the Kyrgyz Republic in April 2015.

*International cooperation in the sphere of payment system oversight*

Taking into account external risks, in the reporting year, the National Bank strengthened oversight measures over the payment system of the Kyrgyz Republic in order to ensure a stable and secure functioning.

According to the monitoring results, the systematically important payment systems RTGS, BCS operated in the normal mode, the level of availability of systems remained high and amounted to the average of 99.9 percent. The level of financial risks in the RTGS remained minimal (the liquidity ratio was 2.6, and the turnover ratio – 0.4) 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.

*Operation of the systemically important payment systems*

An important factor of the stable financial system is the smooth operation of retail payment systems that process a large number of transactions (the systems of settlements with payment cards and the systems of money transfers).

During the reporting period, to increase capacity and ensure the smooth operation of the Single Interbank Processing Center (SIPC) – an operator of the national system "Elcard", stagewise modernization of the system was carried out. Availability of the national payment card system "Elcard" was 99.3 percent.

*Operation of the national payment system "Elcard"*

In 2015, 169 suspicious transactions with 68 bank cards were registered in, mainly, the international payment systems. A significant share in the volume of fraudulent transactions accounted for unauthorized payments made through the Internet and skimming<sup>1</sup>. The commercial banks conducted internal investigations with regard to these facts involving law enforcement agencies.

*Fraud operations with cards*

<sup>1</sup> Skimming is the theft of payment card data through special readers by copying the contents of the magnetic stripe of a payment card.

In December 2015, an Agreement on information exchange and close prompt cooperation on fraud issues in the payment card system was signed between the National Bank and the commercial banks of the republic.

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

In the course of implementation of the Action Plan on the State Program and during the work of the Interagency Commission on increasing the share of non-cash payments and settlements, which comprises the National Bank, ministries and departments, and the local authorities, the following results have been achieved:

- 93.5 percent of employees of budgetary institutions get their wages posted on the bank payment cards, while in 2014 this indicator was 90.5 percent;
- social benefits were paid to 44.4 thousand people through the bank payment cards (9.3 percent of the total number of recipients), while in 2014 the social payments were received by 27.5 thousand people (6.2 percent of the total number of recipients);
- pensions through the accounts in the commercial banks were paid to 232.2 thousand people, accounting for 38.4 percent of the total number of pensioners and compared with 33.4 percent in 2014;
- 526 “Budget Funds Recipient Cards” were issued for the budgetary organizations as a modern alternative to checkbooks and manual handling replacement by automated accounting. The operations with these cards totaled 1.839, with their volume being KGS 290.8 million;
- penalties to the number of 4,382 payments totaling KGS 4.3 million (9,451 offences) were made through the mobile POS-terminals installed in the traffic police patrol cars of the Ministry of Internal Affairs of the Kyrgyz Republic.

In 2015, the Law “On Amendments and Addenda to the Tax Code of the Kyrgyz Republic”, which provides for exemption of commercial banks from VAT, when they import bank equipment, was adopted. Pursuant to this Law, the Memorandum of Understanding was signed between the Ministry of Economy, the National Bank and the Union of Legal Entities “Union of Banks of Kyrgyzstan”, as well as the agreement with commercial banks. In accordance with the terms of signed agreement, the commercial banks are planning to import into the republic 499 ATMs, 3,225 terminals, 445 payment terminals to be deployed mainly in the regions of the republic during the period of 2015-2017. At the end of 2015, 218 ATMs and 1,389 terminals were provided. Installation of new equipment and its use will contribute to development of the retail payments market, increase in the share of non-cash payments and settlements, and improvement of the financial literacy of the population in the regions.

In 2015, the Law “On Addenda to the Law of the Kyrgyz Republic “On Protection of Consumer Rights” was signed. Pursuant to Article 2 of this Law, the National Bank prepared the proposals and the Resolution of the Government of the Kyrgyz Republic “On Measures to Protect Consumer Rights”, which provides for the mandatory installation of POS-terminals by the trade-service enterprises to receive payment for goods and services in the non-cash form, was adopted in December. The implementation of this Resolution is aimed at reducing the dollarization of the economy in the country due to the increase of non-cash payments in the national currency.

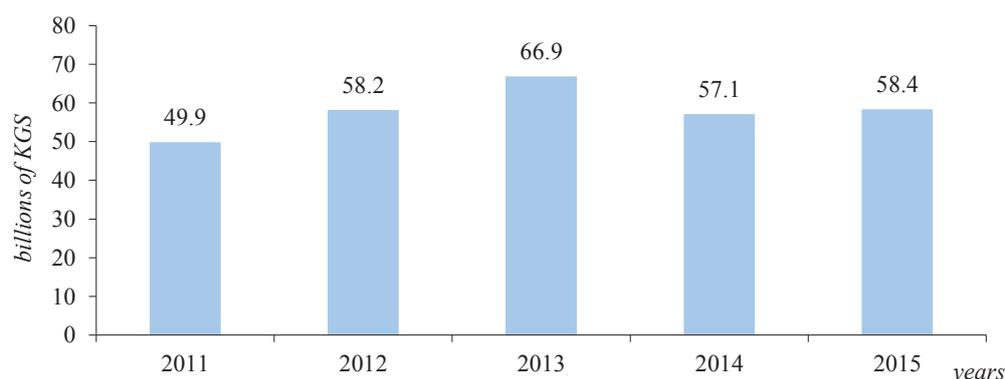
## 4.2. Cash Circulation

One of the main functions of the National Bank of the Kyrgyz Republic is the timely provision of the republic economy with the cash. To achieve it, the National Bank regulates the structure of money in circulation through commercial banks, and commercial banks distribute funds according to the needs of the financial market.

The total amount of money in circulation in 2015 increased by 2.3 percent and amounted to KGS 58.4 billion.

**Chart 4.2.1.**

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



Receipt of cash in cash departments of commercial banks totaled KGS 1,036.7 billion in 2015 and increased by 1.8 percent in comparison with 2014. Disbursement of cash from the cash desks of commercial banks increased by 2.8 percent and amounted to KGS 1,041.0 billion. Recoverability of cash in the cash departments of commercial banks in 2015 made 99.6 percent and decreased by 1.0 percentage points compared to the year of 2014.

*Receipt, issue of cash from cash desks of commercial banks*

**Table 4.2.1.**

Movement of Cash via Cash Desks of Commercial Banks

	Receipt, billions of KGS		Disbursement, billions of KGS		Recoverability, percents	
	2014	2015	2014	2015	2014	2015
<b>Total</b>	<b>1,018.5</b>	<b>1,036.7</b>	<b>1,012.9</b>	<b>1,041.0</b>	<b>100.6</b>	<b>99.6</b>
Bishkek city	518.5	489.5	489.3	475.6	106.0	102.9
Batken oblast	51.4	51.5	52.4	52.1	98.1	98.8
Jalal-Abad oblast	102.2	107.7	114.4	115.7	89.3	93.1
Issy-Kul oblast	44.7	52.7	48.5	55.3	92.2	95.3
Naryn oblast	18.0	21.2	20.7	24.0	87.0	88.3
Osh city	139.6	138.4	137.8	138.3	101.3	100.1
Osh oblast	44.0	50.9	45.5	51.9	96.7	98.1
Talas oblast	19.9	23.2	24.2	26.5	82.2	87.5
Chui oblast	80.2	101.6	80.1	101.6	100.1	100.0

In 2015, the work was continued on issuance of banknotes and coins, withdrawal and destruction.

The cash turnover in 2015 was represented by 327.8 million sheets of banknotes and 248.0 million coins. Of the total amount of money in circulation in 2015, the share of banknotes accounts for 98.7 percent, and the share of coins – 1.3 percent. The structure of banknotes by denomination and coins 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)

Denomination	up to 5 soms	10 soms	20 soms	50 soms	100 soms	200 soms	500 soms	1 000 soms	5 000 soms	<b>Total</b>
2014	0.9	0.6	0.7	1.3	2.4	4.7	11.5	46.4	31.5	<b>100.0</b>
2015	1.0	0.6	0.7	1.1	2.3	4.5	11.6	46.9	31.3	<b>100.0</b>

*Selling of refined gold bullions*

In 2015, the number of detected counterfeit banknotes totaled 77 pieces amounting to KGS 106 330 (in 2014 – 225 pieces). Criminal proceedings were initiated in each case of counterfeiting, with the search operations conducted by the law enforcement agencies.

Since May 7, 2015 the National Bank started selling the refined gold bullions with the fineness of 999.9 and the weight of 1, 2, 5, 10, 31.1035 and 100 grams with a view to create and develop the market of precious metals in the Kyrgyz Republic, to form the market of new savings and investment tools for the population and the enterprises of the republic, to attract investments to the bank market, and to develop industrial potential of gold mining branch in Kyrgyzstan.

**Figure 4.2.1**

Specifications of Refined Gold Bullions Issued by the National Bank of the Kyrgyz Republic

weight, grams	metal	fineness	width, mm	length, mm
1	gold	999.9°	8	13.8
2	gold	999.9°	11	18.9
5	gold	999.9°	14	24.1
10	gold	999.9°	15	25.8
31.1035	gold	999.9°	22	37.9
100	gold	999.9°	26	44

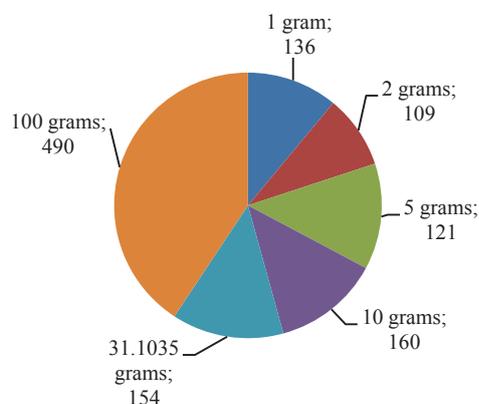


The peculiarity of this tool is the ability to repurchase thereof by the National Bank that provides refined gold bullions with high liquidity. Refined gold bullions with the weight of 100 grams were made of the Kyrgyz gold, fineness – 999.9, by the gold refinery OJSC “Kyrgyzaltyn”, their share is 73 percent of the total number of issued gold bullions. The selling and repurchase price of refined gold bullions is set on a daily basis in the national currency according to the current official exchange rate of the US dollar against the Kyrgyz som and on the basis of the value of gold, as determined by the London Bullion Market Association. In 2015, the volume of sold refined gold bullions made 61.4 kg to the amount of KGS 158.2 million.

In order to continuously replenishment the stock of refined gold bullions the National Bank first started to purchase refined non-monetary gold from local companies producing gold.

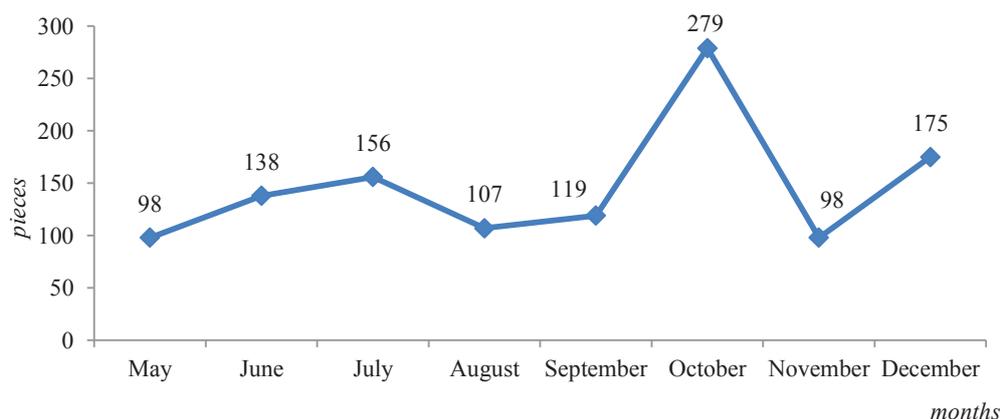
**Chart 4.2.2.**

Quantity of sold Refined Gold Bullions (pieces)



**Chart 4.2.3.**

Dynamics of sales of Refined Gold Bullions by month (pieces)



Refined gold bullions weighing 1, 2, 5, 10 and 31.1035 grams are issued in secure packaging, which is also used as a certificate. The safety of the packaging-certificate guarantees the authenticity of the refined gold bullions and provides immediate payment in case of repurchase.

During the reporting year, the National Bank initiated the issue on introduction of amendments and addenda to the Tax Code of the Kyrgyz Republic in part of tax exemption, when the banks sell refined gold bullions. During the year, the regulatory and legal framework was formed to conduct transactions with precious metals; technical support was provided with the expert equipment for examination of precious metals. To ensure their safety and security the National Bank provided services for storage of refined gold bullions weighing 31.1035 and 100 grams for individuals and legal entities.

The National Bank held regular trainings for the representatives of the commercial banks to obtain the license for conducting transactions with precious metals in the form of refined gold bullions, issued by the National Bank.

The National Bank continued issuing collection commemorative coins devoted to the historical events and dates, fauna of Kyrgyzstan, architectural monuments and other topics. In 2015, seven types of collection commemorative coins were issued:

- Gold coin “Snow Leopard” with brilliant insertions, of the series “Red Book of Kyrgyzstan”;
- Silver coin “70 years of Great Victory” with pad printing and hologram, the series “Historical events”;
- Silver coin “Bustard” made with oxidation technology and local gilding, of the series “Red Book of Kyrgyzstan”;
- Silver coin “Tamga – the symbol of unity of the Kyrgyz kaganat”, made with pad printing and gilding, of the series “Age of the Kyrgyz kaganat”;
- Silver coin “Eurasian Economic Union” is made with the pad printing method;
- Silver coin “Kyz kumai” of the series “National sports and folk games”;
- Copper-nickel coin “Kyz-kumai” of the series “National sports and folk games”.

*Issue of commemorative coins into circulation*

**Figure 4.2.2.**

Gold coin “Snow Leopard” with brilliant insertions



**Figure 4.2.3.**

Silver coin “70 years of Great Victory” with pad printing and hologram



## CHAPTER 5. INTERNATIONAL COOPERATION

Interaction of the National Bank of the Kyrgyz Republic with the international financial institutions and central banks was realized in 2015 taking into account the priorities specified in the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017 and the Kyrgyz Republic accession to the Eurasian Economic Union.

### 5.1. Cooperation with International Organizations

In April 2015, the Executive Board of the International Monetary Fund (IMF) approved a new three-year agreement to support the economic program of the Kyrgyz Republic within the framework of the Extended Credit Facility (ECF) to the amount equivalent to SDR 66.6 million (approximately USD 92.4 million). The aim of the program is to ensure macroeconomic stability and sustainable economic development of the country in the medium term. Safeguard Assessment of the National Bank was conducted within the framework of this program.

*Cooperation  
with the IMF*

In the reporting year, the National Bank administration took part in the Annual Spring Meeting of the Executive Board of the International Monetary Fund and the World Bank held in Washington, USA. The Governor of the Kyrgyz Republic for the IMF – the Chairman of the National Bank held several meetings with the international financial institutions and central banks of other countries on the issues of international cooperation.

In November 2015, a meeting of the Chairman of the National Bank with the IMF Managing Director was held in El-Kuwait, Kuwait, during which they discussed the directions of further cooperation between the Kyrgyz Republic and the IMF under the current program, development of the financial and banking sectors of the country.

Several working meetings were held to discuss the results of introduction of the Forecasting and Policy Analysis System (FPAS) in the National Bank, measures of the monetary policy and the use of the monetary policy instruments during the visit of the IMF technical mission on the monetary policy issues and macroeconomic modeling. The result of the mission activity was elaboration of recommendations to further enhance the effectiveness of monetary policy, the adaptation of the Forecasting and Policy Analysis System to macroeconomic developments that occurred since its introduction.

Within the framework of technical cooperation, work was continued on implementation of the IMF regional project “External Sector Statistics Improvement”. As a result of this work, pre-release version of the balance of payments and international investment position was prepared in accordance with the requirements of the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM 6).

During the year, work was also carried out within the framework of IMF technical assistance on anti-money laundering and combating the financing of terrorism (extremism). This work was aimed at strengthening oversight over the commercial banks taking into account the risk in the sphere of AML/CFT, development of more effective external oversight methods, as well as improvement of the instructions for the conduct of field inspections for compliance with AML/CFT laws.

In the reporting year, the National Bank representatives took part in the IMF Institute Training Programs for Capacity Development on the issues of monetary policy, financial stability, improvement of international reserves management processes, public debt management and other issues.

In 2015, work was continued on the Financial Sector Development Project, FSDP in the Kyrgyz Republic. This project is implemented in accordance with the Memorandum of Understanding between the World Bank (WB), the Swiss State

*Cooperation  
with the WB  
and SECO*

Secretariat for Economic Affairs (SECO) and the National Bank of the Kyrgyz Republic on establishment of the trust fund to ensure project financing. Within the framework of project implementation work is carried out on introduction of the risk-based banking supervision and automated system of collection, processing and analysis of statistical data.

In the reporting year, the representatives of the World Bank Treasury visited the National Bank to assess current practices in the international reserves management.

The World Bank experts completed the diagnostic review of the structure of consumer protection and financial literacy. The review is the detailed assessment of the institutional, legal and regulatory framework for consumer protection in the banking and microfinance sectors. Based on the work results, the experts presented recommendations on consumer rights protection and improvement of the financial literacy of the population of the country.

*Cooperation  
with the ADB*

In 2015, implementation of the second Investment Climate Improvement Program (ICIP) of the Asian Development Bank (ADB) was continued. The Investment Climate Improvement Program is focused on the reforms that will reduce barriers and costs associated with business setting up, and improve the regulatory legal framework for the development of business infrastructure in the country. The National Bank is working on implementation of one program components, aimed at promoting the improvement of payment systems and supervision over the commercial banks and non-bank financial-credit institutions.

*Cooperation with  
the EBRD*

In the reporting year, the delegation of the European Bank for Reconstruction and Development (EBRD) visited the Kyrgyz Republic. The economic and financial situation in Kyrgyzstan, regional integration processes, the development of the financial and foreign exchange markets, investment climate and further priorities of the EBRD operations in Kyrgyz Republic were discussed at the meeting of the EBRD President with the National Bank administration.

Within the framework of technical cooperation with the EBRD in 2015, the project was launched to promote mobile payments in the Kyrgyz Republic and the Mobile Payments Development Strategy was elaborated with the assistance of the EBRD consultant.

In 2015, the EBRD mission visited the country, at the end of this mission it was decided to provide long-term technical assistance in the field of macroeconomic modeling as a basis for decision-making on monetary policy and communication policy of the National Bank.

*Cooperation  
with the IDB*

As Alternate Governor of the Islamic Development Bank (IDB) for the Kyrgyz Republic in November 2015 the National Bank administration participated in the international conference on Islamic financing organized jointly by the IMF and the IDB. During this conference the Chairman of the National Bank held a meeting with the President of the IDB Group and discussed the possibility of establishing a joint bank in Kyrgyzstan to carry out activities in accordance with the Islamic principles of financing.

During the year, consultative aid was provided on the Islamic financing and banking within the framework of implementation of agreements achieved earlier with the IDB on technical assistance to be rendered by the experts of the Islamic Research and Educational Institute.

*Cooperation  
with the AFI*

In 2015, a project of the “Program for Financial Literacy Improvement in the Kyrgyz Republic for 2016-2020” was developed in accordance with the grant agreement between the Alliance for Financial Inclusion (AFI) and the National Bank on implementation of the project “Financial Literacy in Support of Financial Inclusion”. This program was prepared in order to define the main directions of the state policy in the sphere of improving the financial literacy of the population as one of the important conditions for economic development and social stability, reducing poverty and improving the level of financial protection of the population.

In the reporting year, cooperation within the framework of the Kyrgyz Republic accession to the Eurasian Economic Union (EEU) was continued. On 21 May 2015, the Law “On Ratification of International Treaties on the Kyrgyz Republic Accession to the Eurasian Economic Union Treaty dated 29 May 2014” came into force. On 12 August 2015, the Treaty on the Kyrgyz Republic accession to the Eurasian Economic Union Treaty and the Kyrgyz Republic became a full-hedged member of the EEU, along with the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation. The National Bank within its competence participated in the activity of the advisory committees, subcommittees and working groups on the issues of the financial sector, macroeconomic policies and statistics.

*Cooperation within the framework of the EEU*

In July 2015, the National Bank organized a regular meeting of the Advisory Committee on the financial markets of the EEU member states held in Bishkek city, the issues of harmonizing the national legislation in the sphere of regulation of the banking sector, securities market, foreign exchange regulation and other issues were discussed at the meeting.

Under the Kyrgyz Republic's membership in the Eurasian Economic Union, in September 2015, the head of the central banks of Belarus, Kazakhstan and Russia signed the Supplement to the Regulation “On the Advisory Council on the Monetary Policy of the Central (National) Banks of the Member States of the Customs Union and the Common Economic Space” with regard to entering the Council by the Republic of Armenia and the National Bank of the Kyrgyz Republic during 11<sup>th</sup> Meeting of the Advisory Council on the Monetary Policy of the Central (National) Banks of the Member States of the Customs Union and the Common Economic Space held in Dilijan, the Republic of Armenia. The issues relating to the current economic situation and monetary policy implementation in the member states, including exchange rate policy and other issues were discussed at the meeting.

*Cooperation with the Advisory Council on the Monetary Policy*

In the reporting year, the work was completed within the framework of the the National Bank membership in the Boards of Governors of Central (National) Banks of the Member States of the Treaty on the establishment of the Eurasian Economic Community (EurAsEC). In connection with the adoption of the decision on liquidation of the Eurasian Economic Community, work was carried out on restructuring the above-mentioned Council, clarifying the objectives of its activities in a new environment and the Treaty on the Eurasian Council of Central (National) Banks was signed in November 2015, the central (national) banks of the Republic of Belarus, Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation became the participants thereof. The objective of the newly established advisory and consultative body is the deepening of integration in the financial-banking sphere, coordination of activities among the parties on the issues of development of the national monetary, financial and banking systems, the improvement of multilateral and bilateral payment relations and other issues falling within the competence of the central (national) banks.

*Cooperation within the framework of the Eurasian Council of Central (national) Banks*

In 2015, the National Bank participated in the activities of the Interstate Bank (ISB) as a member of the ISB Council. Various issues related to the work of the ISB, including the draft version of the Agreement on establishing the ISB and its Charter were considered at the regular meetings of the ISB Council.

*Cooperation within the framework of the Interstate Bank*

In 2015, interaction with the German Savings Banks Foundation for International Cooperation was continued within the framework of the educational project “Dual vocational training of bank specialists”, the Republic of Turkey Prime Ministry Turkish Cooperation and Coordination Agency (TIKA) on the issues of the Islamic banking and financing, with the German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ) on financial literacy and with other institutions. This cooperation contributed to increased capacity of specialists of the commercial banks and the National Bank.

*Cooperation with other international organizations*

## 5.2. Cooperation with Central (National) Banks

In 2015, the National Bank continued bilateral and multilateral cooperation with the central (national) banks of other countries according to the existing agreements on cooperation, as well as membership in the international financial institutions, integration and regional associations.

In particular, as part of the Agreement on cooperation in the field of training of personnel of the central (national) banks of EurAsEC member states the National Bank employees participated in trainings and seminars on various subjects of banking activities organized by the central (national) banks of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Russian Federation and the Republic of Tajikistan. The result of this cooperation was the training of the National Bank employees, improvement of the several regulatory and legal acts of the National Bank and its activities.

In 2015, the National Bank developed cooperation between with central banks-members of the Club of Governors of Central Banks of Central Asia, the Black Sea region and the Balkans. The Club of Governors of Central Banks is a regional international organization, the objective of which is to provide the central banks of the participating countries with the possibility of regular exchanges of views on the monetary policy, bank supervision, and maintaining the banking systems stability. Members of the Club are the heads of the central (national) banks from 25 countries. The impact of dollarization on the economies of developing countries was one of the main issues on the agenda of the regular meetings of the Club.

The Kyrgyz Republic is a member of the Swiss group of IMF member states, and in this connection the National Bank works closely with the central (national) banks of the member states of this group.

### *Cooperation with the National Bank of Switzerland*

In April 2015, the delegation of the National Bank of Switzerland headed by the Chairman of the Bank visited the Kyrgyz Republic. During this visit, meetings were held with the administrations the National Bank of Switzerland and the National Bank of the Kyrgyz Republic and the results of long-term cooperation and further joint work plans were discussed. Based on the results of the visit, an agreement to continue technical cooperation on arrangement cash circulation, communication policies, macroeconomic modeling, financial stability, operational risk management, and other issues was achieved.

### *Cooperation with the Deutsche Bundesbank*

In January 2015, in order to strengthen the relationship with the Deutsche Bundesbank, the delegation of the National Bank visited the Center for Technical Cooperation of the Deutsche Bundesbank; during this visit two sides discussed the prospects for further cooperation. As a result, work on a joint project of the National Bank of Switzerland, the Deutsche Bundesbank and the National Bank of the Kyrgyz Republic on arrangement of cash circulation, as well as on a number of other issues, was continued during the year of 2015.

### *Cooperation with the National Bank of Poland*

In December 2015, the delegation of the National Bank of Poland visited the Kyrgyz Republic to discuss technical cooperation program for the coming years and methods to improve the effectiveness of this interaction. During the visit, the following priorities for future cooperation were identified: enhancing financial literacy of the population, organization of continuous bank activity, international reserves and risk management.

### *Cooperation with the People's Bank of China*

In the reporting year, the cooperation between the National Bank and the People's Bank of China was continued: in autumn 2015, the delegation of the central office of the People's Bank of China and the Urumqi branch visited the National Bank. Within the framework of this visit, the Chairman of the People's Bank of China met with the governors of the country, at the end of this meeting the Protocol of Intentions on

cooperation between the National Bank of the Kyrgyz Republic and the People's Bank of China was signed.

Preparatory work on signing of the Memorandums of Understanding with the Central Banks of Turkey and Georgia was carried to develop bilateral relations between these central banks.

During the year, cooperation was also supported with other central banks in order to exchange experience.

*Cooperation with  
other central  
(national) banks*

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

### 6.1. Structure of the National Bank of the Kyrgyz Republic

In 2015, the organizational structure of the National Bank included 30 structural units of the central office, five regional offices, and the representative office in the Batken oblast.

In order to optimize the organizational structure and efficiency of the National Bank activities, the following changes were made during the reporting year:

- Organization and Budget Department was reorganized by dividing into three separate structural units:
  - Personnel Division;
  - Finance and Monitoring Division;
  - National Bank's Operations Optimization Group;
- Loan Administration Group was separated from the Monetary Operations Department and reorganized into the Loans and Guarantees Administration Group as a separate structural unit;
- Banking and Microfinance Service Consumer Rights Division was separated from the Legal Department and reorganized into the Consumer Rights Protection and Financial Literacy Division as a separate structural unit;
- National Bank's Communication Policy Development Group was created.

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

<b><i>Economic Department</i></b>	develops the proposals on the monetary policy and its implementation; analyzes monetary, real, financial, and fiscal sectors of the economy; and implements macroeconomic modeling and forecasting;
<b><i>Monetary Operations Department</i></b>	implements the monetary policy; conducts the operations in the financial markets, assesses and analyzes them; and identifies the trends and reasons for the changes in the financial markets in order to effectively coordinate the open market operations;
<b><i>Financial Statistics and Review Department</i></b>	maintains statistics on monetary indicators, financial market performance indicators, statistics on the banking sector and non-bank financial-credit institutions; compiles the balance of payments; 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;
<b><i>Off-site Supervision Department</i></b>	exercises off-site (distant) supervision of banks and non-bank financial-credit institutions in order to protect the interests of depositors and other creditors, as well as to ensure fair competition;
<b><i>Supervision Methodology and Licensing Department</i></b>	develops the methodological framework of supervision and regulation of commercial banks and non-bank financial-credit institutions and is responsible for licensing their activity;

<b><i>On-site Supervision Department</i></b>	conducts the on-site inspections of commercial banks and non-bank financial-credit institutions regarding compliance in their activities with the laws;
<b><i>Cash Management Department</i></b>	meets the demand of the economy of the Kyrgyz Republic for the banknotes and coins, maintaining their optimal inventory, storage, and transportation of banknotes, coins, and valuables; and carries out a complex of measures for the destruction of worn-out banknotes and coins;
<b><i>Bank Settlements Department</i></b>	ensures the functioning of interbank settlement systems; makes settlements on the financial market operations and transactions;
<b><i>Banking Automation Department</i></b>	ensures the timely provision of reliable and safe solutions in the field of information technologies and the optimization of information flows;
<b><i>Payment Systems Department</i></b>	develops the methodological framework, regulation, control and supervision (oversight) to ensure the effective operation of the payment system, its reliability and safety; and promotes development of the payment system of the country, as well as implements licensing, regulation and supervision of payment system operators and payment organizations;
<b><i>Accounting and Reporting Department</i></b>	keeps records of operations and compiles the financial statements of the National Bank; develops the regulatory acts governing the accounting of the National Bank; and exercises internal control over the operations of the National Bank;
<b><i>Legal Department</i></b>	provides comprehensive legal support of the National Bank, development and improvement of the banking legislation;
<b><i>Documentation Management and Communications Department</i></b>	organizes the centralized flow of documents and the followup action; ensures the implementation of the requirements of the Law “On the State Language of the Kyrgyz Republic”; and ensures the development of public relations, organization and implementation of protocol events;
<b><i>Security and Information Protection Department</i></b>	ensures safe activity of the National Bank and its information resources;
<b><i>Administrative and Logistics Department</i></b>	provides servicing of the National Bank facilities and their maintenance in good condition in accordance with the rules and standards of safety technique, the rational use of budget and resources for household purposes;
<b><i>Personnel Division</i></b>	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;

<b><i>Finance and Monitoring Division</i></b>	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;
<b><i>International Cooperation Division</i></b>	provides for the establishment, strengthening, and development of international cooperation of the National Bank with the external organizations;
<b><i>Risk Control Division</i></b>	manages the financial risks in the operations of the National Bank on the foreign markets; develops the proposals on the strategy and policy of risk management in the bank; and coordinates the work of departments on operational risk management;
<b><i>Consumer Rights Protection and Financial Literacy Division</i></b>	contributes to protection of the consumers rights of the banking and microfinance services, strengthening consumer confidence in the financial-credit institutions, as well as the transparency and disclosure of complete and accurate information about the banking and microfinance services;
<b><i>Project Implementation Unit</i></b>	provides support for the projects of international financial institutions and donor countries implemented by the National Bank or with its involvement, as well as organizes the centralized procurement system at the National Bank;
<b><i>Capital Construction Division</i></b>	provides for capital construction and reconstruction of buildings of the National Bank;
<b><i>Internal Audit Service</i></b>	conducts the independent assessment of adequacy and effectiveness of the internal control system of the National Bank and develops the measures for its improvement;
<b><i>Press Office</i></b>	informs the public about activities and policies of the National Bank through the mass media;
<b><i>Board Secretariat</i></b>	provides organizational support for the work of the National Bank and exercises control over execution of its decisions;
<b><i>Economic Research Center</i></b>	conducts the applied research and coordinates the work on macroeconomic and other issues;
<b><i>National Bank Communication Policy Development Group</i></b>	develops regulatory and legal acts on the issues of public communications, strategy of publicizing the activities of the National Bank, including mechanisms for clarification of conducted policy;
<b><i>National Bank Operations Optimization Group</i></b>	describes and analyzes business processes, provides preparation of proposals for improvement of the organizational structure, formalization and optimization of business processes, as well as supports their relevance when introducing amendments into the regulatory and legal framework;

<b><i>Loan and Guarantees Administration Group</i></b>	provides timely and complete return of assets of the National Bank on issued loans for refinancing and support of liquidity of the commercial banks;
<b><i>Education and Recreation Center (Tolkun Rest House)</i></b>	provides conducting of the seminars, roundtables, other training activities involving the employees of the National Bank, as well as the rest of employees of the National Bank;
<b><i>Regional Departments and the Representative Office of the National Bank</i></b>	provides the branches of commercial banks with cash; participates in activities for supervision over observance of the banking legislation by the financial-credit institutions, which activities are licensed and regulated by the National Bank, as well as implements the measures within the framework of the payment system.

At the end of the year under review, the payroll number of employees of the National Bank amounted to 698 people, including 615 people – in the central office and 83 people – in the regional departments and the Batken Representative Office. Of these, the number of women amounted to 306 people – in the central office and 35 – in the regional departments and the Batken Representative Office. The number of women percentagewise was 49.0 percent and men – 51.0 percent.

*Payroll number of employees of the National Bank*

In 2014, the number of employees of the National Bank amounted to 645 people, including 568 people – in the central office and 77 people – in the regional departments and the Batken Representative Office. The number of women percentagewise was 49.0 percent and men – 51.0 percent.

The change in the payroll number in 2015 compared with 2014 was due to the need for temporary workers to do special and urgent work. Availability of temporary workers is one of the tools to ensure the continuity, succession and safety of structural units.

The National Bank of the Kyrgyz Republic provides trainings for its specialists on an annual basis, in order to improve their qualification. In 2015, training was conducted for the specialists within the framework of the program of vocational training for the personnel of the central (national) banks of EurAsEC member states, training activities organized in the CIS and far-abroad countries, as well as in the Kyrgyz Republic, including the National Bank-based technical assistance.

In accordance with the Memorandum of Long-Term Cooperation between the National Bank and the Savings Banks Foundation for International Cooperation (Germany), educational project “Dual vocational training for bank specialists” was launched in 2015. This project is aimed at introducing successful international banking practice in Kyrgyzstan. In the reporting year, according to the results of the first cycle of education 53 young specialists from the personnel of the National Bank and the commercial banks completed training.

In the process of employment in the National Bank, the system of a competitive selection of civil servants is used; 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 were published on the website of the National Bank and in the media.

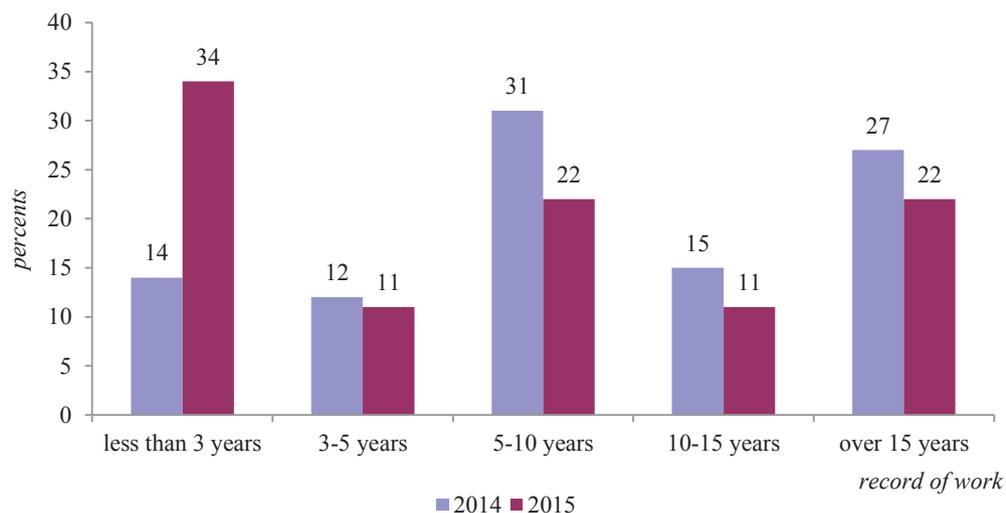
In 2015, 45 competitions were held, including in the regional offices – 6 contests. In total, 325 people took part in the contests. As a result of these competitions, 32 people were recruited.

The staff turnover was 10.0 percent in 2015 and in 2014 – 13.4 percent.

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

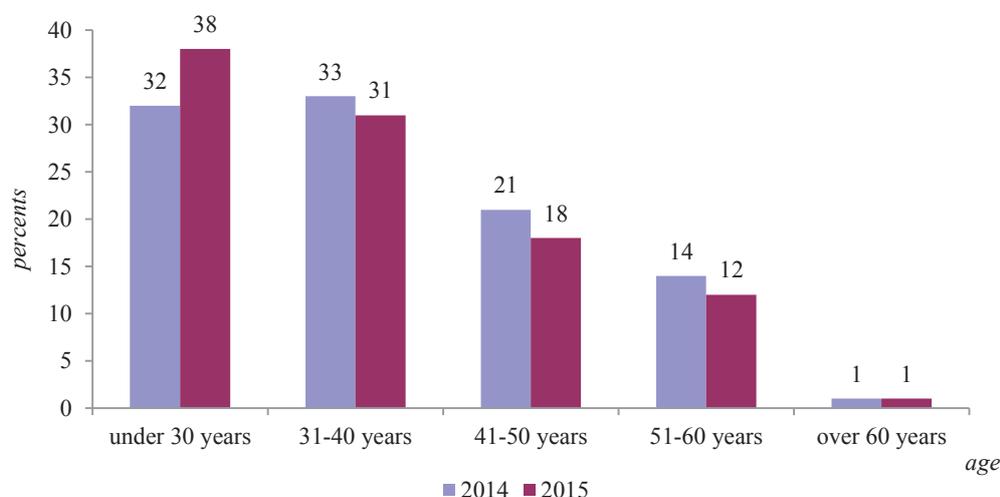
**Chart 6.1.1.**

Structure of Specialists by Record of Work  
(percent)



**Chart 6.1.2.**

Structure of Specialists by Age  
(percent)



The committees and commissions operate in the National Bank on the regular basis. Seven committees, eleven commissions, six editorial boards for publications of the National Bank, the scientific advisory council, and the supervisory board operated as of 31 December 2015. The order and procedures for the committees, commissions, and editorial boards are regulated by the relevant provisions. Activity of committees and commissions contributes to the improvement of corporate governance at the National Bank.

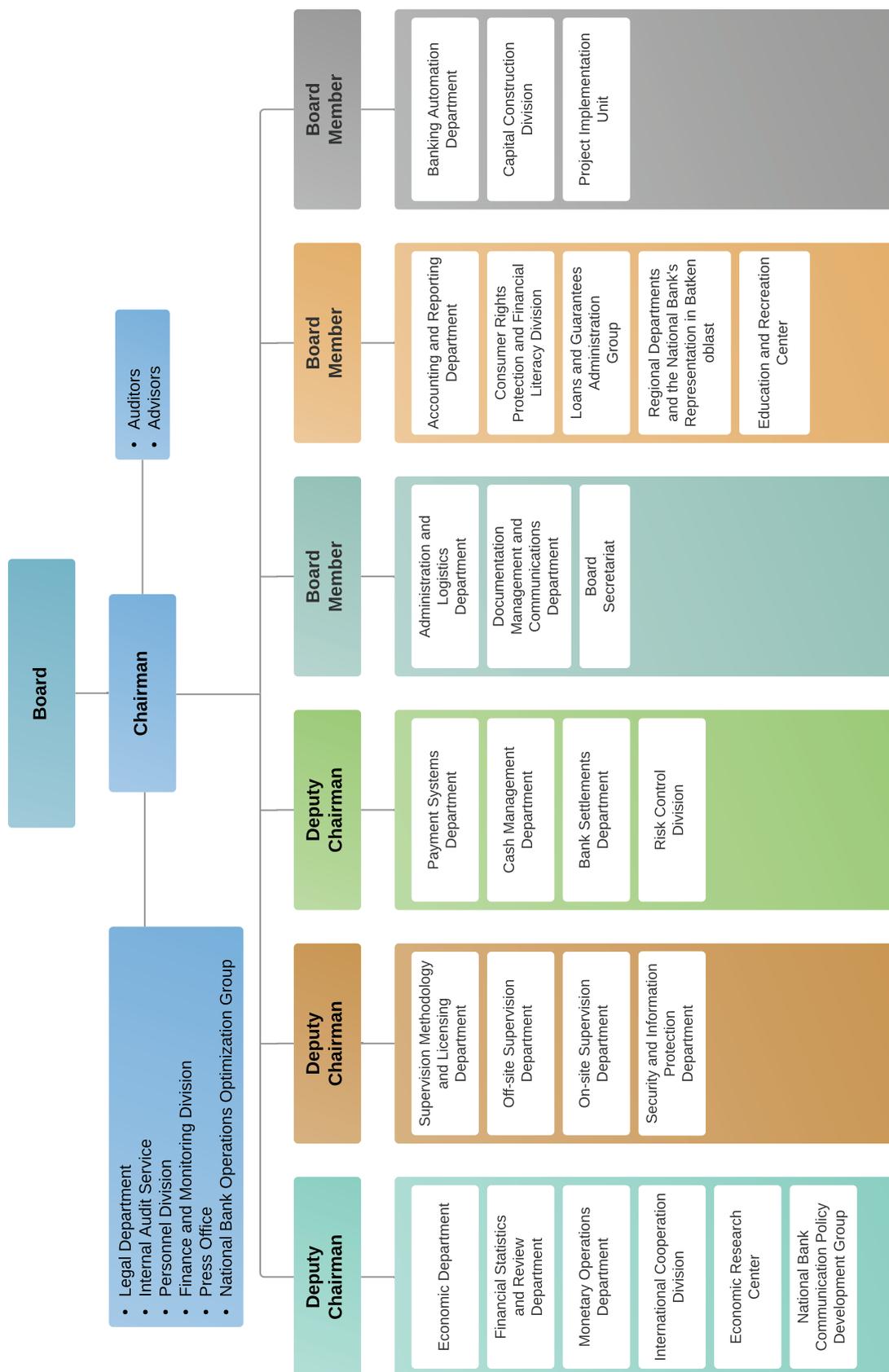
## Goals and Objectives of Main Committees and Commissions of the National Bank of the Kyrgyz Republic

<b><i>Monetary Regulation Committee</i></b>	develops and implements the operational decision-making on current liquidity management. The main objectives are to evaluate and select open market options, analyze the possible consequences of the chosen options, make the decisions and create the conditions for the use of monetary policy instruments;
<b><i>Investment Committee</i></b>	develops and makes the decisions on international reserves management within 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;
<b><i>Supervision Committee</i></b>	decides on the regulation and supervision of commercial banks and other financial-credit institutions licensed by the National Bank within the established competence;
<b><i>Payment System Committee</i></b>	coordinates the work of the National Bank structural units to ensure efficiency, reliability and security of the payment system in the country. The main task is to make the decisions, to develop and present the recommendations (conclusions) on the payment system, to approve the issue of licenses to payment systems operators and payment organizations;
<b><i>Risk Committee</i></b>	develops the recommendations on minimization of risks by coordinating operations of the National Bank structural units in the area of identification, evaluation, and constraints of risks inherent in activities of the National Bank;
<b><i>Coordination Committee on Information Systems</i></b>	elaborates the decisions and exercises control over measures for implementation of the Information System Development Strategy and the Long-term Information Systems Development Plan in accordance with the goals and objectives of the National Bank;
<b><i>Audit Committee</i></b>	assists in ensuring proper control over the completeness and accuracy of the financial statements of the National Bank, the reliability and effectiveness of the internal control system, and independence of the external and internal audit;
<b><i>Assessment Commission</i></b>	establishes the National Bank employee's adequacy for the job. The work of the commission is directed to the improvement of the selection and placement of personnel, motivation of the personnel to effective activity, identification of prospects for the use of the worker's potential;

<b><i>Disciplinary Commission</i></b>	examines the labor discipline violation cases, as well as the Code of Ethics of employees of the National Bank;
<b><i>Commission on Prevention of Corruption</i></b>	Considers the issues on prevention and combating corruption through the implementation and monitoring of anti-corruption measures;
<b><i>Commission on Labor Disputes</i></b>	considers individual labor disputes in the National Bank in accordance with the Labor Code of the Kyrgyz Republic;
<b><i>Methodological Commission</i></b>	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;
<b><i>Commission for Organizational Development of the National Bank</i></b>	examines the organizational development of the National Bank and prepares proposals on these issues;
<b><i>Central Expert Commission</i></b>	organizes and conducts the examination of the documents of the National Bank and their selection for storage or destruction.

# Organizational Chart National Bank of the Kyrgyz Republic

as on 31 December 2015



## 6.2. Activity of the Board of the National Bank of the Kyrgyz Republic in 2015

### *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”.

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

The Board of the National Bank activity is carried out in accordance with the approved annual and quarterly action plans. In 2015, it held 98 meetings, including 19 information exchange meetings, with 499 considered issues and 284 adopted resolutions.

### *Consideration of monetary policy issues*

The Board of the National Bank made decisions on the policy rate on a monthly basis in conducting monetary policy based on targeting interest rates.

In December 2015, the Board approved the Statement of the National Bank on the monetary policy for 2016. The statement is part of the Joint Statement of the Government of the Kyrgyz Republic and the National Bank on the Main Directions of the Economic Policy for the coming period. The schedule of meetings of the Board for 2016 on the policy rate of the National Bank was approved.

The Board of the National Bank annually reviews and approves the investment policy of the coming period in the area of international reserves management and ensuring the safety of reserve assets. To assess the effectiveness of policy being conducted, the Board annually reviews the report on the international reserves management and approves the volume of monetary gold to be purchased in the domestic market of the country for national currency.

Within the framework of measures to reduce the level of economy dollarization in the country, at the end of 2015, the Board of the National Bank decided to change the amount of obligatory reserves for liabilities in the national currency and foreign currency.

Given the economic situation in the country, in December 2015, the Board of the National Bank made the decision to prolong the period of credit repayment by the commercial banks up to one year within the framework of credit auctions in 2014.

In the reporting year, the Board reviewed the “Monetary Policy Report (Inflation Report in the Kyrgyz Republic)” and the “Financial Sector Stability Report of the Kyrgyz Republic”, where the following issues were reflected:

- results of monetary policy implementation;
- factors determining the dynamics of inflation;
- analysis and medium-term forecast of key macroeconomic indicators;
- 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 policy.

The Board of the National Bank decided to release refined gold bullions weighing 1, 2, 5, 10, 31.1035 and 100 grams in order to create and develop the market of precious metals and to introduce a new instrument of investing available funds.

In order to maintain positive economic growth and efficient adaptation of the economy of the Kyrgyz Republic to the conditions of the Eurasian Economic Union, the Board of the National Bank approved the Regulation “On Loans Extended by the National Bank of the Kyrgyz Republic to the International Organizations Established in the Kyrgyz Republic Jointly with Other States within the Framework of the Eurasian Economic Union”.

In total, 35 issues were considered and 28 resolutions were adopted on the monetary policy issues and the international reserves management in 2015.

In the sphere of bank and non-bank financial-credit institutions, the Board of the National Bank adopted a series of regulations aimed at improving the regulatory framework for the supervision and regulation of financial-credit institutions, and bringing them in line with amendments and addenda introduced to the legislation of the Kyrgyz Republic.

*Consideration of issues of bank and non-bank institutions supervision*

The new regulatory and legal acts establish the requirements to raise the minimum amount of the authorized capital and equity funds for newly opened and existing commercial banks, to mitigate risk, establish prudential standards, impose additional requirements for foreign exchange loans in order to reduce dollarization of the economy. The new editions of the regulatory legal acts on licensing and regulation of credit unions and microfinance organizations were approved.

The Board of the National Bank also approved the legal acts to regulate the banks, microfinance organizations and credit unions conducting operations in accordance with the Islamic principles of financing.

In total, on the activities of the commercial banks and other financial-credit institutions, 142 issues were considered, 89 resolutions were adopted, of which 42 regulations were adopted on the regulatory and legal framework governing their operations.

In the field of the payment system the Board of the National Bank approved a number of regulatory and legal acts to harmonize the activities of the operators of payment systems and payment organizations, as well as to regulate the financial innovations, examined the results of supervision (oversight) for the payment system. Given that the significant part of the measures of the State Program had been executed, the Board approved amendments to the Resolutions of the Government and the National Bank of the Kyrgyz Republic “On Approval of the State Program Measures for 2012-2017 to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic” and “On Establishment of Interagency Commission to Increase the Share of Non-cash Payments and Settlements in the Kyrgyz Republic”.

*Consideration of payment system issues*

The Board of the National Bank also considered the regulatory and legal acts, which establish:

- procedure of issue, distribution and cashing of e-money;
- minimum requirements for banks and payment organizations rendering banking and payment services remotely;
- expanding banking and payment services in the remote regions through the commercial banks agents.

Due to access the EEU and to improve classification of indicators for the analysis of flows of non-cash resources in national currency and to ensure their transparency, the Board of the National Bank approved the relevant amendments and addenda to State Classifier of Payment Transactions.

*Other issues*

In total, the Board considered 23 issues and adopted 19 resolutions on the operation and management of the payments system.

In the reporting year, the Board of the National Bank also considered the issues on arranging bank activity and other issues, on which 135 resolutions were adopted.

### 6.3. Improvement of Banking Legislation

In 2015, the National Bank worked to improve and develop the legal framework governing banking activities in the Kyrgyz Republic.

The Law “On Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” was adopted in 2015. These amendments ensure provision

*Adopted laws*

of funds in national currency on the basis of return to the international organizations established by the Kyrgyz Republic jointly with other states within the framework of the Eurasian Economic Union, these funds will be further transferred for financing of the economy in the Kyrgyz Republic.

In the reporting year, the Tax Code of the Kyrgyz Republic was amended in part of exemption from taxation of operations carried out by the banks with refined bullions and investment coins made of gold and/or silver. Amendments were adopted to encourage the population to invest in alternative savings tools and promote the development of the industrial potential of the country's gold industry.

#### *Draft Laws*

During the reporting period, the National Bank continued its work on further promotion in the Jogorku Kenesh of the Kyrgyz Republic of the draft Banking Code of the Kyrgyz Republic, which was developed to harmonize laws and other regulatory legal acts in the sphere of banking activities, to classify their norms, to eliminate existing internal contradictions, conflicts and to correct the deficiencies in legal regulation of the banking activities and, mainly, to strengthen and achieve sustainable growth of the banking system. Parliamentary hearings were held, with the participation of deputies, representatives of the banking sector, public authorities and civil society.

When the Jogorku Kenesh considered the draft Banking Code and the draft Law “On Enactment of the Banking Code of the Kyrgyz Republic”, in the first reading the aforementioned draft laws were renamed by the draft Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity” and the draft Law “On Enactment of the Law “On the National Bank of the Kyrgyz Republic, Banks and Banking Activity”.

In the reporting year, in the sphere of banking relations the National Bank initiated the draft Law “On Amendments and Addenda to the Code “On Administrative Responsibility”, providing for a significant increase and specification of penalties amounts for administrative offences in the sphere of banking legislation, in order to increase the responsibility of individuals and legal entities, commercial banks, financial-credit institutions and their officers and to ensure the effectiveness of the supervisory measures and efficiency of the National Bank activity.

The aforementioned amendments and addenda were proposed because the existing penalties, established in 1998, when the Code “On Administrative Responsibility” was adopted, have lost their relevance and virtually do not perform the function of offences prevention. According to this draft Law the penalties for unlicensed banking operations, as well as for breach of banking, microfinance, and payment legislation, as well as legislation on the exchange of credit information will be significantly increased.

The National Bank initiated the draft Law “On Amendments to Several Legislative Acts of the Kyrgyz Republic” (to the Laws “On Operations in Foreign Currency”, “On Anti-Money Laundering and Combating the Financing of Terrorism or Extremism” and to the Tax Code), in order to improve the activities of business entities-participants of the foreign exchange market carrying out exchange operations with foreign currency in cash, to ensure effective and timely supervisory measures made by the National Bank in the foreign exchange market. The proposed amendments envisage excluding the exchange bureaus from the list of entities licensed and regulated by the National Bank. Only financial-credit institutions (authorized banks, credit unions, specialized financial-credit institutions, microfinance and microcredit companies) will be entitled to carry out exchange operations with foreign currency in cash.

#### **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 2015, the National Bank carried out the following activities:

- Regularly provided information and analytical materials on the issues of implementing the monetary policy, on the status of the banking system, and on the

status of the payment system to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic;

- Examined the draft laws and other regulatory legal 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 the ministries and departments).

Analytical information, regularly provided to the President, the Jogorku Kenesh, and the Government of the Kyrgyz Republic, included the Main Directions of the Monetary Policy of the National Bank, the forecast of key macroeconomic indicators, the situation in the external sector of the economy, the status of the banking system, the system of non-bank financial-credit institutions, and the situation in the foreign exchange market of the republic. In particular, information letters were sent on the outcome of social and economic development, on the prospects of the domestic economy development, on the balance of payments and on the exchange rate, on measures to strengthen the national currency, the conversion of loans, on the situation in foreign trade, including the EEU countries, on the foreign loans, the establishment and operation of the state electronic payment system.

The National Bank provided analyses and forecasts for economic growth, the recommendations on public external debt management, proposals on measures to reduce the level of economy dollarization, various mechanisms of capitalization of state mortgage company, and sent information on measures to provide the remote regions with bank equipment.

Information of the results of social-economic development, of the activities implementation on the ECF program, the payments on the foreign debt, the implementation of the project on agriculture financing, of servicing credit agreements, the statistical data on remittances and other issues was forwarded to the relevant ministries and agencies.

In total, as part of the financial advisor duty, the National Bank sent more than 500 letters to the public authorities during the reporting period.

The National Bank examined 30 draft laws in the reporting year, including:

- On the Republican Budget of the Kyrgyz Republic for 2016 and the Forecast for 2017-2018;
- On Amendments to the Law “On the Republican Budget for 2015 and the Forecast for 2016-2017”;
- The draft of the Budget Code;
- The draft Code “On Non-tax Revenues”;
- On Conversion into National Currency of the Amounts of Civil-Law Obligations;
- On Amendments and Addenda to the Law “On Protection of Bank Deposits”;
- On Mortgage Securities;
- On Amendments and Addenda to the Law “On the Licensing System in the Kyrgyz Republic”;
- The draft Code “On Violations”;
- On Consumer Lending (Loan);
- On Lombard Activity;
- On Regional Financial Center in Bishkek City;
- On Amendments and Addenda to Several Legislative Acts of the Kyrgyz Republic (the Law “On Pledge”, the Civil Code “On Administrative Responsibility”);
- On E-commerce;
- On Amendments and Addenda to the Law “On Citizenship of the Kyrgyz Republic”;

*Examination of  
draft Laws*

- On Appraisal Activity;
- On Amendments and Addenda to Several Legislative Acts of the Kyrgyz Republic (the Laws “On the Licensing System in the Kyrgyz Republic”, “On Postal and Electrical Communication”), and etc.

In 2015, the National Bank also examined and prepared the proposals for more than 50 draft resolutions and orders of the Government of the Kyrgyz Republic, including:

- On the Medium-Term Forecast of Social and Economic Development of the Kyrgyz Republic for 2015 and 2016-2017;
- On Action Plan for Implementation of the “Program for Promotion of Economic Growth in the Kyrgyz Republic for 2015-2018, Supported by an Extended Credit Facility (ECF)”;
- On Approval of the State Program “Affordable Housing 2015-2020”;
- On Approval of the Draft Agreement between the Government of the Kyrgyz Republic and the Russian-Kyrgyz Development Fund about Conditions of Russian-Kyrgyz Development Fund Stay in the territory of the Kyrgyz Republic;
- On the Coordination Committee of the Kyrgyz Republic on Adaptation, Implementation and Monitoring of the Sustainable Development Achievement;
- a Draft Agreement on Providing Technical Assistance to the Kyrgyz Republic within the framework of the EEU;
- On Measures to Comply with the Requirements of Article 27 of the Law of the Kyrgyz Republic “On Protection of Consumer Rights”;
- On Approval of the Regulation “On Issue, Circulation and Maturity of Gold Certificates”;
- On Amendments to the Government Decree No. 396 dated 23 June 2015 “On the Main Office for Adaptation and Rapid Response to Risks Associated with the Kyrgyz Republic Accession to the EEU”;
- On Administrators of Revenues in the Republican and Local Budgets;
- On Approval of the Food Security and Nutrition in the Kyrgyz Republic Program;
- On Approval of the Export Development Program of the Kyrgyz Republic for 2014-2017;
- On State Representative in the Joint Stock Companies with the State Share;
- On Approval of the Concept of Securities Market Development in the Kyrgyz Republic till 2018;
- On Modernization of the State Enterprise “Kyrgyz Pochtasy”;
- On Harmonization of the Administration of Property Tax of the Fourth Group;
- On the Draft Law of the Kyrgyz Republic “On the Kyrgyz Republic Entering the Agreement on Establishment of the Bank of Commerce and Development of the Organization of Economic Cooperation Signed in 15 March 1995 in Islamabad”;
- On Measures to Implement the Application of Control-Cash Machines with the Data Transfer Function in the “Online” Mode;
- On Improvement of Compliance with International Taxation and Introduction of the Law “FATCA” and others.

*Development and implementation of state programs*

In 2015, the National Bank participated in the development and implementation of a number of state programs and plans, including:

- The National Sustainable Development Strategy of the Kyrgyz Republic for 2013-2017;
- Action Plan to Implement the Proposals and Objectives Set by the President of the Kyrgyz Republic, A. Atambayev at the Official Inauguration of the President of the Kyrgyz Republic on 1 December 2011;
- the Draft Action Plan to Strengthen the National Economy and the Kyrgyz Republic Economy De-dollarization;

- The Draft State Fiscal Policy Program for 2014-2020;
- The State Program of Measures for Increasing the Share of Non-cash Payments and Settlements in the Kyrgyz Republic for 2012-2017;
- The Microfinance Development Strategy for 2011-2015;
- The Economic Program of the Kyrgyz Republic for 2015-2018, Supported by the International Monetary Fund under the Extended Credit Facility (ECF);
- The Draft Program of Improving the Level of Financial Literacy;
- The Action Plan to Improve the Position of the Kyrgyz Republic in the Rating of the World Bank “Doing Business” in 2016-2017;
- Draft Program of Activities for the Government to Reduce the Shadow Economy for 2015-2017;
- Draft State Program “Affordable Housing” up to 2020”;
- Draft Action Plan of the Government for 2016 within the framework of “Stability, Confidence and New Opportunities” Program;
- Action plan for Implementation of Memorandum on Economic and Financial Policy for 2015-2018;
- Project “Financing of Agriculture”;
- Draft Action Plan of the Government of the Kyrgyz Republic to Reduce the Level of Non-observed Economy Sector by 2015-2017;
- Draft Program of Unsecured Lending to Agriculture;
- Draft Program on Soft Lending to Domestic Garment Enterprises 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 the Customs Code of the Eurasian Economic Union;
- The draft Agreement on Free Trade in Services of CIS Participant-States;
- The draft Agreement between the Government of the Russian Federation and the Government of the Kyrgyz Republic on Provision of Technical Assistance to the Kyrgyz Republic within the framework of Accession to the EEU;
- The draft Agreement between the Government of the Kyrgyz Republic and the Russian-Kyrgyz Development Fund about Conditions of Russian-Kyrgyz Development Fund Stay in the Territory of the Kyrgyz Republic;
- The draft Agreement on Harmonized Monetary Policy of States Parties to the EEU Treaty;
- The draft Agreement on Harmonized Approaches to Regulation of Foreign Exchange Legal Relations and Measures on Liberalization of the EEU Member States;
- The draft Agreement on Requirements for Implementation of Activities in the Financial Markets of the EEU Member States;
- The draft Agreement on Auditing Activity in the Territory of the EEU;
- The draft Framework Agreement between the Government of the Kyrgyz Republic and the Government of the People's Republic of China about Granting Preferential Credit to Kyrgyzstan by China;
- The draft Agreement on Mutual Promotion and Protection of Investments between the Government of the Kyrgyz Republic and the Government of the State of Kuwait;
- The draft Agreement between the Government of the Kyrgyz Republic and the Credit-Rating Agency “Standard and Poor's Credit Market Services”;
- The draft Agreement between the Government of the Kyrgyz Republic and the Credit-Rating Agency “Moody's Investors Service”;
- The draft Decision of the Eurasian Economic Commission (EEC) Council “On Development of the Draft Agreement on Issues Related to Accepting as a Security of Policies of National Export Credit Agencies by National (Central)

- Banks of the EEU Member States in Implementation of Export Operations”;
- The draft Agreement “On Promotion and Protection of Investments between the Kyrgyz Republic and the OPEC Fund for International Development” and others;

Based on the findings of the examination of the draft laws, draft resolutions and orders of the Government 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.

*Work of  
interagency  
commission*

In the reporting year, the representatives of the National Bank participated in 10 interagency working groups and committees on the following issues:

- coordination of monetary policy and fiscal policy in the context of work of the Interagency Coordination Council between the Ministry of Finance and the National Bank;
- increase in the share of non-cash payments and settlements in the Kyrgyz Republic;
- strengthening of the national currency and economy de-dollarization in the Kyrgyz Republic;
- attributing sovereign rating to the Kyrgyz Republic;
- review of distribution rates of import customs duties of the EEU member states due to the Republic of Kazakhstan accession to the WTO;
- assessment of the technical conformity of the regulatory legal framework of the Kyrgyz Republic with the FATF recommendations;
- development of draft regulatory legal act in the field of registering pledges for movable property;
- development of draft regulatory legal act for development of electronic commerce;
- development of the draft Law “On Valuation Activity”;
- inventory of normative legal acts of the Kyrgyz Republic.

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

## **6.5. Protection of Consumer Rights and Improvement of Financial Literacy**

*Protection of  
consumer rights*

Protection of consumers of the financial services and improvement of financial literacy of the population is one of the priority areas of the National Bank of the Kyrgyz Republic. The significance and necessity of aforementioned actions implementation results from the generally accepted concept, when the consumers are recognized as less well-informed party in relations with the suppliers of financial services. Safety and information sharing with the consumers contributes to transparency and efficiency of the banking and microfinance markets thereby providing and enhancing consumer confidence in the financial system as a whole and reducing the risks threatening the financial stability.

In 2015, within the framework of consumer rights protection and improvement of financial literacy, the National Bank implemented a number of initiatives within the limits of its powers.

In September 2015, the Consumer Rights Protection and Financial Literacy Division was established in the organizational structure of the National Bank. The aim of the Division is to promote financial information accessibility in the Kyrgyz Republic, and the main objectives are to protect the rights of consumers of banking and microfinance services, to ensure the implementation of honest and fair business practice

by the providers of banking and microfinance services, to improve financial literacy of the population.

In the reporting year, the Division received about 300 written applications from citizens-consumers of banking and microfinance services, each of which was reviewed in the prescribed manner. The employees of the National Bank provided citizens with detailed advice on banking and microfinance services by telephone and during face-to-face meetings in the Public Information Service every day. In order to facilitate resolution of issues of troubled borrowers and find mutually acceptable compromise solutions, the meetings and roundtables were held with the involvement of representatives of borrowers, financial-credit institutions, and public authorities. The National Bank sent prescriptions to eliminate violations to the financial-credit institutions that failed to comply with the requirements of the legislation of the Kyrgyz Republic, when they provided services to their clients.

The Regulation “On Minimum Requirements for Provision of Financial Services and Processing of Consumers’ Applications”, aimed at protecting the rights of consumers of banking and microfinance services entered into force in September 2015. This regulatory legal act establishes fundamental principles of responsible lending, the obligations of financial-credit institutions to disclose the full information about their services to customers and to address obligatory the applications of clients. The National Bank also adopted several regulatory legal acts aimed at protecting the rights of consumers of financial services.

In the reporting year, work was continued on forwarding to the Jogorku Kenesh of the Kyrgyz Republic the draft Law “On the National Bank, Banks and Banking in the Kyrgyz Republic”, in which a separate chapter is dedicated to protection of the rights of consumers of banking and microfinance services.

In 2015, the National Bank held a series of special events in order to improve the financial literacy of the population.

25 guest lectures were held for students of secondary schools, professional schools and universities, representatives of small and medium-sized businesses in all regions of the republic, in the course of these lectures the National Bank employees told how to manage personal finances and rationally maintain a family budget, about the possibilities of keeping and increasing the savings, provided information about the specifics of receiving a loan, about the benefits and advantages of non-cash payment systems, about the security features of the national currency.

In 2015, the National Bank launched specialized educational Internet portal [www.finsabat.kg](http://www.finsabat.kg), where everyone can find up-to-date information about financial issues, educational material contributing to users awareness about finances, financial-credit institutions, and the rights of their clients. The site provides information about the services and products in the banking market, as well as answers to frequently asked questions.

In the reporting year, the National Bank elaborated the first series of the books with pictures for children “Akcha alippesi” (“Monetary ABC”) in the state and official languages, where information about such general notions as money, family budget planning, banks and banking services is submitted clearly and in an illustrated form.

The memos about loans, credit cards and the procedure of exchange of worn-out and damaged banknotes in the form of booklets were published and distributed among the population through the commercial banks and microfinance organizations. The memos contain useful information, brief instructions and advice attracting the attention of readers to the important points in cases, when the loans are received, credit cards are used and worn-out banknotes are exchanged.

In the period from 9 March till 17 March 2015, the National Bank hosted the Global Money Week held in Kyrgyzstan for the first time. The objective of this campaign is to develop savings culture among children and youth and provide the basics of the financial

*Improvement of  
financial literacy*

literacy, so that in the future they will be able to make their own financial decisions. Over 160 events for more than 6,000 pupils and students: guest lectures conducted by the experts, excursions in the Numismatic Museum of the National Bank, Open Doors Days in the commercial banks and state institutions, training and contests were conducted within this campaign throughout the country, including the remote regions and villages.

As part of a campaign to improve the financial literacy of citizens, the National Bank of the Kyrgyz Republic declared the Republican contest among children aged six to 16 years. The main objectives of the contest were stimulating the interest in popularization of the formation of correct relationship to the finance among the young generation and providing complete information to the participants about the national currency as a symbol of the state. 182 papers from 175 young authors were received within the contest. The children from Bishkek city, Talas and Batken oblasts took an active part in the contest. On Children's Day (the 1<sup>st</sup> of June), the ceremony of rewarding the winners of the Republican contest among children was carried out on the following nominations: “The Best Composition”, “The Best Poem” and “The Best Drawing”.

Taking into account the results of the sociological study to determine the level of financial literacy of the population of the republic, as well as the need to improve thereof, the National Bank developed the draft Program for improving the financial literacy of the population in the Kyrgyz Republic for 2016-2020. In November 2015, the draft Program was approved by the Board of the National Bank and sent for consideration to the Government of the Kyrgyz Republic.

## 6.6. Internal Audit and Internal Control System

### *Legal framework*

In accordance with the Law “On the National Bank of the Kyrgyz Republic”, internal audit of the National Bank is conducted by the Internal Audit Service.

The main objectives of the Internal Audit Service is the independent assessment of adequacy and effectiveness of the internal control system, risk management, and corporate governance at the National Bank, interaction with the external auditors on the audit of the National Bank Financial Statements and with the Audit Committee of the National Bank.

Activity of the Internal Audit Service is implemented according to the International Principles of Professional Practice of Internal Audit.

### *Implementation of activities*

The audits in 2015 were conducted in compliance with the annual work plan of the Internal Audit Service. The audits in the reporting period were carried out on the issues of monetary policy development, international reserves management, maintenance of the accounts of the Government of the Kyrgyz Republic within the framework of accession to the EEU, inspection of non-bank financial institutions, processing and destruction of worn-out money and other issues. Based on the findings of audits by the internal auditors, the recommendations on improving the internal regulatory legal acts, the internal control system, and risk management were given. The findings of audits for compliance of activities of the units with their assigned tasks and functions were submitted to the management of the National Bank.

The results of the 2015 audits allow us to conclude that activities of the National Bank, in all essential aspects, are in conformity with the regulatory legal acts of the Kyrgyz Republic. The system of internal control is adequate in general to the assumed risks. The Internal Audit Service carried out the regular monitoring of the implementation by the structural units of the recommendations based on the results of audits.

### *Interaction with external auditors*

Interacting with the external auditors, the Internal Audit Service coordinated the work with the international audit company – the LLC “Deloitte and Touche” – on the issue of conducting the independent audit of the National Bank Financial Statements for 2015. This audit organization was selected based on the results of a tender and

was approved by the Jogorku Kenesh of the Kyrgyz Republic in accordance with the legislation.

According to the external audit results, activities designed to implement the recommendations were developed. The Internal Audit Service carried out the monitoring of their implementation by the relevant structural units.

Interacting with the Audit Committee of the National Bank, the Internal Audit Service arranged and held the meetings of the Committee.

The Audit Committee comprises five members, three of whom are the independent experts not associated with activities of the National Bank, two members come from the National Bank, one of whom is the member of the Board of the National Bank.

According to its functions, activity of the Audit Committee of the National Bank was to assess the quality of financial reporting of the National Bank, the independence of external auditors, and to ensure adequacy and efficiency of the internal control system.

Ten meetings of the Committee were held in the reporting year of 2015 to consider the issues falling under its competence. The Audit Committee received the Internal Audit Service reports, information on the monitoring of the implementation of internal and external audit recommendations.

Two independent members of the Audit Committee were involved in the tender commission for selection of the external auditor together with the deputies of the Jogorku Kenesh of the Kyrgyz Republic and the representatives of the National Bank.

In order to guarantee the independence of the external auditors the Audit Committee members met with the senior representatives of the LLC “Deloitte and Touche”. The plans for the audit of the financial statements for 2015 and the results of the preliminary audit of the financial statements for nine months of 2015 were discussed during these meetings.

The Audit Committee analyzed the work on assessment of external and internal audit activities and the internal control system of the National Bank with the recommendations made for the Board of the National Bank. The Audit Committee also submitted expert opinions as part of the work to provide advice to the management and structural units of the National Bank.

The International Monetary Fund carried out regular safeguards assessment of the National Bank within the framework of the IMF Program of Safeguard Assessment for the Central Banks. The findings were provided on the mechanism of external audit, legal status and independence, financial reporting, internal audit and the internal control system. The recommendations were provided based on the assessment results.

## 6.7. Public Awareness

In 2015, the public awareness was ensured by a release of official publications, press conferences and briefings, placement of information on the official website of the National Bank, the publication of information in the mass media, TV and radio broadcasts, as well as other awareness-raising activities.

The regular placement in the media of informative, educational, and analytical materials concerning all activities of the National Bank, its functions and objectives was one of the important lines of work of the National Bank in the reporting year. In this regard, urgency and relevance of the subject and the media specialization are taken into account.

Totally, during the reporting year, the National Bank initiated and prepared 850 publications in the national and international media. 255 public statements of representatives of the National Bank were arranged, including interviews and participation in information and analytical TV and radio programs and talk shows.

*Audit Committee*

*Report of the  
Audit Committee  
of the National  
Bank for 2015*

*Safeguards  
assessment of the  
National Bank*

*Cooperation  
with media*

The administration of the National Bank participated in 16 press conferences and briefings, including those on the monetary policy issues and the situation in the foreign exchange market.

The National Bank received 545 written, e-mail and oral requests from journalists, with the timely responses given.

In the reporting year, the cooperation of the National Bank with the regional media was more active: the volume of published information significantly increased, including through the implementation of a long-term information campaign to improve the financial literacy of the population. In 2015, through the regional offices of the National Bank about 100 different materials were released. The electronic and print media were engaged.

In 2015, as part of information campaign to promote gold bullions, the National Bank held press conferences in the cities of Bishkek and Osh, where gold bullions were demonstrated and information on the topic was provided. Moreover, public TV channels broadcasted information videos about the bullions.

In the reporting year, radios and TV channels broadcasted news and analytical topics, the feature articles, interviews and comments from the representatives of the National Bank were published in press, online publications and social networks.

#### *News reports*

In 2015, 112 special news reports, setting out the National Bank's official position on current issues, as well as information on the results of its activities was posted on the official site of the National Bank.

#### *Special events for the media*

In the reporting year, the National Bank continued informational and educational activities for the media. Several special seminars "Monetary Policy Issues: Theory and Practice" and "Cash Turnover Management in the Kyrgyz Republic" were arranged and attended by over 60 journalists specialized on the financial and economic subjects. Moreover, the journalists were invited to cover the raids, carried out by the National Bank when fulfilling their oversight duties in inspecting the activity of exchange bureaus.

In 2015, 97 papers were received from 33 representatives of the electronic and print media of the country during the annual national contest for the mass media on the theme "Financial Products and Services". Data on the results of the contest were posted on the website of the National Bank and in the mass media.

#### *TV and radio programs*

The issue of own media products is another important tool in the work of the National Bank on public awareness. In the reporting year, the National Bank continued producing TV and radio program "The National Bank Reports" on "EITR" and "Birinchi radio" (totally: 18 TV and 78 radio broadcasts). These broadcasts were devoted to the role and functions of the National Bank, the financial, foreign exchange markets, the issues in the area of bank legislation, the market of payment services and securities and other current topics. Moreover, in order to improve the financial literacy of the population, the rubric "Finsabat" and 20 programs were organized in the state and official languages including the topics on the activity of the National Bank within the TV program "Capital" at the First Public TV Channel with the assistance of the National Bank.

#### *Public Information Service activity*

In 2015, work was continued to interact with the population of the National Bank within the framework of the activities of the Public Information Service, which operates in the central office, in each regional department and the representative office of the National Bank. Public Information Service activity is focused on providing advice and informing the public on the issues falling within the competence of the National Bank, arrangement of people's meetings with the managers and specialists of the bank, as well as work with written or electronic statements and applications.

Totally, in 2015, the National Bank received 1,562 applications (including regional departments – 591). The main part of the applications were the questions about official rates of foreign currencies to Kyrgyz som, policy rate, inflation rate, payment of interest on deposits in the commercial banks, non-performing loans in the commercial banks

and microcredit organizations, the activities of non-bank institutions and other issues. The answers for all written requests of the applicants were promptly sent.

Work on informing the population in the regions was carried out through the regional department and the representative office of the National Bank. In 2015, lectures for pupils and students were conducted on the topics: “History of the National Currency Development – Kyrgyz som”, “On Careful Attitude towards the National Currency and the Protective Properties of the Banknotes” and “On Fight against Counterfeiting”. Traveling exhibitions with an exposition devoted to the history of the development of the Kyrgyz Republic national currency were organized in the educational institutions. Due to launching of sales of refined gold bullions by the National Bank in the reporting year, the regional offices carried out relevant information work among bank and non-bank institutions as well as the population of the country.

*Work in the regions*

In 2015, excursions to the Numismatic Museum of the National Bank were organized, designs and samples of banknotes issued in different years were presented there, they reflected the history of development and establishment of the national currency, as well as collection coins, issued by the National Bank and monetary units circulating in the territory of Kyrgyzstan since the ancient period to the present days.

*Numismatic  
Museum*

The official website of the National Bank is a tool of public awareness, which ensures equal and timely access to information for all interested users. In the reporting year, the work continued on creation of new subsections and expansion of information presented in the current sections of the website.

*Official website  
of the National  
Bank*



# FINANCIAL STATEMENTS FOR 2015



## CHAPTER 7. FINANCIAL STATEMENTS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC FOR THE YEAR ENDED 31 DECEMBER 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Management Board of the National Bank of the Kyrgyz Republic

We have audited the accompanying financial statements of the National Bank of the Kyrgyz Republic, which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the Financial Statements

Management of the National Bank of the Kyrgyz Republic is responsible for the preparation and fair presentation of these financial statements and its compliance with Financial Reporting Principles disclosed in Note 2 of the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Bank of the Kyrgyz Republic as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with Financial Reporting Principles disclosed in Note 2 of the financial statements.

### Other matter

The financial statements of the National Bank of the Kyrgyz Republic for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2015.

23 March 2016  
Bishkek, Kyrgyz Republic

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## 7.2. Statement of Financial Position as at 31 December 2015

(in thousands of Soms)

	Notes	31 December 2015	31 December 2014
<b>ASSETS</b>			
Gold	5	10 930 479	8 991 957
Cash on hand, due from banks and other financial institutions	6	91 219 392	73 674 946
Loans issued	7	5 931 612	3 762 618
Investments available-for-sale	8	32 628 860	32 439 375
Investments held-to-maturity	9	1 401 971	1 453 614
Property and equipment	10	1 596 567	1 146 559
Intangible assets		84 597	31 964
Other assets	11	1 239 077	1 156 994
<b>Total assets</b>		<b>145 032 555</b>	<b>122 658 027</b>
<b>LIABILITIES</b>			
Banknotes and coins in circulation	12	58 398 015	57 074 591
Due to banks and other financial institutions	13	19 494 411	8 900 285
Due to the Government of the Kyrgyz Republic	14	15 104 551	19 618 361
Debt securities issued	15	2 126 449	1 325 725
Loans received	16	2 960 600	3 357 486
Liabilities to the IMF in respect of SDR allocations	17	8 928 627	7 232 900
Other liabilities		91 759	58 406
<b>Total liabilities</b>		<b>107 104 412</b>	<b>97 567 754</b>
<b>EQUITY</b>			
Share capital	18	1 000 000	1 000 000
Obligatory reserve		4 940 164	3 321 442
Foreign currency and gold revaluation reserve		25 476 478	15 368 404
Revaluation reserve for investments available-for-sale		(31 090)	4 687
Retained earnings		6 542 591	5 395 740
<b>Total equity</b>		<b>37 928 143</b>	<b>25 090 273</b>
<b>Total liabilities and equity</b>		<b>145 032 555</b>	<b>122 658 027</b>

Abdygulov T.S.  
Chairman of the National Bank

23 March 2016

Bishkek,  
Kyrgyz Republic

Alybaeva S.K.  
Chief Accountant

23 March 2016

Bishkek,  
Kyrgyz Republic

The notes on pages 105-151 form an integral part of these financial statements.

### 7.3. Statement of Profit or Loss for the year ended 31 December 2015

(in thousands of Soms)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Interest income	19	1 681 652	1 349 246
Interest expense	19	(396 410)	(146 453)
<b>Net interest income</b>		<b>1 285 242</b>	<b>1 202 793</b>
Commission income		47 153	41 735
Commission expense		(5 707)	(4 741)
<b>Net commission income</b>		<b>41 446</b>	<b>36 994</b>
Recovery of assets impairment provision	20	6 791	18 342
Net gain on foreign currencies and gold operations	21	6 184 839	5 021 978
Other income		219 291	40 497
<b>Net non-interest income</b>		<b>6 410 921</b>	<b>5 080 817</b>
<b>Operating income</b>		<b>7 737 609</b>	<b>6 320 604</b>
Banknotes and coins production expenses		(127 301)	(224 060)
Administrative expenses	22	(901 375)	(685 971)
Other expenses		(166 342)	(14 833)
<b>Operating expenses</b>		<b>(1 195 018)</b>	<b>(924 864)</b>
<b>Profit for the year</b>		<b>6 542 591</b>	<b>5 395 740</b>

Abdygulov T.S.  
Chairman of the National Bank

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Bishkek,  
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Chief Accountant

23 March 2016

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Kyrgyz Republic

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**7.4. Statement of other Comprehensive Income for the year ended 31 December 2015**

(in thousands of Soms)

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Profit for the year</b>	<b>6 542 591</b>	<b>5 395 740</b>
<b>Items that may be reclassified subsequently to statement of profit or loss</b>		
Revaluation reserve for foreign currency and gold:		
- net gain/(loss) on revaluation of assets and liabilities in foreign currency and gold	15 662 849	9 891 524
- net gain on foreign currency and gold transferred to profit or loss	(5 554 775)	(4 730 809)
Net loss on investments available-for-sale	(35 777)	(6 448)
<b>Items that will not be reclassified subsequently to statement of profit or loss</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive financial result for the year</b>	<b>10 072 297</b>	<b>5 154 267</b>
<b>Total comprehensive income for the year</b>	<b>16 614 888</b>	<b>10 550 007</b>

Abdygulov T.S.  
*Chairman of the National Bank*

23 March 2016

Bishkek,  
Kyrgyz Republic

Alybaeva S.K.  
*Chief Accountant*

23 March 2016

Bishkek,  
Kyrgyz Republic

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### 7.5. Statement of Cash Flows for the year ended 31 December 2015

(in thousands of Soms)

Notes	Year ended 31 December 2015	Year ended 31 December 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and fee and commission received	1 402 057	1 758 928
Interest and fee and commission paid	(181 333)	(159 277)
Realised gain on foreign exchange operations	630 063	291 168
Other income	200 230	26 848
Payroll expenses	(473 153)	(402 054)
Expenses on production of banknotes and coins, issued into circulation	(114 874)	(294 314)
Administrative expenses	(505 042)	(174 684)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>957 948</b>	<b>1 046 615</b>
<b>(Increase)/decrease in operating assets</b>		
Gold	(692 327)	(714 827)
Due from banks and other financial institutions	2 206 635	11 142 888
Loans issued	(2 151 606)	(2 874 687)
Investments available-for-sale	3 915 033	(1 195 328)
Other assets	(196 833)	(25 738)
<b>Increase/(decrease) in operating liabilities</b>		
Banknotes and coins in circulation	1 323 424	(9 879 562)
Due to banks and other financial institutions	9 356 448	2 019 365
Due to the Government of the Kyrgyz Republic	(10 982 020)	10 096 753
Debt securities issued during operating activity	800 138	(5 301 764)
Amounts payable under repurchase agreements on securities	-	(584 440)
Other liabilities	2 824	(3 126)
<b>Net cash inflow from operating activities</b>	<b>4 539 664</b>	<b>3 726 149</b>

The notes on pages 105-151 form an integral part of these financial statements.

Notes	Year ended 31 December 2015	Year ended 31 December 2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, equipment and intangible assets	(641 704)	(126 026)
Proceeds on redemption of investments held-to-maturity	64 351	64 352
Increase of investments into associated companies	(11 074)	(51 000)
Interest received on investments held-to-maturity	81 817	82 753
Dividends received	9 499	13 029
<b>Net cash used in investing activities</b>	<b>(497 111)</b>	<b>(16 892)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans received	(1 045 092)	(1 127 118)
<b>Net cash used in financing activities</b>	<b>(1 045 092)</b>	<b>(1 127 118)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2 997 461</b>	<b>2 582 139</b>
Effect of changes in exchange rates on cash and cash equivalents	11 429 761	4 823 270
Cash and cash equivalents as at the beginning of the year	41 547 410	34 142 001
<b>Cash and cash equivalents as at the end of the year (Note 6)</b>	<b>55 974 632</b>	<b>41 547 410</b>

Abdygulov T.S.  
*Chairman of the National Bank*

23 March 2016

Bishkek,  
Kyrgyz Republic

Alybaeva S.K.  
*Chief Accountant*

23 March 2016

Bishkek,  
Kyrgyz Republic

The notes on pages 105-151 form an integral part of these financial statements.

**7.6. Statement of Changes in Equity for the year ended 31 December 2015**  
(in thousands of Soms)

	Share capital	Obligatory reserve	Foreign currency and gold revaluation reserve	Revaluation reserve for investments available-for-sale	Retained earnings	Total
Balance as at 1 January 2014	1 000 000	3 188 193	10 207 689	11 135	444 165	14 851 182
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	-	5 395 740	5 395 740
<b>Other comprehensive income</b>						
Net loss on investments available-for-sale	-	-	-	(6 448)	-	(6 448)
Gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	9 891 524	-	-	9 891 524
Net gain on foreign currencies and gold transferred to profit or loss	-	-	(4 730 809)	-	-	(4 730 809)
Total other comprehensive income	-	-	5 160 715	(6 448)	-	5 154 267
<b>Total comprehensive income for the year</b>			<b>5 160 715</b>	<b>(6 448)</b>	<b>5 395 740</b>	<b>10 550 007</b>
<b>Transactions recorded directly in equity</b>						
Distribution of prior year profit to the state budget	-	-	-	-	(310 916)	(310 916)
Transfer to obligatory reserve	-	133 249	-	-	(133 249)	-
<b>Total amount of transactions recorded directly to equity</b>		<b>133 249</b>			<b>(444 165)</b>	<b>(310 916)</b>
<b>Balance as at 31 December 2014</b>	<b>1 000 000</b>	<b>3 321 442</b>	<b>15 368 404</b>	<b>4 687</b>	<b>5 395 740</b>	<b>25 090 273</b>

The notes on pages 105-151 form an integral part of these financial statements.

	Share capital	Obligatory reserve	Foreign currency and gold revaluation reserve	Revaluation reserve for investments available-for-sale	Retained earnings	Total
Balance as at 1 January 2015	1 000 000	3 321 442	15 368 404	4 687	5 395 740	25 090 273
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	-	6 542 591	6 542 591
<b>Other comprehensive income</b>						
Net loss on investments available-for-sale	-	-	-	(35 777)	-	(35 777)
Gain on revaluation of assets and liabilities in foreign currencies and gold	-	-	15 662 849	-	-	15 662 849
Net gain on foreign currencies and gold transferred to profit or loss	-	-	(5 554 775)	-	-	(5 554 775)
Total other comprehensive income	-	-	10 108 074	(35 777)	-	10 072 297
<b>Total comprehensive income for the year</b>			<b>10 108 074</b>	<b>(35 777)</b>	<b>6 542 591</b>	<b>16 614 888</b>
<b>Transactions recorded directly in equity</b>						
Distribution of prior year profit to the state budget	-	-	-	-	(3 777 018)	(3 777 018)
Transfer to obligatory reserve	-	1 618 722	-	-	(1 618 722)	-
<b>Total amounts of transactions recorded directly to equity</b>		<b>1 618 722</b>			<b>(5 395 740)</b>	<b>(3 777 018)</b>
<b>Balance as at 31 December 2015</b>	<b>1 000 000</b>	<b>4 940 164</b>	<b>25 476 478</b>	<b>(31 090)</b>	<b>6 542 591</b>	<b>37 928 143</b>

Abdygulov T.S.

*Chairman of the National Bank*

23 March 2016

Bishkek,  
Kyrgyz Republic

Alybaeva S.K.

*Chief Accountant*

23 March 2016

Bishkek,  
Kyrgyz Republic

The notes on pages 105-151 form an integral part of these financial statements.

## 7.7. Notes to the Financial Statements for the year ended 31 December 2015

(in thousands of Soms)

### 1 GENERAL INFORMATION

#### (a) Organisation and operations

The National Bank of the Kyrgyz Republic (the “National Bank”) is a legal successor of the State Bank of the Kyrgyz Republic which was renamed by the Law “On the National Bank of the Kyrgyz Republic” dated 12 December 1992 as the National Bank of the Kyrgyz Republic. On 2 July 1997, the Jogorku Kenesh (Parliament) of the Kyrgyz Republic adopted the new Law “On the National Bank of the Kyrgyz Republic”, which regulates the activities of the National Bank at the current moment, with all amendments and addenda.

The primary role of the National Bank is ensuring price stability in Kyrgyz Republic. To accomplish the main goal, the functions of the National Bank are the following: determine and carry out monetary policy of the country; promote effective development of the settlement and interbank payment system; issue banknotes and coins for circulation; manage international foreign exchange reserves; regulate and supervise commercial banks; license banking and activities of some financial institutions according to the legislation; and act as an agent of the Government of the Kyrgyz Republic.

The National Bank is located at 101 Umetaliyev Street, Bishkek, Kyrgyz Republic, 720040.

As at 31 December 2015 and 2014 the National Bank has 5 branches and one representative office operating in regions of the Kyrgyz Republic.

As at 31 December 2015 and 2014 the number of the National Bank’s employees is 698 and 645, respectively.

As at 31 December 2015 and 2014 the National Bank controls the CJSC Kyrgyz Money Collection (Republic Administration of Money Collection State Enterprise was re-registered on 24 December 2015). The National Bank has an associated company CJSC Interbank Processing Center. The financial statements of CJSC Kyrgyz Money Collection and CJSC Interbank Processing Center are not consolidated in the financial statements of the National Bank as the impact of these entities is not material.

These financial statements were authorised for issue by the Management Board of the National Bank on 23 March 2016.

## 1 GENERAL INFORMATION (CONTINUED)

### (b) Operating environment

In recent years, the Kyrgyz Republic has undergone significant political, economic and social changes. As an emergency market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in more developed market economies. As a result operations in the Kyrgyz Republic involve risks that are not typically associated with those in developed markets. In addition, the economy of the Kyrgyz Republic is subject to influence of the still unstable situation on capital markets and slowdown of economic growth in other countries. These financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the National Bank's financial statements in the period when or if they become known and estimable.

## 2 MAIN PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS

### (a) Statement of compliance with IFRS

In accordance with the Law of the Kyrgyz Republic "On National Bank of the Kyrgyz Republic" the National Bank determines policies and methods of accounting for itself based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") with the principal modifications as described below.

Gold is revalued based on the market value and the total net unrealised gain from the mark to market of gold and foreign currency assets and liabilities revaluation is recognised as other comprehensive income directly in equity. The total net unrealised loss from the mark to market of gold and silver and foreign currency assets and liabilities revaluation is recognised in the statement of profit or loss except to the extent that it reverses a previous net unrealised gain, in which case it is recognised as other comprehensive income directly in equity. At the time of derecognition of gold and foreign currency assets and liabilities, the cumulative gain or loss previously recognised in equity is transferred to the statement of profit or loss on the basis of the weighted-average cost method.

These financial statements have been designed to present fairly the financial position of the National Bank and the results of its operations and have been prepared in accordance with the Accounting Policy of the National Bank which was approved by the Management Board of the National Bank on 10 December 2003, with all amendments, the last of which was made on 30 October 2014, and which the National Bank considers to be appropriate to the nature of central bank activities.

### (b) Basis of measurement

The financial statements are prepared on the historical cost basis except that 1) gold, 2) financial instruments at fair value through profit or loss for the period and 3) investments available-for-sale are stated at fair value.

### (c) Functional and presentation currency

The functional currency of the National Bank is the Som (KGS) as, being the national currency of the Kyrgyz Republic, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The KGS is also the presentation currency for the purposes of these financial statements.

Financial information presented in KGS is rounded to the nearest thousand.

## 2 MAIN PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

### (d) Use of professional judgment, estimates and assumptions

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements. Actual results could differ from those estimates. In the opinion of management there are no critical areas of professional judgment, estimate or assumptions in the preparation of these financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

### (a) Gold

Gold comprises gold on deposits with foreign banks and gold bullion in the National bank vaults with a good delivery status. Gold in the financial statements is measured at market price which is determined by reference to the London Bullion Market Association PM fixings at the day preceding the reporting date. Gain on revaluation of gold is recognised in other comprehensive income in equity. Loss resulting from revaluation is recognised in the statement of profit or loss in the amount exceeding any previously accumulated gains on accounts of other comprehensive income in equity. Realised gain and loss on gold is recognised in the statement of profit or loss.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the National Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Gains on foreign currency differences arising on retranslation are recognised as other comprehensive income in equity. Losses resulting from revaluation are recognised in the statement of profit or loss in the amount exceeding previously accumulated gains in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Realised gains and losses on foreign currencies are recorded in the statement of profit or loss.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Foreign currency transactions (continued)

##### *Exchange rates*

The exchange rates used by the National Bank in the preparation of the financial statements as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
- Som/US Dollar	75.8993	58.8865
- Som/Euro	83.0073	71.6943
- Som/Special drawing rights	105.3599	85.3499
- Som/Canadian Dollar	54.9482	50.7256
- Som/Australian Dollar	55.2777	47.8563
- Som/Great British Pound Sterling	113.5511	91.6190
- Som/Chinese Renminbi	11.7107	9.4803
- Som/Norwegian Krone	8.7224	7.8896
- Som/troy ounce of gold	80 453.2580	71 017.1190

#### (c) Cash and cash equivalents

Cash on hand in local currency is recorded as a decrease in the amount of banknotes and coins in circulation.

For the purposes of determining cash flows, cash and cash equivalents include cash on hand in foreign currencies and unrestricted balances (nostro accounts) held with other banks.

#### (d) Financial instruments

*Financial instruments at fair value through profit or loss* are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The National Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a positive receivable position are reported as assets. All trading derivatives in a negative payable position are reported as liabilities. Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial instruments (continued)

initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the National Bank:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Investments held-to-maturity* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the National Bank has the positive intention and ability to hold to maturity, other than those that:

- the National Bank upon initial recognition designates as at fair value through profit or loss;
- the National Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

*Investments available-for-sale* are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

#### (i) *Recognition of financial instruments in financial statements*

Financial assets and liabilities are recognised in the statement of financial position when the National Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the contract date.

#### (ii) *Measurement of financial instruments*

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments that are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial instruments (continued)

##### (ii) *Measurement of financial instruments (continued)*

measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

##### (iii) *Fair value measurement principles*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction on the measurement date.

When available, the National Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the National Bank establishes fair value using other valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the National Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Where the National Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the National Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the National Bank believes a third-party market participant would take them into account in pricing a transaction.

##### (iv) *Gain or loss on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial instruments (continued)

##### (iv) *Gain or loss on subsequent measurement (continued)*

- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in the income statement using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the statement of profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

##### (v) *Derecognition*

The National Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the National Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the National Bank is recognised as a separate asset or liability in the statement of financial position. The National Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The National Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the National Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the National Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the National Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The National Bank writes off assets deemed to be uncollectible.

##### (vi) *Amounts receivable from contracts of purchase and resale of securities and amounts payable under agreement of sale and repurchase of securities*

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability accounted for as amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in the statement of profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions, are included in loans and advances to banks, or loans to clients, depending on the situation. The difference between the purchase and resale prices represents interest income and is recognised in the statement of profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial instruments (continued)

##### (vii) *Derivative financial instruments*

Derivative financial instruments include swaps, forwards, futures and options in interest rates, foreign exchanges, gold and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the statement of profit or loss.

#### (e) Property and equipment

##### (i) *Owned assets*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

##### (ii) *Depreciation*

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- Buildings	50 years;
- Constructions	20 years;
- Furniture and equipment	5 years;
- Computer equipment	3 to 5 years;
- Motor vehicles	7 years.

#### (f) Intangible assets

Acquired intangible assets are stated in the financial statement at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 3 years.

#### (g) Impairment

##### (i) *Financial assets carried at amortised cost*

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The National Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Impairment (continued)

##### (i) *Financial assets carried at amortised cost (continued)*

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the National Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The National Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the National Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the National Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the statement of profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The National Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

##### (ii) *Financial assets carried at cost*

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in the statement of profit or loss and cannot be reversed.

##### (iii) *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Impairment (continued)

##### (iii) *Available-for-sale financial assets (continued)*

The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the statement of profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

##### (iv) *Non financial assets*

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in the statement of profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (h) **Banknotes and coins in circulation**

Banknotes and coins are recorded in the statement of financial position at their nominal value.

Banknotes and coins in circulation are recorded as a liability when cash is issued by the National Bank to commercial banks. Banknote and coins in national currency held in the vaults and cash offices is not included in the currency in circulation.

Banknotes and coins production expense includes expenses for security, transportation, insurance and other expenses. Production expenses for banknotes and coins are recognised upon their issuance into circulation and are recorded as a separate item in the statement of profit or loss.

##### (i) *Charter capital and reserves*

The National Bank has a fixed amount of charter capital. Increases and decreases of the amount of charter capital are implemented through amendments to the Law "On the National Bank of the Kyrgyz Republic". Charter capital is recognised at cost.

The obligatory reserve has been created through the capitalisation of a portion of net profit upon its distribution to the state budget. The obligatory reserve is recognised at cost.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Taxation

In accordance with legislation of the Kyrgyz Republic, the National Bank is exempt from income tax. All other compulsory payments to the budget, which are assessed on the National Bank's activities, are accrued and paid in accordance with the Tax Code of the Kyrgyz Republic. Taxes that the National Bank pays as a tax agent and which are not recoverable are included as a component of administrative expenses in the statement of profit or loss.

#### (k) Income and expense recognition

Interest income and expense are recognised in the statement of profit or loss as they accrue, using the effective interest method. The effective interest method is a method of calculating of the amortised cost of a financial asset or a financial liability and allocating of the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fee and commission income is recognised in the income statement when the corresponding service is provided.

Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received, if any, are recognised as an integral part of the total lease expense, over the term of the lease.

#### (l) Fiduciary assets

The National Bank provides agency services that result in holding of assets on behalf of third parties. These assets and income arising thereon are excluded from these financial statements as they are not assets of the National Bank.

#### (m) Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

### 4 ADOPTION OF NEW AND REVISED IFRSS

#### (a) New and revised standards

While preparing the financial statements the National Bank adopted all new and revised IFRSs applicable to its operations and effective for annual periods beginning from 1 January 2015. Adoption of new or revised standards had no material impact on the National Bank's financial statements.

## 4 ADOPTION OF NEW AND REVISED IFRSS (CONTINUED)

### (b) New and revised standards in issue but not yet effective

New and revised standards, amendments, and interpretations are not yet effective as at 31 December 2015 have not been applied while preparing the given financial statements. New and revised standards, amendments, and interpretations below might potentially have a material impact on activities of the National Bank. The National Bank plans to adopt standards, amendments, and interpretations below from the date of their entry into force.

- IFRS 9 *Financial Instruments* is effective for annual periods beginning from 1 January 2018 or later. Finalised version of IFRS 9 was issued on 23 July 2014. New standard comprises amended requirements for the classification and measurements of financial assets (including impairment loss), amends accounting principles on hedging. The National Bank anticipates that the application of IFRS 9 in the future may have a significant impact on accounting of financial instruments and the financial statements. The National Bank does not plan to early adopt the given standard.
- IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The new standard establishes a single comprehensive model for entities to use in accounting for revenue arising from management services and provides additional guidance in areas not covered in details within the framework of existing IFRS including accounting for operations with numerous performance obligations, variable pricing, rights of customers for return, repurchase options for suppliers, and various related matters. IFRS 15 is effective for annual periods beginning from 1 January 2017 or later. The management of the National Bank have not estimated the effect of IFRS 15 on the financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle will not have a significant effect on the financial statements of the National Bank.

## 5 GOLD

	31 December 2015	31 December 2014
<b>Gold in accounts with foreign banks</b>		
Gold in deposits	6 685 004	5 900 938
<b>Gold bullion in the National Bank depository</b>	4 245 475	3 091 019
	<b>10 930 479</b>	<b>8 991 957</b>

Gold bullion in vaults represents gold with “good delivery” status.

### Concentration of gold in accounts with foreign banks

As at 31 December 2015 the National Bank placed all gold deposits with two banks with credit rating from AA- to A+ (31 December 2014: two banks with credit rating from AA- to A+).

## 6 CASH ON HAND, DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
<b>Placements with foreign banks and other financial institutions</b>		
<b>Nostro accounts with foreign banks</b>		
- rated AAA	29 463 528	20 619 795
- rated from A to AA +	8 210 253	7 564 978
- rated from BBB- to BBB+	37 217	7 076
- not rated	702 249	8 092
<b>Total nostro accounts with foreign banks</b>	<b>38 413 247</b>	<b>28 199 941</b>
<b>Term deposits with foreign banks</b>		
- rated from AA- to AA+	25 546 519	14 055 289
- rated from A- to A+	7 963 907	16 633 866
- not rated	293 430	227 657
<b>Total term deposits with foreign banks</b>	<b>33 803 856</b>	<b>30 916 812</b>
Accounts with the Bank for International Settlements (BIS)		
- BIS Nostro	2 599 066	2 036 720
- BIS Deposit	1 734 334	1 438 381
Accounts with the International Monetary Fund	13 996 060	10 654 592
<b>Total due from banks and other financial institutions</b>	<b>90 546 563</b>	<b>73 246 446</b>
Cash on hand in foreign currency	966 259	656 157
Impairment allowance	(293 430)	(227 657)
	<b>91 219 392</b>	<b>73 674 946</b>

As at 31 December 2015 and 2014 an impaired term deposit of KGS 293 430 thousand and 227 657 thousand was overdue, and the National Bank created an impairment reserve for the full outstanding amount.

### Concentration of due from banks and other financial institutions

As at 31 December 2015 the National Bank has balances with nine banks and other financial institutions rated from AAA to A (2014: nine banks and other financial institutions rated from AAA to AA-) whose amounts exceed 10% of equity. The gross value of these balances as at 31 December 2015 is KGS 80 788 369 thousand (2014: KGS 67 022 158 thousand).

Movement in the allowance for impairment losses is disclosed in Note 20.

### Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2015	31 December 2014
Nostro accounts with international banks	38 413 247	28 199 941
Nostro accounts with the Bank for International Settlements	2 599 066	2 036 720
Accounts with the IMF	13 996 060	10 654 592
Cash on hand in foreign currencies	966 259	656 157
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>55 974 632</b>	<b>41 547 410</b>

None of cash and cash equivalents are impaired or past due.

## 7 LOANS ISSUED

	<b>31 December 2015</b>	<b>31 December 2014</b>
Loans to resident commercial banks	5 253 968	4 222 973
Loans to international organizations	1 203 945	-
	<b>6 457 913</b>	<b>4 222 973</b>
Impairment allowance	(526 301)	(460 355)
<b>Loans issued net of impairment allowance</b>	<b>5 931 612</b>	<b>3 762 618</b>

The National Bank estimates loan impairment for loans based on an analysis of the future cash flows for impaired loans and based on its past loss experience for loans for which no indications of impairment are identified.

Movement in the allowance for impairment losses is disclosed in Note 20.

### Analysis of collateral

The following table provides information on collateral securing unimpaired loans issued to commercial banks - residents, by types of collateral as at 31 December 2015 and 2014, excluding the effect of overcollateralisation.

	<b>31 December 2015</b>	<b>% of unimpaired loan portfolio</b>	<b>31 December 2014</b>	<b>% of unimpaired loan portfolio</b>
Loans to customers	3 303 153	56	3 466 818	92
Deposit in foreign currency	2 188 585	37	-	-
State securities	264 175	4	295 800	8
Real estate	175 699	3	-	-
	<b>5 931 612</b>	<b>100</b>	<b>3 762 618</b>	<b>100</b>

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral. The fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

### Concentration of loans extended

As at 31 December 2015 and 2014, the Bank does not have loans to commercial banks, whose balances exceed 10% of equity.

## 8 INVESTMENTS AVAILABLE-FOR-SALE

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Debt instruments</b>		
<b>State bonds</b>		
Government of Australia Treasury bills	15 108 596	15 110 240
Government of Canada Treasury bills	6 931 628	5 952 656
Government of Great Britain Treasury bills	4 561 058	3 537 475
Government of Russian Federation Treasury bills	247 034	376 487
Government of France Treasury bills	-	771 389
Government of Germany Treasury bills	-	433 497
<b>Total state bonds</b>	<b>26 848 316</b>	<b>26 181 744</b>
Debt securities of international governmental and non-governmental financial institutions	5 780 544	6 257 631
<b>Total debt instruments</b>	<b>32 628 860</b>	<b>32 439 375</b>

None of investments available-for-sale are impaired or past due.

## 9 INVESTMENTS HELD-TO-MATURITY

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Held by the National bank</b>		
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	1 401 971	1 453 614
	<b>1 401 971</b>	<b>1 453 614</b>

None of investments held-to-maturity are impaired or past due.

## 10 PROPERTY AND EQUIPMENT

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress/ equipment not yet installed	Total
<b>Cost</b>						
Balance at 1 January 2015	568 518	162 455	199 326	38 520	397 310	1 366 129
Additions	14 005	45 968	120 490	-	443 861	624 324
Disposals	(6 999)	(10 368)	(7 533)	(408)	(3 787)	(29 095)
Transfers	40	9 676	30 458	-	(96 416)	(56 242)
<b>Balance at 31 December 2015</b>	<b>575 564</b>	<b>207 731</b>	<b>342 741</b>	<b>38 112</b>	<b>740 968</b>	<b>1 905 116</b>
<b>Depreciation and impairment losses</b>						
Balance at 1 January 2015	(86 331)	(73 860)	(46 407)	(12 972)	-	(219 570)
Depreciation for the year	(15 935)	(36 898)	(53 523)	(5 921)	-	(112 277)
Disposals	5 004	10 393	7 483	418	-	23 298
<b>Balance at 31 December 2015</b>	<b>(97 262)</b>	<b>(100 365)</b>	<b>(92 447)</b>	<b>(18 475)</b>	<b>-</b>	<b>(308 549)</b>
<b>Carrying amount</b>						
At 31 December 2015	478 302	107 366	250 294	19 637	740 968	1 596 567

## 10 PROPERTY AND EQUIPMENT (CONTINUED)

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress/ equipment not yet installed	Total
<b>Cost</b>						
Balance at 1 January 2014	544 250	134 417	145 958	17 661	400 546	1 242 832
Additions	2 024	17 745	78 329	21 827	48 628	168 553
Disposals	(899)	(18 428)	(24 961)	(968)	-	(45 256)
Transfers	23 143	28 721	-	-	(51 864)	-
<b>Balance at 31 December 2014</b>	<b>568 518</b>	<b>162 455</b>	<b>199 326</b>	<b>38 520</b>	<b>397 310</b>	<b>1 366 129</b>
<b>Depreciation and impairment losses</b>						
Balance at 1 January 2014	(70 901)	(61 483)	(38 349)	(7 057)	-	(177 790)
Depreciation for the year	(15 926)	(30 786)	(33 019)	(6 883)	-	(86 614)
Disposals	496	18 409	24 961	968	-	44 834
<b>Balance at 31 December 2014</b>	<b>(86 331)</b>	<b>(73 860)</b>	<b>(46 407)</b>	<b>(12 972)</b>	<b>-</b>	<b>(219 570)</b>
<b>Carrying amount</b>						
<b>At 31 December 2014</b>	<b>482 187</b>	<b>88 595</b>	<b>152 919</b>	<b>25 548</b>	<b>397 310</b>	<b>1 146 559</b>

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during 2015 and 2014.

## 11 OTHER ASSETS

	<b>31 December 2015</b>	<b>31 December 2014</b>
Other receivables	195 901	264 987
Impairment allowance	(19 117)	(25 836)
<b>Total other financial assets</b>	<b>176 784</b>	<b>239 151</b>
Inventories	713 592	726 254
Other investments	123 079	112 005
Prepayments	48 073	16 547
Other assets	177 861	63 351
Impairment allowance	(312)	(314)
<b>Total other non-financial assets</b>	<b>1 062 293</b>	<b>917 843</b>
	<b>1 239 077</b>	<b>1 156 994</b>

Movements in impairment allowance on other assets for the years ending 31 December 2015 and 2014 are disclosed in Note 20.

## 12 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2015 and 2014 banknotes and coins in circulation comprise:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Banknotes and coins in circulation	60 164 552	59 846 830
Less banknotes and coins on hand and in vaults	(1 766 537)	(2 772 239)
	<b>58 398 015</b>	<b>57 074 591</b>

Banknotes and coins in circulation represent the face value of the amount of banknotes and coins in circulation held by the general public and financial institutions.

## 13 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>31 December 2015</b>	<b>31 December 2014</b>
Current accounts of commercial banks	13 854 786	8 878 352
Current accounts of other financial institutions	5 639 625	21 933
	<b>19 494 411</b>	<b>8 900 285</b>

As at 31 December 2015 and 2014 the National Bank has no banks whose balances exceed 10% of equity.

## 14 DUE TO THE GOVERNMENT OF THE KYRGYZ REPUBLIC

Due to the Government of the Kyrgyz Republic comprise accounts of the Ministry of Finance of the Kyrgyz Republic.

	<b>31 December 2015</b>	<b>31 December 2014</b>
In national currency	12 333 649	13 097 458
In foreign currency	2 770 902	6 520 903
	<b>15 104 551</b>	<b>19 618 361</b>

## 15 DEBT SECURITIES ISSUED

As at 31 December 2015 debt securities issued (notes of the National Bank) comprise the following issues:

<b>Emissions</b>	<b>Carrying amount</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Effective interest rate</b>
BD001160106	1 329 284	30 December 2015	6 January 2016	10.66%
BD002160113	797 165	30 December 2015	13 January 2016	10.68%
	<b>2 126 449</b>			

As at 31 December 2014 debt securities issued (notes of the National Bank) comprise the following issues:

<b>Emissions</b>	<b>Carrying amount</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Effective interest rate</b>
BD001150107	1 325 725	31 December 2014	7 January 2015	10.69%
	<b>1 325 725</b>			

## 16 LOANS RECEIVED

	<b>31 December 2015</b>	<b>31 December 2014</b>
Loans received from the International Monetary Fund	2 949 023	3 331 377
Loans received from the Ministry of Finance of the Kyrgyz Republic	11 577	26 109
	<b>2 960 600</b>	<b>3 357 486</b>

## 16 LOANS RECEIVED (CONTINUED)

As at 31 December 2015 and 2014 terms and conditions of loans received are as follows:

Issuer	CCY	Interest rate	Issue date	Maturity date	2015	2014
IMF, PRGF (Poverty Reduction and Growth Facility)	SDR	0%	19 December 2001	31-May-18	668 508	915 548
IMF, ESF (Exogenous Shocks Facility)	SDR	0%	24-Dec-08	7-Jun-19	2 280 515	2 415 829
Ministry of Finance of the Kyrgyz Republic	USD	1,50%	19-Oct-04	15-Jul-16	11 577	26 109
					<b>2 960 600</b>	<b>3 357 486</b>

Borrowings in relation to the Poverty Reduction and Growth Facility (the “PRGF”) are denominated in SDR and are given to support fiscal reforms and national currency. PRGF borrowings carry a zero interest rate and have a maturity of 10 years from the beginning of the facility. As at 10 December 2014 IMF prolonged 0% interest rate till the end of 2016. Conditions of PRGF credits are standard for all credit receivers.

Borrowing in relation to the Exogenous Shocks Facility (the “ESF”) is denominated in SDR and is given to support the Kyrgyzstan authorities in addressing several exogenous shocks. The loan bears 0% interest rate. As at 10 December 2014 IMF prolonged 0% interest rate till the end of 2016. This condition was declared for all recipients of ESF credits around the globe.

The loan from the Ministry of Finance of the Kyrgyz Republic was granted to the National Bank for the implementation of the Payments and Banking System Modernization project financed by International Development Association.

During the years ended 31 December 2015 and 2014 the National Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities.

## 17 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	<b>31 December 2015</b>	<b>31 December 2014</b>
Liabilities to the IMF in respect of SDR allocations	<u>8 928 627</u>	<u>7 232 900</u>

Special Drawing Rights (SDR) allocation is a distribution of SDR amounts to IMF members by decision of the IMF. A general SDR allocation became effective 28 August 2009. The allocation is a cooperative monetary response to the global financial crisis by the provision of significant unconditional financial resources to liquidity constrained countries, which have to smooth the need for adjustment and add to the scope for expansionary policies, where needed in the face of deflation risks, designed to provide liquidity to the global economic system by supplementing the IMF member countries’ foreign exchange reserves. The general SDR allocations were made to IMF members in proportion to their existing IMF quotas (Note 26). Separately, on 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force to boost global liquidity. According to the amendment, the special allocation was made to IMF members, which includes Kyrgyzstan, on 9 September 2009. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Kyrgyz Republic received the right to use SDR allocations in

## 17 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS (CONTINUED)

the amount of SDR 84 737 thousand. In 2015 and 2014 this right has not yet been utilized. Interest is accrued on the amount that a country uses. The interest rate is determined weekly by the IMF, and is the same for all recipients of SDR allocations in the world.

## 18 SHARE CAPITAL

### **Paid-in capital**

As at 31 December 2015 and 2014 share capital of the National Bank in accordance with the Law “On the National Bank of the Kyrgyz Republic” amounts to KGS 1,000,000 thousand.

### **Distribution to the state budget and obligatory reserve**

In accordance with the Law “On the National Bank of the Kyrgyz Republic” the National Bank's profit shall be distributable as follows:

- if the amount of the National Bank's share capital and obligatory reserve is less than 10% of the monetary liabilities of the National Bank, then 70% of profit shall be distributed to the state budget of the Kyrgyz Republic. The remaining profit, after distributions to the state budget, shall be transferred to the National Bank's obligatory reserve;
- if the amount of the National Bank's charter capital and obligatory reserve equals or exceeds 10% of the monetary liabilities of the National Bank, then 100% of profit shall be distributed to the state budget of the Kyrgyz Republic as well as one third of the excess amount, which shall be paid out of the obligatory reserve but within the balance of the obligatory reserve.

In accordance with the Clause 13 of the Law “On the National Bank of the Kyrgyz Republic”, profit shall be distributed upon the financial year end, once the independent external audit is completed and the annual report is approved by the Management Board of the National Bank.

On 8 April 2015 the net profit earned for 2014 and distributable to the state budget of the Kyrgyz Republic in the amount of KGS 3 777 018 thousand (2014: KGS 310 916 thousand), and KGS 1 618 722 thousand (2014: KGS 133 249 thousand) was approved and transferred to the obligatory reserve.

Profit for the year 2015, distributable to the state budget of the Kyrgyz Republic is equal to KGS 4 579 813 thousand.

### **Capital management**

The capital of the National Bank comprises the residual value of the National Bank's assets after deduction of all its liabilities.

The National Bank's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the National Bank and ability to perform its functions. The National Bank considers total capital under management to be equity shown in the statement of financial position.

No external capital requirements exist for the National Bank, except for the size of the charter capital stipulated by the Law “On the National Bank of the Kyrgyz Republic”, which is KGS 1 000 000 thousand.

## 19 NET INTEREST INCOME

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Interest income</b>		
Due from banks and other financial institutions	608 787	482 880
Loans issued	521 947	231 715
Investments available-for-sale	443 698	537 654
Investments held-to-maturity	94 525	89 168
Other	12 695	7 829
	<b>1 681 652</b>	<b>1 349 246</b>
<b>Interest expense</b>		
Debt securities issued	(129 066)	(124 560)
Due to banks and other financial institutions	(41 444)	(11 730)
Liabilities to the IMF in respect of SDR allocations	(3 852)	(5 876)
Other assets discount recognition	(219 801)	-
Other	(2 247)	(4 287)
	<b>(396 410)</b>	<b>(146 453)</b>
	<b>1 285 242</b>	<b>1 202 793</b>

No interest income was accrued on impaired assets in 2015 and 2014.

## 20 ALLOWANCES FOR IMPAIRMENT

	Cash on hand, due from banks and other financial institutions	Loans extended	Other financial assets	Total
<b>31 December 2013</b>	<b>190 391</b>	<b>440 399</b>	<b>35 349</b>	<b>666 139</b>
Net recovery	-	(9 143)	(9 199)	(18 342)
Effect of foreign currency translation	37 266	29 099	-	66 365
<b>31 December 2014</b>	<b>227 657</b>	<b>460 355</b>	<b>26 150</b>	<b>714 162</b>
Net recovery	-	(73)	(6 718)	(6 791)
Effect of foreign currency translation	65 773	66 019	(3)	131 789
<b>31 December 2015</b>	<b>293 430</b>	<b>526 301</b>	<b>19 429</b>	<b>839 160</b>

## 21 NET GAIN ON FOREIGN CURRENCIES AND GOLD OPERATIONS

	Year ended 31 December 2015	Year ended 31 December 2014
Realised gain from operations with foreign currencies and gold	5 554 775	4 730 809
Income from spot transactions	630 064	291 169
	<b>6 184 839</b>	<b>5 021 978</b>

## 22 ADMINISTRATIVE EXPENSES

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Personnel expenses</b>		
Employee compensation	427 471	341 860
Payments to the Social fund	73 956	58 974
	<b>501 427</b>	<b>400 834</b>
Depreciation and amortization	151 460	106 230
Repairs and maintenance	117 945	65 779
Security	37 496	34 637
Communications and information services	20 437	16 708
Staff training	11 800	10 604
Travel expenses	11 266	8 271
Publication and subscription	10 477	8 646
Professional services	10 346	9 536
Expenses for social and cultural events	7 007	6 047
Office supplies and stationery	4 817	4 522
Other	16 897	14 157
	<b>901 375</b>	<b>685 971</b>

## 23 ANALYSIS BY SEGMENT

The National Bank's operations comprise a single operating segment for the purposes of these financial statements. The National Bank is not required to report revenue and expenses by reference to the functions carried out by the National Bank, therefore, these activities do not constitute separate operating segments for the purposes of these financial statements.

## 24 RISK MANAGEMENT

Risk management is fundamental to the National Bank's activities and is an essential element of the National Bank's operations. The major risks faced by the National Bank are those related to market risk, credit risk and liquidity risk.

### (a) Risk management policies and procedures

The National Bank's risk management policies aim to identify, analyse and manage the risks faced by the National Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The management of the National Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Board, committees, commissions and related working groups review regularly matters related to the monetary, investing and currency policies of the National Bank and set up limits on the scope of transactions, as well as requirements for the assessment of the National Bank's counterparties.

In accordance with Investment Strategy on International Reserve Management of the National Bank ("the Investment Strategy") approved by the Board on 24 December 2014, the main goals of

## 24 RISK MANAGEMENT (CONTINUED)

### (a) Risk management policies and procedures (continued)

risk management are safety and liquidity of the assets and profitability growth of the National Bank. Operations are conducted within the limitations imposed by this strategy.

In accordance with these goals gold and foreign currency assets of the National Bank are separated into the following portfolios: working portfolio and investment portfolio.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The National Bank manages its market risk mainly by conducting regular assessment of all open positions. In addition, the National Bank continuously monitors open position limits in relation to financial instruments, interest rate, maturity and currency positions and balance of risks and profitability.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The National Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

**24 RISK MANAGEMENT (CONTINUED)****(b) Market risk (continued)****(i) Interest rate risk (continued)****Interest rate gap analysis**

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest bearing financial instruments is as follows:

	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	No interest	Carrying amount as at 31 December 2015
<b>ASSETS</b>							
Gold	6 685 004	-	-	-	-	-	6 685 004
Cash on hand, due from banks and other financial institutions	72 706 570	15 730 742	-	-	-	2 782 080	91 219 392
Loans issued	2 792 674	2 960 052	172 720	6 166	-	-	5 931 612
Investments available-for-sale	5 088 366	10 685 462	4 406 064	12 448 968	-	-	32 628 860
Investments held-to-maturity	20 472	1 477	60 586	1 255 855	63 581	-	1 401 971
	<b>87 293 086</b>	<b>29 377 733</b>	<b>4 639 370</b>	<b>13 710 989</b>	<b>63 581</b>	<b>2 782 080</b>	<b>137 866 839</b>
<b>LIABILITIES</b>							
Due to the Government of the Kyrgyz Republic	15 104 551	-	-	-	-	-	15 104 551
Debt securities issued	2 126 449	-	-	-	-	-	2 126 449
Loans received	11 577	511 311	497 931	1 939 781	-	-	2 960 600
Liabilities to the IMF in respect of SDR allocations	8 928 627	-	-	-	-	-	8 928 627
	<b>26 171 204</b>	<b>511 311</b>	<b>497 931</b>	<b>1 939 781</b>	-	-	<b>29 120 227</b>
	<b>61 121 882</b>	<b>28 866 422</b>	<b>4 141 439</b>	<b>11 771 208</b>	<b>63 581</b>	<b>2 782 080</b>	<b>108 746 612</b>

**24 RISK MANAGEMENT (CONTINUED)****(b) Market risk (continued)****(i) Interest rate risk (continued)****Interest rate gap analysis (continued)**

	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	No interest	Carrying amount as at 31 December 2014
<b>ASSETS</b>							
Gold	5 900 938	-	-	-	-	-	5 900 938
Cash on hand, due from banks and other financial institutions	53 441 315	17 574 004	-	-	-	2 659 627	73 674 946
Loans issued	1 150 981	2 213 412	347 043	50 143	1 039	-	3 762 618
Investments available-for-sale	7 719 194	10 808 993	10 989 171	2 922 017	-	-	32 439 375
Investments held-to-maturity	12 181	1 733	60 147	1 253 137	126 416	-	1 453 614
	<b>68 224 609</b>	<b>30 598 142</b>	<b>11 396 361</b>	<b>4 225 297</b>	<b>127 455</b>	<b>2 659 627</b>	<b>117 231 491</b>
<b>LIABILITIES</b>							
Due to the Government of the Kyrgyz Republic	19 618 361	-	-	-	-	-	19 618 361
Debt securities issued	1 325 725	-	-	-	-	-	1 325 725
Loans received	118 457	425 043	425 043	2 388 943	-	-	3 357 486
Liabilities to the IMF in respect of SDR allocations	7 232 900	-	-	-	-	-	7 232 900
	<b>28 295 443</b>	<b>425 043</b>	<b>425 043</b>	<b>2 388 943</b>	<b>-</b>	<b>-</b>	<b>31 534 472</b>
	<b>39 929 166</b>	<b>30 173 099</b>	<b>10 971 318</b>	<b>1 836 354</b>	<b>127 455</b>	<b>2 659 627</b>	<b>85 697 019</b>

## 24 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (i) Interest rate risk (continued)

##### *Average interest rates*

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2015 and 2014. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

	2015 Weighted average effective interest rate, %	2014 Weighted average effective interest rate, %
<b>Interest bearing assets</b>		
<b>Gold</b>		
<i>Gold in accounts with foreign banks</i>	0.48	0.17
<b>Due from banks and other financial institutions</b>		
<i>Nostro accounts</i>		
- USD	0.36	0.09
- EUR	(0.25)	0.04
- CAD	0.20	0.01
- AUD	0.94	1.75
- GBP	0.01	0.27
- CNH	0.35	0.35
- NOK	0.55	1.05
<i>Term deposits</i>		
- USD	0.48	0.26
- EUR	-	0.24
- CAD	0.58	1.10
- AUD	0.66	0.57
- GBP	2.18	2.76
- RUB	7.03	19.89
- CNH	3.78	3.28
- NOK	0.96	1.53
- SGD	0.82	0.37
- SEK	-	0.16
<b>Investments available-for-sale</b>		
- EUR	-	(0.10)
- USD	0.61	0.52
- AUD	2.12	2.41
- CAD	0.68	0.97
- GBP	0.49	0.57
<b>Loans issued</b>		
- KGS	9.56	10.64
<b>Investments held-to-maturity, including investments held-to-maturity, pledged under repurchase agreements</b>		
- KGS	10.33	6.55
<b>Interest bearing liabilities</b>		
<b>Debt securities issued</b>		
- KGS	10.59	10.69
<b>Loans received</b>		
- USD	1.50	1.50
<b>Liabilities to the IMF in respect of SDR allocations</b>	0.05	0.05

## 24 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (i) Interest rate risk (continued)

##### *Interest rate sensitivity analysis*

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity to changes in interest rate (repricing risk) based on a simplified scenario of a 20 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
20 bp parallel fall	(147 336)	(131 450)
20 bp parallel rise	147 336	131 450

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 20 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2015		31 December 2014	
	Profit or loss	Equity	Profit or loss	Equity
20 bp parallel rise	-	(38 405)	-	(29 776)
20 bp parallel fall	-	68 518	-	34 147

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

#### (ii) Currency risk

The National Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the National Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

## 24 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (ii) Currency risk (continued)

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2015 is presented in the table below:

ASSETS	KGS	Gold	USD	EUR	CAD	AUD	SDR	NOK	GBP	CNH	Other	Total 31 December 2015
Gold	-	6 685 004	-	-	-	-	-	-	-	-	-	6 685 004
Cash on hand, due from banks and other financial institutions	-	-	42 139 153	2 672 272	4 917 705	1 271 230	13 996 060	4 878 237	2 787 338	16 442 361	2 115 036	91 219 392
Loans issued	5 931 612	-	-	-	-	-	-	-	-	-	-	5 931 612
Investments available-for-sale	-	-	3 143 571	-	6 931 628	15 108 595	-	-	7 350 919	-	94 147	32 628 860
Investments held-to-maturity	1 401 971	-	-	-	-	-	-	-	-	-	-	1 401 971
Other financial assets	176 784	-	-	-	-	-	-	-	-	-	-	176 784
<b>Total assets</b>	<b>7 510 367</b>	<b>6 685 004</b>	<b>45 282 724</b>	<b>2 672 272</b>	<b>11 849 333</b>	<b>16 379 825</b>	<b>13 996 060</b>	<b>4 878 237</b>	<b>10 138 257</b>	<b>16 442 361</b>	<b>2 209 183</b>	<b>138 043 623</b>

## 24 RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## (ii) Currency risk (continued)

	KGS	Gold	USD	EUR	CAD	AUD	SDR	NOK	GBP	CNH	Other	Total 31 December 2015
<b>LIABILITIES</b>												
Banknotes and coins in circulation	58 398 015	-	-	-	-	-	-	-	-	-	-	58 398 015
Due to banks and other financial institutions	11 340 838	-	8 141 890	11 683	-	-	-	-	-	-	-	19 494 411
Due to the Government of the Kyrgyz Republic	12 333 649	-	1 945 120	790 156	-	-	-	-	-	-	35 626	15 104 551
Debt securities issued	2 126 449	-	-	-	-	-	-	-	-	-	-	2 126 449
Loans received	-	-	11 577	-	-	-	2 949 023	-	-	-	-	2 960 600
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	-	8 928 627	-	-	-	-	8 928 627
Other financial liabilities	63 764	-	17 464	505	-	-	-	-	-	-	-	81 733
<b>Total liabilities</b>	<b>84 262 715</b>	<b>-</b>	<b>10 116 051</b>	<b>802 344</b>	<b>-</b>	<b>-</b>	<b>11 877 650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35 626</b>	<b>107 094 386</b>
<b>Net balance sheet position</b>	<b>(76 752 348)</b>	<b>6 685 004</b>	<b>35 166 673</b>	<b>1 869 928</b>	<b>11 849 333</b>	<b>16 379 825</b>	<b>2 118 410</b>	<b>4 878 237</b>	<b>10 138 257</b>	<b>16 442 361</b>	<b>2 173 557</b>	<b>30 949 237</b>

## 24 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (ii) Currency risk (continued)

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2014 is presented in the table below:

ASSETS	KGS	Gold	USD	EUR	CAD	AUD	SDR	NOK	GBP	CNH	Other	Total 31 December 2014
Gold	-	5 900 938	-	-	-	-	-	-	-	-	-	5 900 938
Cash on hand, due from banks and other financial institutions	-	-	26 570 201	8 605 285	5 149 289	1 652 900	10 654 592	5 774 632	2 349 165	10 432 665	2 486 217	73 674 946
Loans issued	3 762 618	-	-	-	-	-	-	-	-	-	-	3 762 618
Investments available-for-sale	-	-	2 528 903	3 538 025	6 976 258	15 592 854	-	-	3 537 475	-	265 860	32 439 375
Investments held-to-maturity	1 453 614	-	-	-	-	-	-	-	-	-	-	1 453 614
Other financial assets	239 151	-	-	-	-	-	-	-	-	-	-	239 151
<b>Total assets</b>	<b>5 455 383</b>	<b>5 900 938</b>	<b>29 099 104</b>	<b>12 143 310</b>	<b>12 125 547</b>	<b>17 245 754</b>	<b>10 654 592</b>	<b>5 774 632</b>	<b>5 886 640</b>	<b>10 432 665</b>	<b>2 752 077</b>	<b>117 470 642</b>

## 24 RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## (ii) Currency risk (continued)

	KGS	Gold	USD	EUR	CAD	AUD	SDR	NOK	GBP	CNH	Other	Total 31 December 2014
<b>LIABILITIES</b>												
Banknotes and coins in circulation	57 074 591	-	-	-	-	-	-	-	-	-	-	57 074 591
Due to banks and other financial institutions	8 293 754	-	606 531	-	-	-	-	-	-	-	-	8 900 285
Due to the Government of the Kyrgyz Republic	13 097 458	-	5 923 278	597 625	-	-	-	-	-	-	-	19 618 361
Debt securities issued	1 325 725	-	-	-	-	-	-	-	-	-	-	1 325 725
Loans received	-	-	26 109	-	-	-	3 331 377	-	-	-	-	3 357 486
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	-	7 232 900	-	-	-	-	7 232 900
Other financial liabilities	31 310	-	13 549	-	-	-	-	-	-	-	-	44 859
<b>Total liabilities</b>	<b>79 822 838</b>	<b>-</b>	<b>6 569 467</b>	<b>597 625</b>	<b>-</b>	<b>-</b>	<b>10 564 277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97 554 207</b>
<b>Net balance sheet position</b>	<b>(74 367 455)</b>	<b>5 900 938</b>	<b>22 529 637</b>	<b>11 545 685</b>	<b>12 125 547</b>	<b>17 245 754</b>	<b>90 315</b>	<b>5 774 632</b>	<b>5 886 640</b>	<b>10 432 665</b>	<b>2 752 077</b>	<b>19 916 435</b>

## 24 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (ii) Currency risk (continued)

Depreciation of KGS, as indicated in the table below, against following currencies as at 31 December 2015 and 2014 would have given a rise to the below increase (decrease) of equity and other comprehensive income. The given analysis is based on the change of exchange rates, which, according to the National Bank's opinion, are reasonably possible as at the end of reporting period. The given level of sensitivity is used within the National Bank for preparation of report on currency risk for the key management of the National Bank. The analysis implies that all other variables, especially interest rates, are constant.

	31 December 2015		31 December 2014	
	Profit or loss	Equity	Profit or loss	Equity
10% appreciation of USD against KGS	-	3 517 825	-	2 252 964
10% appreciation of CNH against KGS	-	1 644 236	-	1 043 267
10% appreciation of AUD against KGS	-	1 637 983	-	1 724 575
10% appreciation of CAD against KGS	-	1 184 933	-	1 212 555
10% appreciation of GBP against KGS	-	1 013 826	-	588 664
10% appreciation of EUR against KGS	-	186 993	-	1 154 569

Appreciation of the KGS against the above currencies at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk, that only represent the National Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

#### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the National Bank takes a long or short position in a financial instrument.

As at 31 December 2015 and 2014 the National Bank was exposed to price risk of gold in accounts with foreign banks.

An increase or decrease in prices in KGS equivalent of gold, as indicated below, at 31 December 2015 and 2014 would have increased or decreased equity and other comprehensive income by the amounts shown below. This analysis is based on gold pricing movements that the National Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

## 24 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (iii) Other price risk (continued)

	31 December 2015		31 December 2014	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
10% appreciation of gold prices in KGS equivalent	-	668 500	-	590 094
10% depreciation of gold prices in KGS equivalent	-	(668 500)	-	(590 094)

### (c) Credit risk

Credit risk is the risk of financial losses occurring as a result of default by a borrower or counterparty of the National Bank. The National Bank has developed policies and procedures for credit risk management, including guidelines to limit portfolio concentration. There is an Investment Committee, which is responsible for the monitoring of credit risk on management of international reserves.

In order to minimize the credit risk, the National Bank uses risk management policy, which sets out requirements for the counterparty of the National Bank. According to this policy, the counterparties of the National Bank can only be central banks, financial institutions or commercial banks with high rating classification of Moody's Investors Service and / or the same rating level classification of other leading rating agencies (Standard & Poor's Corporation, Fitch IBCA).

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Moody's. The highest possible rating is Aaa. Investment grade financial assets have ratings from Aaa to Baa. Financial assets which have ratings lower than Baa of Moody's Investors Service are classed as speculative grade. Taking into consideration the National Bank's status as a central bank the counterparties are divided into 2 categories:

#### Category A

- central banks of advanced developed industrial countries with stable economical and political situation and sovereign rating not less than A3 per Moody's Investors Service classification;
- international financial organizations, institutions and banks, such as IMF, BIS, EBRD, ADB, KfW, etc.
- foreign commercial banks with rating not less than A3 per Moody's Investors Service classification.

#### Category B

- central banks of countries with sovereign rating less than A3 per Moody's Investors Service classification;
- financial institutions indicated in international agreements signed by the Kyrgyz Republic;
- foreign commercial banks with rating less than A3 but not less than Baa2 per Moody's Investors Service classification.

Decisions on investment deals with the counterparties of the Category A, i.e. limitations on certain counterparties, investment instruments and amount of deals are established based on power of the Investment Committee of the National Bank. Decisions on investment deals with each counterparty of Category B are approved by the Management Board of the National Bank upon submission by the Investment Committee.

One of the criteria for control of credit risk is the maximum exposure to credit risk per one counterparty, as well as the geographical segments.

## 24 RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

The National Bank's maximum exposure to credit risk per one counterparty varies significantly and is dependent on both individual risks and general market economy risks. The National Bank's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>ASSETS</b>		
Gold	6 685 004	5 900 938
Cash on hand, due from banks and other financial institutions	91 219 392	73 674 946
Loans issued	5 931 612	3 762 618
Investments available-for-sale, except equity investments	32 628 860	32 439 375
Investments held-to-maturity	1 401 971	1 453 614
Other financial assets	176 784	239 151
<b>Total maximum exposure</b>	<b>138 043 623</b>	<b>117 470 642</b>

### Geographical concentrations

The Investment Committee of the National Bank monitors the country risk of its counterparties. This approach allows the National Bank to minimize potential losses from investment climate fluctuations in those countries where the National Bank's currency reserves are placed.

The following table shows the geographical concentration of assets and liabilities at 31 December 2015:

	<b>Kyrgyz Republic</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>International financial institutions</b>	<b>31 December 2015 Total</b>
<b>ASSETS</b>					
Gold	-	6 685 004	-	-	6 685 004
Cash on hand, due from banks and other financial institutions	966 259	63 831 696	8 091 977	18 329 460	91 219 392
Loans issued	5 931 612	-	-	-	5 931 612
Investments available-for-sale	-	26 601 282	247 034	5 780 544	32 628 860
Investments held-to-maturity	1 401 971	-	-	-	1 401 971
Other financial assets	176 784	-	-	-	176 784
<b>Total assets</b>	<b>8 476 626</b>	<b>97 117 982</b>	<b>8 339 011</b>	<b>24 110 004</b>	<b>138 043 623</b>
<b>LIABILITIES</b>					
Banknotes and coins in circulation	58 398 015	-	-	-	58 398 015
Due to banks and other financial institutions	19 270 514	-	176 521	47 376	19 494 411
Due to the Government of the Kyrgyz Republic	15 104 551	-	-	-	15 104 551
Debt securities issued	2 126 449	-	-	-	2 126 449
Loans received	11 577	-	-	2 949 023	2 960 600
Liabilities to the IMF in respect of SDR allocations	-	-	-	8 928 627	8 928 627
Other financial liabilities	63 764	333	17 464	172	81 733
<b>Total liabilities</b>	<b>94 974 870</b>	<b>333</b>	<b>193 985</b>	<b>11 925 198</b>	<b>107 094 386</b>
<b>Net balance sheet position</b>	<b>(86 498 244)</b>	<b>97 117 649</b>	<b>8 145 026</b>	<b>12 184 806</b>	<b>30 949 237</b>

## 24 RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

#### Geographical concentrations (continued)

The following table shows the geographical concentration of assets and liabilities at 31 December 2014:

	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2014 Total
<b>ASSETS</b>					
Gold	-	5 900 938	-	-	5 900 938
Cash on hand, due from banks and other financial institutions	656 156	58 507 869	381 227	14 129 694	73 674 946
Loans extended	3 762 618	-	-	-	3 762 618
Investments available-for-sale	-	25 805 264	376 487	6 257 624	32 439 375
Investments held-to-maturity	1 453 614	-	-	-	1 453 614
Other financial assets	239 151	-	-	-	239 151
<b>Total assets</b>	<b>6 111 539</b>	<b>90 214 071</b>	<b>757 714</b>	<b>20 387 318</b>	<b>117 470 642</b>
<b>LIABILITIES</b>					
Banknotes and coins in circulation	57 074 591	-	-	-	57 074 591
Due to banks and other financial institutions	8 878 695	-	-	21 590	8 900 285
Due to the Government of the Kyrgyz Republic	19 618 361	-	-	-	19 618 361
Debt securities issued	1 325 725	-	-	-	1 325 725
Loans received	26 109	-	-	3 331 377	3 357 486
Liabilities to the IMF in respect of SDR allocations	-	-	-	7 232 900	7 232 900
Other financial liabilities	44 859	-	-	-	44 859
<b>Total liabilities</b>	<b>86 968 340</b>	<b>-</b>	<b>-</b>	<b>10 585 867</b>	<b>97 554 207</b>
<b>Net balance sheet position</b>	<b>(80 856 801)</b>	<b>90 214 071</b>	<b>757 714</b>	<b>9 801 451</b>	<b>19 916 435</b>

### (d) Liquidity risk

Liquidity risk is the risk that the National Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities of assets and liabilities is fundamental to the management of financial institutions, including the National Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types.

The National Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The National Bank's liquidity policy is reviewed and approved by the Board.

The National Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Since the National Bank is the emission bank (the National Bank carries out the issue of national currency), the default risk on fulfillment its obligations in national currency is minimal, and liquidity risk is more applicable for obligations denominated in foreign currency.

## 24 RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (continued)

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

## 24 RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (continued)

The maturity analysis for financial liabilities as at 31 December 2015 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow / (inflow) 31 December 2015	Carrying amount 31 December 2015
<b>Non-derivative liabilities</b>							
Due to banks and other financial institutions	19 494 411	-	-	-	-	19 494 411	19 494 411
Due to the Government of the Kyrgyz Republic	15 104 551	-	-	-	-	15 104 551	15 104 551
Debt securities issued	2 131 500	-	-	-	-	2 131 500	2 126 449
Loans received	11 577	-	511 311	497 931	1 945 069	2 965 888	2 960 600
Liabilities to the IMF in respect of SDR allocations	8 927 881	746	-	-	-	8 928 627	8 928 627
Other financial liabilities	37 679	2 460	1 451	22 201	17 942	81 733	81 733
<b>Total liabilities</b>	<b>45 707 599</b>	<b>3 206</b>	<b>512 762</b>	<b>520 132</b>	<b>1 963 011</b>	<b>48 706 710</b>	<b>48 696 371</b>

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total cash outflow / (inflow) 31 December 2014	Carrying amount 31 December 2014
<b>Non-derivative liabilities</b>							
Due to banks and other financial institutions	8 900 285	-	-	-	-	8 900 285	8 900 285
Due to the Government of the Kyrgyz Republic	19 618 361	-	-	-	-	19 618 361	19 618 361
Debt securities issued	1 328 310	-	-	-	-	1 328 310	1 325 725
Loans received	26 109	92 348	425 043	425 043	2 390 129	3 358 672	3 357 486
Liabilities to the IMF in respect of SDR allocations	7 232 294	606	-	-	-	7 232 900	7 232 900
Other financial liabilities	13 111	4 195	6 839	6 423	14 291	44 859	44 859
<b>Total liabilities</b>	<b>37 118 470</b>	<b>97 149</b>	<b>431 882</b>	<b>431 466</b>	<b>2 404 420</b>	<b>40 483 387</b>	<b>40 479 616</b>

The tables above show the undiscounted cash flows of non-derivative financial liabilities.

## 24 RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (continued)

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2015:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total 31 December 2015
<b>ASSETS</b>							
Gold	-	6 685 004	-	-	-	-	6 685 004
Cash on hand, due from banks and other financial institutions	61 269 389	14 219 261	15 730 742	-	-	-	91 219 392
Loans issued	172 804	2 619 870	3 132 772	6 166	-	-	5 931 612
Investments available-for-sale	1 815 124	3 273 242	15 091 526	12 448 968	-	-	32 628 860
Investments held-to-maturity	18 411	2 061	62 063	1 255 855	63 581	-	1 401 971
Other financial assets	4 710	2 961	10 594	54 701	103 818	-	176 784
	<b>63 280 438</b>	<b>26 802 399</b>	<b>34 027 697</b>	<b>13 765 690</b>	<b>167 399</b>	-	<b>138 043 623</b>
<b>LIABILITIES</b>							
Banknotes and coins in circulation	-	-	-	-	-	58 398 015	58 398 015
Due to banks and other financial institutions	19 494 411	-	-	-	-	-	19 494 411
Due to the Government of the Kyrgyz Republic	15 104 551	-	-	-	-	-	15 104 551
Debt securities issued	2 126 449	-	-	-	-	-	2 126 449
Loans received	11 577	-	1 009 242	1 939 781	-	-	2 960 600
Liabilities to the IMF in respect of SDR allocations	8 927 881	746	-	-	-	-	8 928 627
Other financial liabilities	37 679	2 460	23 652	17 942	-	-	81 733
	<b>45 702 548</b>	<b>3 206</b>	<b>1 032 894</b>	<b>1 957 723</b>	-	<b>58 398 015</b>	<b>107 094 386</b>
<b>Net position</b>	<b>17 577 890</b>	<b>26 799 193</b>	<b>32 994 803</b>	<b>11 807 967</b>	<b>167 399</b>	<b>(58 398 015)</b>	<b>30 949 237</b>

## 24 RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (continued)

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2014:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total 31 December 2014
<b>ASSETS</b>							
Gold	2 485 664	3 415 274	-	-	-	-	5 900 938
Cash on hand, due from banks and other financial institutions	44 470 035	11 630 907	17 574 004	-	-	-	73 674 946
Loans issued	36 339	1 114 643	2 560 454	50 143	1 039	-	3 762 618
Investments available-for-sale	4 308 869	3 410 325	21 798 164	2 922 017	-	-	32 439 375
Investments held-to-maturity	11 132	1 049	61 880	1 253 137	126 416	-	1 453 614
Other financial assets	5 035	3 187	14 718	78 684	137 527	-	239 151
	<b>51 317 074</b>	<b>19 575 385</b>	<b>42 009 220</b>	<b>4 303 981</b>	<b>264 982</b>	<b>-</b>	<b>117 470 642</b>
<b>LIABILITIES</b>							
Banknotes and coins in circulation	-	-	-	-	-	57 074 591	57 074 591
Due to banks and other financial institutions	8 900 285	-	-	-	-	-	8 900 285
Due to the Government of the Kyrgyz Republic	19 618 361	-	-	-	-	-	19 618 361
Debt securities issued	1 325 725	-	-	-	-	-	1 325 725
Loans received	26 109	92 348	850 086	2 388 943	-	-	3 357 486
Liabilities to the IMF in respect of SDR allocations	7 232 294	606	-	-	-	-	7 232 900
Other financial liabilities	13 111	4 195	13 262	14 291	-	-	44 859
	<b>37 115 885</b>	<b>97 149</b>	<b>863 348</b>	<b>2 403 234</b>	<b>-</b>	<b>57 074 591</b>	<b>97 554 207</b>
<b>Net position</b>	<b>14 201 189</b>	<b>19 478 236</b>	<b>41 145 872</b>	<b>1 900 747</b>	<b>264 982</b>	<b>(57 074 591)</b>	<b>19 916 435</b>

## 25 COMMITMENTS

### (a) Insurance

The insurance industry in the Kyrgyz Republic is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The National Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the National Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

### (b) Litigation

In the ordinary course of business, the National Bank is subject to legal actions and complaints. Management of the National Bank believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions or the results of future operations of the National Bank.

### (c) Taxation contingencies

The taxation system in the Kyrgyz Republic is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for six calendar years.

Taking into consideration that the National Bank has exemption from income tax and several other taxes, tax liabilities origination is not obvious and their influence on the financial statements of the National Bank is not significant.

## 26 AGENCY FUNCTIONS

### Membership quota of the Kyrgyz Republic in the International Monetary Fund (the “IMF”)

In 1992 the Kyrgyz Republic joined the IMF. A membership quota expressed in Special Drawing Rights (“SDRs”) is assigned to each member of the IMF. The membership quota is the basis for determining access of the country to the IMF financing. As at 31 December 2015 and 2014 the quota of the Kyrgyz Republic amounted to SDR 88,800 thousand.

To secure a part of the membership quota, the Ministry of Finance of the Kyrgyz Republic issued securities in favour of the IMF. The other part was secured by funds placed on the current account of the IMF with the National Bank.

The National Bank was designated as a depository for these securities and funds and as a financial agency authorised to carry out transactions with the IMF on behalf of the Kyrgyz Republic. Correspondingly, the following assets and liabilities are not assets and liabilities of the National Bank and were not included in the National Bank’s financial statements:

	<u>31 December 2015</u>	<u>31 December 2014</u>
<b>IMF membership quota</b>	<b>9 339 631</b>	<b>7 575 952</b>
Securities for benefit of the IMF	(9 315 757)	(7 556 586)
Current accounts of the IMF	(23 874)	(19 366)
	<u><b>(9 339 631)</b></u>	<u><b>(7 575 952)</b></u>

## 26 AGENCY FUNCTIONS (CONTINUED)

### IMF loans issued to the Ministry of Finance of the Kyrgyz Republic

On 07 July 2014 IMF provided loans to the Ministry of Finance of the Kyrgyz Republic amounting to SDR 9 514 thousand for supporting the state budget. On 16 April and 19 December 2015 IMF provided loans to the Ministry of Finance of the Kyrgyz Republic amounting to SDR 19 028 thousand for the same purposes. These loans are not accounted in the statement of financial position of the National Bank as a liability to the IMF as there is an agreement between the Ministry of Finance of the Kyrgyz Republic and the National Bank under which the Ministry of Finance of the Kyrgyz Republic is liable for rendering obligations under this loan agreement. As at 31 December 2015 the outstanding balance of this loan amounted to KGS 11 360 537 thousand (2014: KGS 7 578 900 thousand).

## 27 RELATED PARTY TRANSACTIONS

### (a) Control relationships

In considering each possible related party, substance of the relationship is focused and not only the legal form.

In accordance with the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” the Bank is the central bank of the Kyrgyz Republic and is owned by the Kyrgyz Republic. The Bank independently manages its activities within the limits of authority determined by the Law.

Transactions with related parties are conducted at market prices.

According to IAS 24 transactions with the following parties are exempted from disclosures:

- a) The Government of the Kyrgyz Republic, and
- b) other entities that are controlled, jointly controlled or have a significant influence of the Government of the Kyrgyz Republic.

The Government of the Kyrgyz Republic is represented by the Ministry of Finance of the Kyrgyz Republic. Operations with the Ministry of Finance of the Kyrgyz Republic are investments in debt securities held to maturity (Note 9), as well as accounts of the Ministry of Finance of the Kyrgyz Republic (Note 14). Interest income on investments held to maturity is presented in Note 19.

### (b) Transactions with the members of the Management Board

The remuneration to the members of the National Bank’s Management Board for the years ended 31 December 2015 and 2014 comprised KGS 22 584 thousand and KGS 13 277 thousand, respectively. The remuneration consists of salary and other payments. The outstanding balances of loans issued to the members of the Management Board as at 31 December 2015 and 2014 comprised KGS 10 450 and KGS 2 298 thousand, respectively. The loans are in KGS and repayable by 2030. Interest income from loans to the Management Board for the years ended 31 December 2015 and 2014 comprised KGS 207 thousand and KGS 150 thousand respectively.

### (c) Transactions with other related parties

Corresponding income and expense on transactions with other related parties for the year ended 31 December 2015 are as follows:

	Subsidiaries	Associates	31 December 2015 Total
<b>Statement of profit or loss</b>			
Other income	9 646	316	9 962

## 27 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Transactions with other related parties (continued)

Corresponding income and expense on transactions with other related parties for the year ended 31 December 2014 are as follows:

	Subsidiaries	Associates	31 December 2014 Total
<b>Statement of profit or loss</b>			
Other income	13 172	336	13 508

## 28 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

### (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

	Held-to- maturity	Loans and receivables	Available- for-sale	Other amortised cost	Total carrying amount 31 December 2015	Fair value 31 December 2015
Cash on hand, due from banks and other financial institutions	-	91 219 392	-	-	91 219 392	91 219 392
Loans issued	-	5 931 612	-	-	5 931 612	5 931 612
Investments available-for-sale	-	-	32 628 860	-	32 628 860	32 628 860
Investments held-to-maturity	1 401 971	-	-	-	1 401 971	1 401 971
Other financial assets	-	176 784	-	-	176 784	176 784
	<b>1 401 971</b>	<b>97 327 788</b>	<b>32 628 860</b>	<b>-</b>	<b>131 358 619</b>	<b>131 358 619</b>
Banknotes and coins in circulation	-	-	-	58 398 015	58 398 015	58 398 015
Due to banks and other financial institutions	-	-	-	19 494 411	19 494 411	19 494 411
Due to the Government of the Kyrgyz Republic	-	-	-	15 104 551	15 104 551	15 104 551
Debt securities issued	-	-	-	2 126 449	2 126 449	2 126 449
Loans received	-	-	-	2 960 600	2 960 600	2 960 600
Liabilities to the IMF in respect of SDR allocations	-	-	-	8 928 627	8 928 627	8 928 627
Other financial liabilities	-	-	-	81 733	81 733	81 733
	<b>-</b>	<b>-</b>	<b>-</b>	<b>107 094 386</b>	<b>107 094 386</b>	<b>107 094 386</b>

## 28 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

### (a) Accounting classifications and fair values (continued)

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount 31 December 2014	Fair value 31 December 2014
Cash on hand, due from banks and other financial institutions	-	73 674 946	-	-	73 674 946	73 674 946
Loans issued	-	3 762 618	-	-	3 762 618	3 762 618
Investments available-for-sale	-	-	32 439 375	-	32 439 375	32 439 375
Investments held-to-maturity	1 453 614	-	-	-	1 453 614	1 453 614
Investments held-to-maturity, pledged under repurchase agreements	-	239 151	-	-	239 151	239 151
Other financial assets	<b>1 453 614</b>	<b>77 676 715</b>	<b>32 439 375</b>	-	<b>111 569 704</b>	<b>111 569 704</b>
Banknotes and coins in circulation	-	-	-	57 074 591	57 074 591	57 074 591
Due to banks and other financial institutions	-	-	-	8 900 285	8 900 285	8 900 285
Due to the Government of the Kyrgyz Republic	-	-	-	19 618 361	19 618 361	19 618 361
Amounts payable under agreements of sale and repurchase of securities	-	-	-	1 325 725	1 325 725	1 325 725
Debt securities issued	-	-	-	3 357 486	3 357 486	3 357 486
Loans received	-	-	-	7 232 900	7 232 900	7 232 900
Liabilities to the IMF in respect of SDR allocations	-	-	-	44 859	44 859	44 859
	-	-	-	<b>97 554 207</b>	<b>97 554 207</b>	<b>97 554 207</b>

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities

### (b) Fair value hierarchy

The National Bank measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices

## 28 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

### (b) Fair value hierarchy (continued)

in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	31 December 2015 Total
Available-for-sale financial assets				
- Debt and other fixed income instruments	32 628 860	-	-	32 628 860
	<b>32 628 860</b>	<b>-</b>	<b>-</b>	<b>32 628 860</b>

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	31 December 2014 Total
Available-for-sale financial assets				
- Debt and other fixed income instruments	32 439 375	-	-	32 439 375
	<b>32 439 375</b>	<b>-</b>	<b>-</b>	<b>32 439 375</b>

## 28 FINANCIAL ASSETS AND LIABILITIES: ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

### (b) Fair value hierarchy (continued)

The table below analyses financial instruments not measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	31 December 2015 Total
Cash on hand, due from banks and other financial institutions	-	91 219 392	-	91 219 392
Loans issued	-	5 931 612	-	5 931 612
Investments held-to-maturity	-	1 401 971	-	1 401 971
Other financial assets	-	176 784	-	176 784
<b>Total</b>	-	<b>98 729 759</b>	-	<b>98 729 759</b>
Banknotes and coins in circulation	-	58 398 015	-	58 398 015
Due to banks and other financial institutions	-	19 494 411	-	19 494 411
Due to the Government of the Kyrgyz Republic	-	15 104 551	-	15 104 551
Debt securities issued	-	2 126 449	-	2 126 449
Loans received	-	2 960 600	-	2 960 600
Liabilities to the IMF in respect of SDR allocations	-	8 928 627	-	8 928 627
Other financial liabilities	-	81 733	-	81 733
<b>Total</b>	-	<b>107 094 386</b>	-	<b>107 094 386</b>
<b>NET VALUE</b>	-	<b>(8 364 627)</b>	-	<b>(8 364 627)</b>

The table below analyses financial instruments not measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	31 December 2014 Total
Cash on hand, due from banks and other financial institutions	-	73 674 946	-	73 674 946
Loans issued	-	3 762 618	-	3 762 618
Investments held-to-maturity	-	1 453 614	-	1 453 614
Other financial assets	-	239 151	-	239 151
<b>Total</b>	-	<b>79 130 329</b>	-	<b>79 130 329</b>
Banknotes and coins in circulation	-	57 074 591	-	57 074 591
Due to banks and other financial institutions	-	8 900 285	-	8 900 285
Due to the Government of the Kyrgyz Republic	-	19 618 361	-	19 618 361
Debt securities issued	-	1 325 725	-	1 325 725
Loans received	-	3 357 486	-	3 357 486
Liabilities to the IMF in respect of SDR allocations	-	7 232 900	-	7 232 900
Other financial liabilities	-	44 859	-	44 859
<b>Total</b>	-	<b>97 554 207</b>	-	<b>97 554 207</b>
<b>NET VALUE</b>	-	<b>(18 423 878)</b>	-	<b>(18 423 878)</b>

## **29 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

As at 31 December 2015 and 2014 the National Bank did not have financial assets and financial liabilities in the statement of financial position which were presented in net amount or would have been offset due to presence of the master netting arrangements or similar agreements.

## **30 SUBSEQUENT EVENTS**

As of the date of issue of these financial statements Management have not identified any significant subsequent events which require disclosure.



# APPENDICES

IV

**Chronology of Major Events in the Monetary Sphere in 2015**

<b>Date</b>	<b>Contents</b>
January 15	Participation of the management of the National Bank in the 10 <sup>th</sup> Meeting of the Advisory Council on the Monetary Policy of the Central (National) Banks in the Member States of the Customs Union and the Common Economic Space.
January 19	The Board of the National Bank approved the Joint Statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on the Basic Economic Policy Directions for 2015.
January 21 - 29	The visit of the IMF mission took place to conduct negotiations on the new three-year program supported under the Extended Credit Facility (ECF).
January 26	The Board of the National Bank decided to raise the policy rate of the National Bank of the Kyrgyz Republic by 50 basis points to 11.00 percent.
January 26 - February 6	The visit of the World Bank mission took place to implement further actions under the project “Development of the Financial Sector”.
February 16 - 27	The visit of the IMF mission on technical assistance took place in order to discuss the issues on improvement of the external sector statistics (first stage).
February 17	The representatives of the National Bank took part in the interagency meeting on foreign exchange regulation within the framework of preparation for the Kyrgyz Republic’s accession to the EEU.
February 19	The representatives of the National Bank participated in the roundtable on laws harmonization in the territory of the EEU member states in the sphere of financial industry, as well as on the issues and events for formation of the competent private investor and consumer rights protection in the financial services.
February 24	The Board of the National Bank reviewed the “Monetary Policy Report (Inflation Report in the Kyrgyz Republic)” for the IV quarter of 2014.  The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 11.00 percent.
February 25	The Board of the National Bank reviewed the report “On the Status of the Payment System of the Kyrgyz Republic for the IV quarter of 2014”.
February 27	The Interagency Commission held a meeting to increase the share of non-cash payments and settlements in the Kyrgyz Republic, with discussion of the implementation of action plan under the State Program on increase in the share of non-cash payments in the Kyrgyz Republic at the end of 2012-2014.
March 3	The license issued to the CJSC “FINCA Bank” for the right to conduct the banking operations in the national and foreign currency.

Date	Contents
March 9 - 17	The events conducted with the framework of the “Global Money Week” to develop savings culture and provide the basics of the financial literacy for the youth. The National Bank was the coordinator of the “Global Money Week” in Kyrgyzstan.
March 11	The Board of the National Bank adopted the Resolution “On Minimum Amount of the Authorized Capital of Commercial Banks”, according to which since 1 July 2017 the minimum amount of the authorized capital for newly opened and existing commercial banks was set at KGS 600 million.
March 13	Participation of the management of the National Bank in the International Economic Forum of the CIS Countries-Participants “Integration – New Capabilities and Ways Out of the Crisis”.
March 16	Direct banking supervision in the CJSC “BTA Bank” was extended since 16 March 2015 till 16 September 2015 (decision of the National Bank Supervision Committee dated 5 March 2015).
March 19	The meeting of the Retail Payments Council was held and during this meeting the draft regulatory and legal acts were discussed on development of the payment system and the issues of regulating the participants in the payment system.
March 30	The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 11.00 percent.
	The Board of the National Bank made a decision to suspend validity of certain paragraphs of the Regulation “On the Procedure for Issuing Licenses for the Right to Conduct Exchange Operations with Cash Foreign Currency”.
April 1	The Board of the National Bank made a decision to decrease the requirements for the exchange bureaus minimum working capital from KGS 1 million to KGS 500 thousand for 3 (three) months.
April 6	The Memorandum of Understanding was signed between the Ministry of Economy, the National Bank and the Union of Legal Entities “Union of Banks of Kyrgyzstan”, whose main objectives are the implementation of State Program to increase the share of non-cash payments and settlements in the Kyrgyz Republic for 2012-2017, development of the payment system of the Kyrgyz Republic, the expansion of infrastructure to receive payments in non-cash form, an increase of funds flow to the national budget and a reduction of shadow sector of economy.
April 9	Direct banking supervision was terminated in the OJSC “FinanceCreditBank KAB” (decision of the National Bank Supervision Committee dated 6 April 2015).
April 14 - 16	The delegation of the Central Bank of the Russian Federation visited the National Bank of the Kyrgyz Republic to discuss the issues on Kyrgyz Republic accession to the EEU.
April 15	The Chairman of the National Bank participated in the roundtable organized by the Alliance for Financial Inclusion (AFI).

Date	Contents
April 17 - 19	The Chairman of the National Bank participated in the Annual Spring Meeting of the World Bank and the IMF.
April 20 - 21	The Chairman of the National Bank participated in the Forum for Managers held by the World Bank within the project RAMP (Reserves Advisory and Management Program) organized for the central banks and other financial institutions involved in management of the state-owned reserves.
April 21	The National Bank participated as a shareholder at the general meeting of shareholders of the CJSC “Interbank Processing Center” (IPC).
April 22 - 24	The delegation of the National Bank of the Kyrgyz Republic visited the National Bank of the Republic of Kazakhstan within the framework of technical assistance for the purposes of bank vault construction and studying the operation of data processing center.
April 27	The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 11.00 percent.
	The meeting of the National Bank of the Kyrgyz Republic representatives was held with the representatives of the Central Bank of the Russian Federation and the JSC “National Payment Card System” on integration of the national payment systems of Russia and Kyrgyzstan.
April 27 - 29	The meeting of the representatives of the National Bank was held with a delegation of the EEU Anti-Crisis Fund (ACF) on implementation of a three-year economic program to stimulate economic development, structural reforms in the priority sectors, to increase the efficiency of public administration and improve the investment climate.
April 28 - 29	The delegation from the National Bank of Switzerland headed by the Chairman Mr. Thomas Jordan visited the National Bank of the Kyrgyz Republic.
April 29 - 30	The management of the National Bank participated in the Asia-Pacific consultations on development financing.
May 4	The Board of the National Bank made a decision to introduce amendments and addenda to the Regulation “On the Licensing of Banks’ Activity”.
May 7	The National Bank started selling and repurchasing gold bullions as an alternative source of investment of free cash.
May 12	The Board of the National Bank reviewed the “Financial Sector Stability Report of the Kyrgyz Republic for 2014”.
	The Board of the National Bank adopted the Regulation “On E-money in the Kyrgyz Republic”.
May 14 - 16	The Chairman of the National Bank took part in the 33 <sup>rd</sup> Meeting of the Governors of Central Banks of Central Asia, the Black Sea region and the Balkans.

Date	Contents
May 21	The Chairman of the National Bank participated at the Conference “Economic, Financial and Monetary Developments in the Global Economy”.
May 22	The National Bank participated in the International Financial Forum held in Bishkek city.
May 25	The Board of the National Bank reviewed the “Monetary Policy Report (Inflation Report in the Kyrgyz Republic)” for the I quarter of 2015.
May 27	The Board of the National Bank decided to decrease the policy rate of the National Bank of the Kyrgyz Republic by 150 basis points to 9.5 percent.
May 27	The Board of the National Bank reviewed the report “On the Status of the Payment System of the Kyrgyz Republic” for the I quarter of 2015.
May 27 - June 3	The visit of the World Bank mission took place to implement further actions under the project of the Management on risk-based supervision.
May 28	The first license was issued to the CJSC “Interbank Processing Center”, the national payment system operator, to render service on receiving, processing and issuing of financial information (processing, clearing) concerning payments and settlements made by the third parties to the payment system participants.
May 29	The representatives of the National Bank participated in the meeting of the Council of CIS Heads of States.
June 2	The license of the OJSC “Investbank Issyk-Kul” for carrying out banking operations in the national and foreign currency was terminated due to insolvency of the bank.
June 3 - 5	The management of the National Bank participated in the 24 <sup>th</sup> International Banking Congress.
June 3 - 9	Meeting was held with the World Bank mission concerning areas of cooperation in the field of development of non-cash payment system in the republic.
June 5	The management of the National Bank participated in the roundtable work on the theme “Key Issues in Development of the Deposit Protection System in the Kyrgyz Republic for 2015-2017”.
June 10 - 11	The Chairman of the National Bank participated in the 40 <sup>th</sup> Annual Meeting of the Governors of the Islamic Development Bank (IDB).
June 15	The Chairman of the National Bank participated in the parliamentary hearings on discussion of the project “Banking Code of the Kyrgyz Republic”, and the draft Law “On Enactment of the Banking Code of the Kyrgyz Republic”.
June 15 - 26	The IMF mission’s visit was organized to discuss the issues on combating anti-money laundering and financing of terrorism and extremism.

Date	Contents
June 16	Meeting of the Interbank Payment System Council with participation of the representatives of commercial banks of the republic to discuss the outcome of the adopted Regulation “On E-money in the Kyrgyz Republic”.
June 16 - 17	The management of the National Bank took part in the 32 <sup>nd</sup> Meeting of the Council of Heads of Central (National) Banks of EurAsEC Member States.
June 17	The Jogorku Kenesh of the Kyrgyz Republic approved the LLC “Deloitte and Touche” as the external auditor in order to audit the financial statements of the National Bank for 2015.
June 18	The Jogorku Kenesh of the Kyrgyz Republic reviewed and adopted the report on activity of the National Bank for 2014.
June 19	The Board of the National Bank made the decision to terminate the regime of conservation and to initiate special administration procedure of the OJSC Investbank “Issyk-Kul”.
June 23	The Board of the National Bank made the decision to determine the CJSC “Manas Bank” insolvent.
June 24	<p>The Board of the National Bank adopted amendments and addenda to the following documents:</p> <ul style="list-style-type: none"> <li>– Resolution “On Minimum Amount of Capital (Equity Funds) of Banks”, according to which the minimum amount of capital (equity funds) of the commercial banks since 1 July 2016 was set in the amount equal to the minimum amount of the authorized capital;</li> <li>– Resolution “On Minimum Requirements for Provision of Financial Services and Review of the Consumers Requests;</li> <li>– Resolution “On Minimum Amount of the Authorized Capital of Commercial Banks”;</li> <li>– Regulation “On Measures Applicable to Banks and Some Other Financial Institutions Licensed by the National Bank of the Kyrgyz Republic”;</li> <li>– Instruction “On Procedures of Compliance with the Limits of Open Currency Position by Commercial Banks in the Territory of the Kyrgyz Republic”.</li> </ul>
June 26	The Board of the National Bank reviewed the report for the first half of 2015 “On Fulfillment of the Action Plan for Implementation of the Main Trends of Banking Sector Development for 2014-2017” and “On Progress of the Action Plan Fulfillment for Implementation of the Microfinance Development Strategy for 2011-2015”.
June 29	The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 9.50 percent.
July 9	Meeting of the Advisory Committee on the financial markets of the EEU member states.
July 10	Presentation was conducted for the commercial banks of the Kyrgyz Republic on the methodology of carrying out stress-testing by the National Bank.

Date	Contents
July 9 - 15	The visit of the IMF mission took place to discuss the draft state budget for 2016 and fulfillment of the reforms envisaged under the three-year program supported under the Extended Credit Facility (ECF).
July 14	The Board of the National Bank adopted a new edition of the “Policy on Payment System Oversight in the Kyrgyz Republic”.
July 27	The Board of the National Bank decided to decrease the policy rate of the National Bank of the Kyrgyz Republic by 150 basis points to 8.00 percent.
August 12	The Board of the National Bank adopted amendments and addenda to the Resolution “On Approval of the State Classifier of Payment Transactions”.
August 17	The Chairman of the National Bank participated in the meeting of the Coordination Council on Macroeconomics and Investment Policy.
August 19	The Board of the National Bank adopted the Regulation “On Loans Extended by the National Bank of the Kyrgyz Republic to the International Organizations Established in the Kyrgyz Republic Jointly with Other States within the Framework of the Eurasian Economic Union”.
August 21	The Board of the National Bank adopted the Regulation “On Instructions on Administrative Offences Review in the Sphere of Banking Legislation”.
August 24	The Board of the National Bank reviewed the “Monetary Policy Report (Inflation Report in the Kyrgyz Republic)” for the II quarter of 2015.  The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 8.00 percent.
August 26	The Board of the National Bank reviewed the report “On the Status of the Payment System of the Kyrgyz Republic for the II quarter of 2015”.
August 28	Direct banking supervision was conducted in the OJSC “Rosinbank” since 28 August till 28 November 2015 (Resolution of the National Bank Supervision Committee dated 27 August 2015).
September 3 - 4	The delegation of the Urumqi representative office of the People's Bank of China visited the National Bank of the Kyrgyz Republic.
September 16	Additional license for the right to issue e-money was issued to the CJSC “Kyrgyz Investment and Credit Bank”.
September 16 - 29	The visit of the IMF mission took place to conduct the first review of the implementation of the economic program supported under the Extended Credit Facility (ECF).
September 17	Direct banking supervision was extended in the CJSC “BTA Bank” since 17 September 2015 till 17 March 2016 (Resolution of the National Bank Supervision Committee dated 10 September 2015).

Date	Contents
September 21	Meeting was held with the representatives of commercial banks and operators of the international money transfer systems to discuss the draft Regulatory Legal Act “On Amendments and Addenda to the “Rules for Remittances through Money Transfer Systems in the Kyrgyz Republic”.
September 23 - 25	The management of the National Bank took part in the 11 <sup>th</sup> Meeting of the Advisory Council on the Monetary Policy of the Central (National) Banks in the Member States of the Customs Union and the Common Economic Space.
September 28	The Board of the National Bank decided to raise the policy rate of the National Bank of the Kyrgyz Republic by 200 basis points to 10.00 percent.
September 29	The protocol of intent was signed between the National Bank of the Kyrgyz Republic and the People's Bank of China.
October 5	The Board of the National Bank adopted the Resolution “On the Ratio of the Required Reserves for Commercial Banks”, which envisaged introduction of differentiated required reserves for the liabilities in the national currency (reduction to 8.50 percent) and in foreign currency (increase by 9.50 percent).
October 26	The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 10.00 percent.
October 26 - November 6	The visit of the IMF mission on technical assistance took place in order to discuss the issues on improvement of the external sector statistics (second stage).
October 28	Additional license for the right to issue e-money was issued to the CJSC Bank “Bai-Tushum”.
November 2	The Board of the National Bank adopted amendments and additions to the Regulation “On E-money in the Kyrgyz Republic”.
November 2 - 6	The representatives of the National Bank participated in the annual event “Program for Central Banks on Bilateral Assistance and Capacity-Building”.
November 3	The National Bank participated as a shareholder at the general meeting of shareholders of CJSC “Interbank Processing Center” (IPC).
November 4	The Board of the National Bank approved the draft “Program for Financial Literacy Improvement in the Kyrgyz Republic for 2016-2020”.
November 10 - 18	The visit of the World Bank mission took place to implement further actions under the project of the Management on risk-based supervision.
November 11	The Chairman of the National Bank took part in the conference “Islamic Finance”.
November 16	The Board of the National Bank adopted a new edition of “Communication Policy of the National Bank of the Kyrgyz Republic”.
November 18-19	The management of the National Bank took part in the 33 <sup>rd</sup> Meeting of the Council of Governors of Central (National) Banks of the EEU.

Date	Contents
November 18 - 26	The delegation of the National Bank of Switzerland visited the National Bank of the Kyrgyz Republic.
November 24	An exit session of the Committee on Fiscal and Economic Policy of the Jogorku Kenesh of the Kyrgyz Republic was held in the National Bank.
November 25	The Board of the National Bank reviewed the Financial Sector Stability Report of the Kyrgyz Republic for the first half of 2015.
November 27	Roundtable was held with participation of representatives of commercial banks and international payment systems to discuss the draft of the Regulation “On Bank Payment Cards in the Kyrgyz Republic”.
November 29	Direct banking supervision was extended in the OJSC “Rosinbank” since 29 November 2015 till 29 February 2016 (Resolution of the National Bank Supervision Committee dated 26 November 2015).
November 30	The Board of the National Bank reviewed the “Monetary Policy Report (Inflation Report in the Kyrgyz Republic)” for the III quarter of 2015.
	The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 10.00 percent.
December 3	The Payment System Committee of the National Bank reviewed the report “On the Status of the Payment System of the Kyrgyz Republic” for the III quarter of 2015.
December 7	The Board of the National Bank adopted the Resolution “On the Ratio of the Required Reserves for Commercial Banks”, which envisages the reduction of the RR ratio on liabilities in the national currency down to 4.00 percent and the increase of the RR ratio on liabilities in foreign currency up to 12.0 percent.
December 9	The Board of the National Bank adopted the Resolution “On the National Bank of the Kyrgyz Republic's Statement on Monetary Policy for 2016”.
	The Board of the National Bank adopted the Resolution “On Amendment to the Decree of the Government and the National Bank of the Kyrgyz Republic “On Approval of the State Event Program for 2012-2017 on Increase in the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic” dated 14 May 2012 No 289/5/1”.
December 9 - 10	The delegation of the National Bank of Poland visited the National Bank of the Kyrgyz Republic.
December 17	The meeting of the Retail Payments Council to discuss on draft regulatory and legal acts for adoption of measures to operators of payment systems/payment organizations and pre-trial settlement of disputes.
December 21	The Board of the National Bank reviewed the report for the first half of 2015 “On Fulfillment of the Action Plan for Implementation of the Main Trends of Banking Sector Development for 2014-2017” and “On Progress of the Action

Date	Contents
December 23	<p data-bbox="453 248 1406 315">Plan Fulfillment for Implementation of the Microfinance Development Strategy for 2011-2015”.</p> <p data-bbox="453 353 1134 383">The Board of the National Bank adopted the Resolutions:</p> <ul style="list-style-type: none"> <li data-bbox="491 394 900 423">– On Amendments and Addenda:                             <ul style="list-style-type: none"> <li data-bbox="529 427 1406 528">• to the Regulation “On Prudential Standards and Requirements, Compulsory for the Commercial Banks and Financial-Credit Institutions Licensed by the National Bank of the Kyrgyz Republic;</li> <li data-bbox="529 533 1406 600">• to the Instruction “On Definition of Capital Adequacy Ratios of the Commercial Banks of the Kyrgyz Republic”;</li> <li data-bbox="529 604 1406 705">• to the Instruction “On Definition of Capital Adequacy Ratios for the Banks Implementing Operations in Accordance with the Islamic Principles of the Banking and Financing”;</li> <li data-bbox="529 710 1406 777">• to the Regulation “On Classification of Assets and Related Loan Loss Provision”;</li> <li data-bbox="529 781 1406 882">• to the Regulation “On Periodic Regulatory Report of the Banks Implementing Operations in Accordance with the Islamic Principles of the Banking and Financing”;</li> <li data-bbox="529 887 1241 916">• to the Regulation “On Periodic regulatory Bank Report”;</li> <li data-bbox="529 920 1406 1021">• to the Regulation “On Classification of Assets and Related Loan Loss Provision in Implementation of Operations in Accordance with the Islamic Principles of the Banking and Financing”;</li> </ul> </li> <li data-bbox="491 1025 1406 1088">– “On the Rules of Oversight over the Payment System of the Kyrgyz Republic”.</li> </ul> <p data-bbox="453 1128 1406 1301">The Board of the National Bank adopted the Resolution “On the Ratio of the Required Reserves for Commercial Banks”, which envisages the reduction of the RR ratio on liabilities in Armenian drams, Belarusian rubles, Kazakh tenge, Chinese yuans Ren Min Bi and Russian rubles decreased from 12.0 percent to 4.0 percent.</p>
December 24	<p data-bbox="453 1339 1406 1440">Additional license for the right to carry out banking operations with precious metals in form of bullions emitted by the National Bank was issued to the OJSC “Capital Bank”.</p>
December 28	<p data-bbox="453 1480 1406 1545">The Board of the National Bank decided to retain the policy rate of the National Bank at the level of 10.00 percent.</p>

**Appendix 2**  
to the Report of the National Bank of the Kyrgyz Republic for 2015

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Chart 8.	Nominal and Real Policy Rate Developments
Chart 9.	Nominal and Real Effective Exchange Rate Indices

**Table 1.****Macroeconomic Indicators**

	unit of measurement	2011	2012	2013	2014	2015
<b>Real sector<sup>1</sup></b>						
Nominal GDP <sup>1</sup>	millions of KGS	285,989.1	310,471.3	355,294.8	400,694.0	423,635.5*
Rate of growth of real GDP <sup>1</sup>	percents	6.0	-0.1	10.9	4.0	3.5*
Rate of growth of industrial output <sup>1</sup>	percents	8.6	-20.3	35.9	-1.6	-4.2*
Rate of growth of gross agricultural output <sup>1</sup>	percents	1.8	1.2	2.7	-0.5	6.2*
Rate of growth of wholesale and retail trade; repair of motor vehicles and motorcycles <sup>1</sup>	percents	10.2	10.7	7.3	8.6	6.6*
Growth of CPI (in % December to December)		5.7	7.5	4.0	10.5	3.4
- food products		3.5	4.5	1.8	13.9	-4.2
- alcoholic beverages and tobacco products		9.8	10.2	7.3	12.3	12.4
- non-food products		9.2	9.8	6.3	6.8	12.3
- services		11.1	9.8	4.3	5.9	6.7
Growth of PPI2 (in % to the previous period)		22.0	5.3	-2.1	1.5	8.8
Unemployment rate	percents	2.5	2.4	2.3	2.4	2.2
Average nominal wage	KGS	9,352.0	10,891.0	11,426.0	12,435.0	13,277.0
Estimated minimum subsistence level	KGS	4,390.0	4,341.2	4,599.2	4,981.5	5,183.0
<b>Financial sector</b>						
NBKR policy rate (end-of-period)	percents	13.61	2.64	4.17	10.50	10.00
State Treasury Bills Market (average yield for the period ) with maturity of:						
- 3 months	percents	8.0	6.1	4.9	5.2	8.1
- 6 months	percents	13.0	8.5	6.5	8.8	12.1
- 12 months	percents	16.9	10.8	9.5	9.7	13.0
Interbank Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	905.0	1,357.6	1,916.3	592.1	1,404.4
- interest rate (average for the period)	percents	9.1	7.7	6.9	11.0	14.6
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	69.1	391.2	-	115.2	420.8
- interest rate (average for the period)	percents	3.5	1.6	-	0.5	1.4
Repo Operations						
- volume (for the period)	millions of KGS	5,116.8	5,942.0	8,753.5	49,459.7	32,077.1
- interest rate (average for the period)	percents	9.4	7.7	3.8	6.8	9.3
Foreign Exchange Market						
Transactions at Interbank Foreign Exchange Auctions	millions of USD	907.6	1,011.2	1,144.1	1,583.0	1,212.1
Deposit and Credit Market						
Credits in National Currency:						
- volume (for the period)	millions of KGS	15,162.3	17,051.1	26,672.4	34,929.0	38,982.6
- interest rate (average for the period)	percents	23.8	23.0	21.3	20.1	23.6
- interest rate (end-of-period)	percents	22.4	22.9	20.7	19.6	22.8
Credits in Foreign Currency:						
- volume (for the period)	millions of KGS	16,742.4	21,000.1	32,626.6	44,610.5	39,454.9
- interest rate (average for the period)	percents	19.6	19.1	17.7	15.0	14.3
- interest rate (end-of-period)	percents	17.8	17.3	16.4	16.1	15.7
Deposits in National Currency:						
- volume (for the period)	millions of KGS	95,086.1	120,031.0	146,229.3	179,549.2	190,092.6
- interest rate (average for the period)	percents	2.2	2.3	2.3	2.5	2.5
- interest rate (end-of-period)	percents	5.3	5.2	5.6	6.9	7.2
<b>Deposits in Foreign Currency:</b>						
- volume (for the period)	millions of KGS	108,083.6	114,824.2	141,539.3	213,238.3	210,082.7
- interest rate (average for the period)	percents	0.8	0.8	0.8	0.9	1.1
- interest rate (end-of-period)	percents	2.8	2.9	2.8	3.2	3.5
<b>State Budget</b>						
Revenue	millions of KGS	77,424.3	86,772.1	101,802.1	119,378.7	128,100.3*
including the share of tax revenue	percents	68.5	73.7	71.6	69.2	66.1*
Expenditure	millions of KGS	82,599.8	100,023.1	86,599.7	95,584.6	105,252.9*
Net purchase of non-financial assets	millions of KGS	8,488.2	6,981.3	17,532.9	25,669.6	29,157.1*
Deficit (-) / Surplus (+)	millions of KGS	-13,663.7	-20,232.3	-2,330.5	-1,875.5	-6,309.7*
in percent of GDP	percents of GDP	-4.8	-6.5	-0.7	-0.5	-1.5*
<b>External Economic Sector</b>						
Export of goods and services	percents of GDP	52.6	45.2	43.0	37.9	38.5*
Import of goods and services	percents of GDP	82.4	100.3	93.2	88.6	71.7*
Current account balance <sup>3</sup> (including transfers)	percents of GDP	-10.0	-25.9	-25.1	-25.3	-12.5*
Gross international reserve assets	months of imports of next year goods and services	3.4	3.7	4.1	4.9	4.9*

\* preliminary data

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

<sup>1</sup> Indicators given by Gross Value Added<sup>2</sup> The data were recalculated in accordance with the State Classifier "Economic activities" (SCEA, version 3)<sup>3</sup> - Positive balance – "+"; Negative balance – "-"

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

	2012	2013	2014	2015*
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Agriculture, forestry and fishery	16.7	14.6	14.7	14.0
Extraction of minerals	0.9	0.7	0.7	0.9
Processing industry	12.1	15.8	13.7	12.1
Provision (supply) of electricity, gas, steam, and conditioned air	2.6	1.8	1.9	2.1
Water supply, waste treatment and production of secondary raw materials	0.2	0.3	0.3	0.2
Construction	6.5	6.3	7.4	8.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	15.9	16.5	17.8	18.7
Transport operations and storage of goods	4.7	3.9	3.7	3.9
Hotel and restaurant activity	1.4	1.6	1.8	1.9
Information and communication	4.8	4.4	4.3	4.3
Financial intermediation and insurance	0.6	0.8	0.7	0.7
Real estate transactions	2.3	2.3	2.5	2.5
Professional, scientific and technical activities	1.7	1.5	1.7	1.9
Administrative and support service activities	0.4	0.4	0.5	0.5
Public administration and defense, compulsory social security	5.1	5.0	5.3	5.8
Education	6.0	5.3	4.9	5.2
Health care and social services to the population	3.4	3.1	2.8	3.2
Arts, entertainment and recreation	0.6	0.6	0.5	0.6
Other service activities	1.1	1.1	1.0	1.0
Net (less subsidies) taxes on products	13.1	13.9	14.0	12.1

\* preliminary data

Source: NSC KR

Note: NSC, since January 2014, develops and disseminates data in official statistical publications in accordance with the new edition of the State Classifier "Economic activities" (SCEA, version 3), harmonized with the International Standard Industrial Classification of the United Nations. Data for 2012 and 2013 were recalculated in accordance with the SCEA version 3.

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

	2011	2012	2013	2014	2015*
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Domestic investment</b>	<b>71.3</b>	<b>67.4</b>	<b>64.1</b>	<b>59.4</b>	<b>57.8</b>
including those financed through:					
Republican budget	9.5	5.8	3.4	3.0	3.6
local budget	1.3	1.0	0.8	0.8	1.0
funds of enterprises and organizations	34.9	37.0	38.2	33.6	30.5
bank loans	0.6	0.5	0.3	0.5	0.9
public funds, including charitable aid to residents of the Kyrgyz Republic	25.0	23.1	21.5	21.4	21.8
<b>Foreign investment</b>	<b>28.7</b>	<b>32.6</b>	<b>35.9</b>	<b>40.6</b>	<b>42.2</b>
including those financed through:					
foreign loan	18.5	19.8	24.0	31.1	30.6
foreign direct investments	6.8	9.0	9.5	7.2	9.8
foreign grants and humanitarian aid	3.4	3.8	2.4	2.2	1.8

\* preliminary data

Source: NSC KR

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

	2011	2012	2013	2014	2015
Monetary base	54,803.2	64,488.8	73,139.4	64,471.9	67,055.3
Currency in circulation	49,866.9	58,252.2	66,954.2	57,074.6	58,398.0
Money outside banks (M0)	47,219.6	54,521.2	61,907.2	51,904.1	53,118.0
Monetary aggregate (M1)	56,946.3	70,220.7	79,707.6	69,264.5	70,452.7
Money supply (M2)	62,125.3	77,460.6	90,962.7	82,386.4	82,267.2
Monetary aggregate (M2X)	79,527.8	98,482.9	120,903.4	124,544.4	143,143.0
Multiplier M1	1.04	1.09	1.09	1.07	1.05
Multiplier M2	1.13	1.20	1.24	1.28	1.23
Multiplier M2X	1.45	1.53	1.65	1.93	2.13
Velocity M1	5.55	5.10	4.90	5.37	6.35
Velocity M2	5.11	4.61	4.35	4.62	5.39
Velocity M2X	3.95	3.52	3.29	3.26	3.28
Money outside banks/Deposits	1.46	1.24	1.05	0.71	0.59
Deposits/Monetary Aggregate (M2X)	0.41	0.45	0.49	0.58	0.63

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 demand deposits in national currency;

Money supply (M2) = M1 + 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)*

	2011	2012	2013	2014	2015
<b>Net foreign assets</b>	71,419.5	87,158.7	99,924.8	104,770.3	123,166.9
Net international reserves	79,629.0	93,046.0	106,115.8	105,935.6	108,489.7
Gold	6,139.8	7,721.1	6,885.7	8,992.4	10,932.2
Foreign currency (assets)	78,980.7	89,980.5	103,200.2	100,274.6	100,507.0
Foreign currency (liabilities)	-5,491.5	-4,655.6	-3,970.1	-3,331.5	-2,949.5
Other external assets	135.0	305.0	235.3	6,067.6	23,605.9
SDR allocation	-6,030.1	-6,192.3	-6,426.3	-7,232.9	-8,928.6
Long-term external liabilities	-2,314.4	0.0	0.0	0.0	0.0
<b>Net domestic assets</b>	-16,616.3	-22,669.9	-26,785.4	-40,298.4	-56,111.6
<i>Net domestic credits</i>	-1,712.7	-6,789.7	-13,496.8	-16,882.4	-20,283.0
Net claims to General Government	-1,158.3	-2,968.0	-6,973.9	-18,190.9	-13,714.2
Net claims to Government	-1,143.3	-2,968.0	-6,973.9	-18,190.9	-13,714.2
Securities	3,121.1	2,311.2	1,511.6	1,453.6	1,402.0
Credits to Government in foreign currency	2,288.2	0.0	0.0	0.0	0.0
Deposits	-6,479.7	-5,182.0	-8,425.7	-19,618.4	-15,104.6
Budget accounts	-5,082.8	-1,948.5	-6,015.0	-10,736.9	-11,620.9
Counterpart funds	0.0	-141.2	0.0	0.0	0.0
Other Government accounts	-289.4	-260.7	-1,927.1	-2,360.5	-712.8
Government deposits in foreign currency	-1,107.6	-2,831.7	-483.7	-6,520.9	-2,770.9
Government Credit	-72.9	-97.2	-59.7	-26.1	-11.6
Net claims to special funds	-15.0	0.0	0.0	0.0	0.0
Net claims to other depository corporations	-398.0	-3,821.6	-6,522.9	1,308.8	-2,204.5
Credits	1,664.8	1,150.2	1,204.7	4,115.6	5,119.5
including: "overnight" credits	0.0	0.0	0.0	0.0	0.0
credits in foreign currency	216.1	220.3	227.3	121.1	156.1
Securities	-1,566.6	-3,843.6	-7,220.4	-1,325.7	-2,126.4
including: notes issued by the NBKR	-1,359.2	-3,046.9	-6,634.6	-1,325.7	-2,126.4
securities under repo agreements	-207.4	-796.7	-585.7	0.0	0.0
Deposits	-496.2	-1,128.1	-507.2	-1,481.0	-5,197.5
including: deposits in foreign currency	-496.2	-1,128.1	-507.2	-606.5	-2,591.5
Derivatives	0.0	0.0	0.0	0.0	0.0
Net claims to other financial institutions	-156.3	-0.2	0.0	-0.3	-4,364.3
<i>Capital account</i>	-15,595.7	-17,133.1	-14,851.2	-25,090.3	-37,928.1
<i>Other items</i>	692.1	1,253.0	1,562.6	1,674.3	2,099.5
<b>Monetary base</b>	54,803.2	64,488.8	73,139.4	64,471.9	67,055.3
Currency in circulation	49,866.9	58,252.2	66,954.2	57,074.6	58,398.0
Reserves of other depository corporations in national currency	4,936.3	6,236.6	6,185.2	7,397.3	8,657.3
<i>Reference:</i>					
<b>Monetary base-broad definition</b>	55,299.5	65,617.0	73,646.6	65,952.9	72,252.8
Currency in circulation	49,866.9	58,252.2	66,954.2	57,074.6	58,398.0
Reserves of other depository corporations	5,275.6	6,653.8	6,692.5	8,003.9	10,000.7
Reserves of other depository corporations in national currency	4,936.3	6,236.6	6,185.2	7,397.3	8,657.3
Reserves of other depository corporations in foreign currency	339.3	417.1	507.2	606.5	1,343.4
Deposits in foreign currency	156.9	711.0	0.0	874.5	3,854.1

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	2011	2012	2013	2014	2015*
<b>Balance of Payments Indicators</b>						
Total balance	<i>millions of USD</i>	136.2	218.7	288.0	-128.6	-14.8
	<i>percents of GDP<sup>2</sup></i>	2.3	3.4	4.0	-1.7	-0.2
Current account balance <sup>1</sup>	<i>millions of USD</i>	-593.0	-1,675.1	-1,807.0	-1,860.3	-814.9
	<i>percents of GDP<sup>2</sup></i>	-10.0	-25.9	-25.1	-25.3	-12.5
Export of goods (FOB)	<i>millions of USD</i>	2,267.0	1,954.4	2,058.2	1,896.5	1,669.4
	<i>percents of GDP<sup>2</sup></i>	38.1	30.2	28.5	25.8	25.6
Import of goods (FOB)	<i>millions of USD</i>	3,935.9	5,165.1	5,613.6	5,290.2	3,723.5
	<i>percents of GDP<sup>2</sup></i>	66.2	79.9	77.8	71.8	57.0
Gross international reserve assets	<i>months of next year import of goods and services</i>	3.4	3.7	4.1	4.9	4.9
<b>Public External Debt</b>						
Public External Debt <sup>3</sup>	<i>millions of USD</i>	2,802.6	3,031.9	3,158.7	3,437.1	3,601.1
	<i>percents of GDP<sup>4</sup></i>	47.7	47.0	44.4	50.9	64.5
	<i>percents of export of goods and services</i>	89.6	103.8	101.9	123.1	143.3
Public external debt servicing (actual)	<i>millions of USD</i>	96.5	94.9	95.1	115.7	130.0
	<i>percents of GDP<sup>4</sup></i>	1.6	1.5	1.3	1.7	2.3
	<i>percents of export of goods and services</i>	3.1	3.4	3.2	4.2	5.2

\* - preliminary data

Source: NBKR, NSC KR, MF KR

<sup>1</sup> - positive balance - "+", negative balance - "-"

<sup>2</sup> - in the calculation of indicators used dollar equivalent of GDP calculated on the average rate for the year

<sup>3</sup> - including IMF loans

<sup>4</sup> - in the calculation of indicators used dollar equivalent of GDP calculated at the rate on the end of the year

**Table 7.**

Monetary Policy Instruments (for the period, unless indicated otherwise)

	unit of measurement	2011	2012	2013	2014	2015
<b>NBKR Credits</b>						
intraday credits	<i>millions of KGS</i>	129.0	680.0	-	4,345.6	139.4
"overnight" credits	<i>millions of KGS</i>	4,050.7	4,912.2	8,095.2	56,724.6	26,663.3
7-day credits	<i>millions of KGS</i>	-	-	-	1,100.0	-
credit auctions*	<i>millions of KGS</i>	-	-	900.9	3,260.0	1,475.0
maintaining liquidity	<i>millions of KGS</i>	-	-	-	-	702.3
to international organizations	<i>millions of KGS</i>	-	-	-	-	1,200.0
<b>"Overnight" Deposits</b>						
volume	<i>millions of KGS</i>	-	-	-	137,629.5	325,560.8
<b>NBKR Policy Rate (end-of-period)</b>						
	<i>percents</i>	13.6	2.6	4.2	10.5	10.0
<b>NBKR Notes</b>						
	<i>millions of KGS</i>					
maturity:						
7 days						
sales volume	<i>millions of KGS</i>	3,998.4	1,347.8	2,280.0	68,172.6	67,139.7
average yield	<i>percents</i>	6.2	5.6	3.2	6.1	9.9
14 days						
sales volume	<i>millions of KGS</i>	6,974.2	2,608.8	1,234.5	-	800.0
average yield	<i>percents</i>	7.7	6.2	3.9	-	9.9
28 days						
sales volume	<i>millions of KGS</i>	11,889.2	24,591.1	41,050.6	10,583.6	-
average yield	<i>percents</i>	10.9	6.7	3.6	4.8	-
<b>Open Market Transactions</b>						
Direct repo transactions	<i>millions of KGS</i>	-	-	-	-	-
Reverse repo transactions	<i>millions of KGS</i>	2,278.5	7,676.3	3,225.8	421.4	-
<b>NBKR Deposit Operations in Foreign Currency**</b>						
volume	<i>millions of USD</i>	32.5	1,066.1	174.3	768.8	-
volume	<i>Euro</i>	-	-	0.4	1.2	-
<b>NBKR Foreign Exchange Interventions</b>						
Purchase	<i>millions of USD</i>	120.5	4.8	-	20.5	44.0
Sale		281.2	43.1	14.7	536.7	339.1
<b>NBKR Foreign Exchange Swaps</b>						
Purchase	<i>millions of Euro</i>	-	-	-	1.3	1.3
Sale		-	-	-	-	-
<b>Reserve Requirements</b>						
Reserve requirement ratio (end-of-period)***	<i>percents</i>	9.0	9.0	9.0	9.0	-
in national currency						4.0
in foreign currency						12.0
Required reserves (annual average)	<i>millions of KGS</i>	2,802.1	3,513.9	4,488.3	5,882.1	7,100.3
Excess reserves (annual average)	<i>millions of KGS</i>	1,565.4	2,126.9	2,333.8	1,095.6	740.0

Source: NBKR

\* the amount of actually issued loans for a reporting period of time

\*\* The Regulation "On the Procedure of the National Bank of the Kyrgyz Republic for Deposit Banking in National 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 on 5 October 2015 No 60/1 RR ratios are set separately by liabilities in national and foreign currency.

**Table 8.**

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

	2011	2012	2013	2014	2015
January	6.23	12.20	3.05	4.11	11.00
February	6.44	10.41	2.83	4.47	11.00
March	6.92	9.56	2.98	6.00	11.00
April	8.23	9.07	2.88	6.00	11.00
May	10.31	8.04	2.96	6.00	9.50
June	12.00	6.77	3.20	6.00	9.50
July	12.97	5.69	4.09	6.50	8.00
August	13.31	4.89	4.16	6.50	8.00
September	13.38	4.25	4.25	7.00	10.00
October	13.49	3.78	4.20	9.00	10.00
November	13.59	3.16	4.18	10.00	10.00
December	13.61	2.64	4.17	10.50	10.00

Source: NBKR

**Table 9.**Interest Rates of Deposits in National Currency (for the period)  
(percents)

	2011	2012	2013	2014	2015
<b>Deposits of Legal Entities</b>					
<i>demand deposits</i>	<b>1.46</b>	<b>1.35</b>	<b>1.08</b>	<b>0.79</b>	<b>0.71</b>
<i>time deposits:</i>	<b>8.74</b>	<b>8.55</b>	<b>8.42</b>	<b>10.79</b>	<b>13.07</b>
<i>of which:</i>					
up to 1 month	5.86	5.81	4.01	4.21	7.68
1-3 months	5.89	5.49	5.84	7.21	7.65
3-6 months	9.49	6.91	7.09	7.51	11.10
6-12 months	11.69	11.53	11.76	13.61	16.23
over 1 year	11.32	12.50	12.32	12.55	15.01
<b>Deposits of Individuals</b>					
<i>demand deposits</i>	<b>1.00</b>	<b>1.38</b>	<b>1.56</b>	<b>1.63</b>	<b>1.48</b>
<i>time deposits:</i>	<b>11.49</b>	<b>11.29</b>	<b>10.70</b>	<b>11.03</b>	<b>12.52</b>
<i>of which:</i>					
up to 1 month	4.62	4.06	3.76	3.48	4.75
1-3 months	6.26	6.29	5.76	6.00	6.96
3-6 months	9.54	9.74	9.10	8.87	9.77
6-12 months	12.50	12.52	11.90	12.02	13.21
over 1 year	14.27	14.27	13.41	13.37	14.30
<b>Deposits on Non-residents</b>					
<i>demand deposits</i>	<b>0.01</b>	<b>0.11</b>	<b>0.18</b>	<b>0.05</b>	<b>0.01</b>
<i>time deposits:</i>	<b>10.60</b>	<b>10.43</b>	<b>10.66</b>	<b>10.96</b>	<b>11.31</b>
<i>of which:</i>					
up to 1 month	6.79	5.40	5.68	7.04	5.36
1-3 months	6.48	6.74	6.23	5.75	5.84
3-6 months	9.33	9.32	8.45	8.62	9.00
6-12 months	11.25	12.13	11.48	11.80	12.36
over 1 year	14.25	14.09	13.06	12.92	14.62
<b>Average Weighted Rate</b>	<b>2.20</b>	<b>2.32</b>	<b>2.33</b>	<b>2.49</b>	<b>2.46</b>

Source: Commercial banks of KR

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

	2011	2012	2013	2014	2015
<b>Deposits of Legal Entities</b>					
<i>demand deposits</i>	<b>0.65</b>	<b>0.28</b>	<b>0.28</b>	<b>0.28</b>	<b>0.17</b>
<i>time deposits:</i>	<b>4.39</b>	<b>4.94</b>	<b>4.06</b>	<b>3.83</b>	<b>4.84</b>
<i>of which:</i>					
up to 1 month	0.92	2.90	1.36	2.48	1.73
1-3 months	2.81	4.48	3.08	2.46	2.10
3-6 months	5.90	3.32	4.37	3.57	3.92
6-12 months	7.40	7.58	5.74	5.39	5.17
over 1 year	7.58	6.41	7.34	7.24	7.90
<b>Deposits of Individuals</b>					
<i>demand deposits</i>	<b>0.01</b>	<b>0.10</b>	<b>0.07</b>	<b>0.11</b>	<b>0.10</b>
<i>time deposits:</i>	<b>7.16</b>	<b>6.96</b>	<b>6.41</b>	<b>6.43</b>	<b>6.53</b>
<i>of which:</i>					
up to 1 month	2.04	1.69	1.54	1.44	1.86
1-3 months	4.01	4.02	3.32	2.94	3.05
3-6 months	6.29	6.40	5.75	5.39	4.62
6-12 months	8.94	8.71	7.97	7.42	6.53
over 1 year	10.53	10.23	9.82	8.86	8.54
<b>Deposits on Non-residents</b>					
<i>demand deposits</i>	<b>0.00</b>	<b>0.02</b>	<b>0.03</b>	<b>0.00</b>	<b>0.01</b>
<i>time deposits:</i>	<b>8.10</b>	<b>6.93</b>	<b>6.43</b>	<b>6.86</b>	<b>7.03</b>
<i>of which:</i>					
up to 1 month	3.72	1.96	1.40	1.21	2.54
1-3 months	5.08	4.36	3.17	3.48	2.62
3-6 months	6.64	6.39	4.94	5.65	4.50
6-12 months	8.44	7.92	7.23	7.31	6.85
over 1 year	10.16	8.99	9.14	8.64	8.09
<b>Average Weighted Rate</b>	<b>0.82</b>	<b>0.77</b>	<b>0.77</b>	<b>0.86</b>	<b>1.09</b>

Source: Commercial banks of KR

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

	2011	2012	2013	2014	2015
<b>Average Weighted Rate</b>	<b>23.8</b>	<b>23.0</b>	<b>21.3</b>	<b>20.1</b>	<b>23.6</b>
Industry	22.0	22.8	16.9	14.3	16.4
Agriculture	20.2	21.6	19.6	19.2	22.2
Transport and communication	24.2	23.6	23.8	23.9	27.6
Trade	24.2	23.2	22.0	19.8	22.4
Procurement and processing	20.6	22.4	25.0	14.6	27.8
Construction	21.7	22.7	21.1	21.1	26.7
Mortgage	20.1	21.4	21.2	19.9	19.7
Consumer loans	29.9	27.0	26.5	26.6	30.8
Other	21.7	20.2	19.8	20.4	26.0
of which:					
<b>up to 1 month</b>	<b>31.1</b>	<b>31.1</b>	<b>28.8</b>	<b>20.5</b>	<b>20.0</b>
Industry	18.3	25.0	14.2	12.6	16.5
Agriculture	26.0	27.9	28.0	20.0	-
Transport and communication	-	-	-	-	22.0
Trade	34.2	33.5	27.4	15.1	15.6
Procurement and processing	-	-	-	-	-
Construction	-	20.0	13.0	18.0	-
Mortgage	-	-	-	-	-
Consumer loans	31.7	31.1	32.6	31.7	30.8
Other	26.9	22.3	23.5	23.0	18.4
<b>1-3 months</b>	<b>33.9</b>	<b>28.4</b>	<b>20.9</b>	<b>16.9</b>	<b>22.3</b>
Industry	29.7	28.0	18.8	14.8	17.1
Agriculture	28.3	28.9	31.1	29.7	32.0
Transport and communication	-	42.0	33.3	-	33.5
Trade	33.1	25.8	25.8	25.6	23.2
Procurement and processing	-	-	30.0	32.5	-
Construction	23.3	35.0	13.0	18.0	30.0
Mortgage	-	25.0	-	-	9.3
Consumer loans	40.9	36.0	32.0	27.4	29.8
Other	23.6	23.2	19.9	18.6	21.5
<b>3-6 months</b>	<b>37.0</b>	<b>26.9</b>	<b>25.8</b>	<b>24.2</b>	<b>27.7</b>
Industry	25.7	29.4	27.0	20.2	20.6
Agriculture	30.5	27.6	29.2	28.9	28.6
Transport and communication	30.7	29.8	29.7	29.7	32.5
Trade	33.3	28.2	25.1	24.5	25.9
Procurement and processing	20.0	35.0	33.1	28.7	32.1
Construction	29.9	22.5	23.9	24.1	31.6
Mortgage	-	34.0	32.5	29.3	-
Consumer loans	45.9	36.8	29.9	30.3	33.2
Other	26.3	21.9	26.7	25.5	27.6
<b>6-12 months</b>	<b>28.1</b>	<b>26.3</b>	<b>25.3</b>	<b>22.2</b>	<b>26.3</b>
Industry	26.8	27.7	21.4	20.6	22.6
Agriculture	24.7	26.5	25.3	20.3	23.2
Transport and communication	27.5	28.1	27.6	27.4	30.2
Trade	29.1	26.7	25.8	22.0	25.5
Procurement and processing	20.0	25.5	30.0	29.3	34.4
Construction	25.5	25.6	25.4	26.1	32.8
Mortgage	24.1	28.9	29.3	22.3	25.7
Consumer loans	34.1	29.9	29.2	29.5	32.6
Other	22.7	21.5	22.6	25.5	28.8
<b>over 1 year</b>	<b>21.9</b>	<b>21.7</b>	<b>20.2</b>	<b>20.0</b>	<b>23.7</b>
Industry	21.3	21.8	17.3	15.3	16.4
Agriculture	20.0	20.1	18.3	19.4	22.2
Transport and communication	24.2	23.4	23.4	23.6	28.9
Trade	22.1	22.4	21.4	20.9	24.8
Procurement and processing	20.8	21.9	24.5	15.0	25.9
Construction	21.5	22.5	21.6	21.1	26.0
Mortgage	20.0	21.3	21.0	20.0	20.1
Consumer loans	25.9	23.6	23.5	24.0	29.7
Other	21.6	21.4	19.8	20.8	26.5

Source: Commercial banks of KR

**Table 12.**

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

(percents)

	2011	2012	2013	2014	2015
<b>Average Weighted Rate</b>	<b>19.6</b>	<b>19.1</b>	<b>17.7</b>	<b>15.0</b>	<b>14.3</b>
Industry	16.5	16.0	13.8	13.4	13.8
Agriculture	21.6	19.9	18.1	18.9	17.6
Transport and communication	22.1	21.5	17.9	17.5	17.0
Trade	20.8	20.6	18.9	14.5	13.7
Procurement and processing	17.2	20.8	20.2	15.8	14.7
Construction	18.2	13.9	13.2	13.5	14.0
Mortgage	18.1	17.9	17.6	17.6	16.8
Consumer loans	22.0	20.0	18.9	19.1	18.9
Other	16.5	16.2	15.7	14.9	14.6
of which:					
<b>up to 1 month</b>	<b>30.5</b>	<b>26.6</b>	<b>25.5</b>	<b>12.9</b>	<b>12.6</b>
Industry	18.0	-	17.0	13.9	14.3
Agriculture	-	-	-	-	-
Transport and communication	-	-	-	-	-
Trade	29.7	26.5	26.0	12.5	12.3
Procurement and processing	-	-	-	-	-
Construction	-	-	10.5	0.0	3.8
Mortgage	17.0	-	22.1	27.9	17.0
Consumer loans	32.1	23.4	22.7	19.0	16.7
Other	25.4	21.4	13.4	21.2	31.6
<b>1-3 months</b>	<b>26.0</b>	<b>20.6</b>	<b>16.8</b>	<b>14.1</b>	<b>14.8</b>
Industry	19.3	18.0	18.0	14.6	13.6
Agriculture	27.0	27.7	-	25.7	23.7
Transport and communication	25.0	-	-	14.5	-
Trade	26.2	20.7	15.9	14.3	15.7
Procurement and processing	-	-	-	-	-
Construction	17.0	11.9	23.0	7.6	10.5
Mortgage	18.0	17.1	22.6	-	-
Consumer loans	27.6	26.9	18.4	18.9	17.9
Other	22.7	14.7	14.6	16.0	22.6
<b>3-6 months</b>	<b>19.4</b>	<b>16.2</b>	<b>15.0</b>	<b>12.4</b>	<b>14.6</b>
Industry	26.4	18.1	13.3	13.7	14.0
Agriculture	22.4	25.7	24.8	22.9	24.5
Transport and communication	31.0	26.3	21.0	20.5	22.0
Trade	18.2	15.2	15.4	16.9	16.4
Procurement and processing	25.2	-	-	25.0	13.5
Construction	22.8	13.5	13.3	6.6	6.3
Mortgage	-	19.5	18.2	-	20.0
Consumer loans	31.0	19.6	19.8	22.0	18.9
Other	19.1	17.5	16.4	17.7	18.3
<b>6-12 months</b>	<b>18.3</b>	<b>16.1</b>	<b>15.3</b>	<b>15.3</b>	<b>15.3</b>
Industry	17.6	18.7	15.5	15.2	15.3
Agriculture	25.7	22.1	21.9	22.3	21.7
Transport and communication	24.9	23.0	21.2	20.7	19.5
Trade	18.2	16.4	15.9	16.2	15.6
Procurement and processing	22.0	24.6	17.9	15.0	23.5
Construction	24.1	13.5	12.3	7.4	9.2
Mortgage	18.2	17.5	17.7	19.0	17.6
Consumer loans	21.1	21.7	20.4	21.5	21.6
Other	19.0	15.7	15.8	18.6	16.9
<b>over 1 year</b>	<b>17.9</b>	<b>17.4</b>	<b>16.3</b>	<b>15.6</b>	<b>15.0</b>
Industry	16.5	15.9	13.8	13.4	13.6
Agriculture	20.7	19.1	17.9	18.8	17.6
Transport and communication	21.9	21.4	17.8	17.5	17.0
Trade	18.4	17.6	16.5	15.3	14.7
Procurement and processing	16.5	20.7	22.0	15.9	14.4
Construction	17.6	16.3	13.8	15.2	15.2
Mortgage	18.2	17.8	17.3	17.6	16.9
Consumer loans	20.6	19.6	18.7	19.4	19.5
Other	16.1	16.4	16.3	14.9	14.5

Source: Commercial banks of KR

**Table 13.**

Interest Rates on Loans of Non-bank Financial-Credit Institutions (end-of-period)  
(percents)

	2011	2012	2013	2014	2015
<b>Microfinance organizations</b>	<b>38.3</b>	<b>34.9</b>	<b>31.0</b>	<b>30.0</b>	<b>32.2</b>
<i>of which lent to:</i>					
Industry	36.4	32.5	27.9	26.3	26.9
Agriculture	41.5	36.5	31.9	31.5	33.2
Transportation	28.3	26.8	25.2	25.6	24.6
Communication	32.1	30.0	28.0	30.0	35.3
Trade and commerce	37.2	35.7	31.1	29.6	32.6
Procurement and processing	26.4	12.3	13.3	23.7	20.5
Construction and mortgage	27.9	29.9	30.4	24.2	31.0
Services	41.0	39.2	34.7	32.4	34.0
Consumer loans	41.6	41.7	34.0	32.6	34.2
Loans to financial-credit institutions	18.9	17.5	18.4	18.9	21.2
Other	37.5	31.5	26.3	26.6	22.9
<b>Credit Unions</b>	<b>29.0</b>	<b>29.1</b>	<b>27.3</b>	<b>25.6</b>	<b>27.9</b>
<i>of which lent to:</i>					
Industry	31.2	31.1	29.2	29.0	30.0
Agriculture	27.7	28.3	25.8	25.7	27.7
Transport and communication	27.0	26.8	25.7	25.2	25.6
Trade and commerce	29.5	28.6	28.0	24.4	27.5
Procurement and processing	23.5	28.7	27.0	25.5	26.7
Construction and mortgage	25.2	26.0	25.1	24.0	22.8
Services	28.2	29.6	34.7	26.6	26.9
Other	34.4	33.7	28.7	28.7	31.1
<b>Specialized Financial-Credit Institution</b>	<b>15.8</b>	<b>15.9</b>	<b>15.4</b>	<b>15.9</b>	<b>16.5</b>

Source: Non-bank Financial-Credit Institutions of KR

**Table 14.**

Annual Average Interest Rate of Interbank Credits  
(excluding transactions with non-residents)

(percents)

	2011	2012	2013	2014	2015
<b>Interbank Repo Operations</b>	<b>9.4</b>	<b>7.7</b>	<b>3.8</b>	<b>6.8</b>	<b>9.3</b>
up to 1 day	9.0	8.1	3.8	6.8	8.9
2 - 7 days	9.4	7.7	3.7	6.8	9.2
8 - 14 days	9.5	7.5	4.3	7.7	10.1
15 - 30 days	12.0	-	-	9.5	10.7
31 - 60 days	-	-	7.5	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
<b>Interbank Credits in National Currency</b>	<b>9.1</b>	<b>7.7</b>	<b>7.2</b>	<b>10.5</b>	<b>14.1</b>
up to 1 day	10.3	5.0	-	-	-
2 - 7 days	9.5	7.3	3.9	7.0	11.0
8 - 14 days	9.8	8.3	3.0	11.8	13.0
15 - 30 days	7.0	9.0	6.5	-	-
31 - 60 days	10.0	10.1	-	-	13.0
61 - 90 days	-	-	-	-	-
91 - 180 days	-	9.6	7.4	7.5	18.0
181 - 360 days	-	6.5	7.7	9.8	-
over 360 days	-	6.5	9.8	-	-
<b>Interbank Credits in Foreign Currency</b>	<b>3.5</b>	<b>1.6</b>	<b>-</b>	<b>0.5</b>	<b>1.4</b>
up to 1 day	3.0	3.0	-	-	-
2 - 7 days	1.0	1.2	-	0.5	1.4
8 - 14 days	-	0.0	-	-	-
15 - 30 days	-	0.0	-	-	-
31 - 60 days	5.0	-	-	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	5.0	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-

Source: Commercial banks of KR

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

	2011	2012	2013	2014	2015*
<b>Current Account</b>	<b>-593.0</b>	<b>-1,675.1</b>	<b>-1,807.0</b>	<b>-1,860.3</b>	<b>-814.9</b>
Goods and services	-1,772.6	-3,567.2	-3,622.0	-3,728.2	-2,167.9
Trade balance	-1,669.0	-3,210.6	-3,555.4	-3,393.7	-2,054.2
Export (FOB) <sup>1</sup>	2,267.0	1,954.4	2,058.2	1,896.5	1,669.4
CIS	1,019.6	1,126.1	1,035.8	894.4	764.1
Non-CIS	1,247.4	828.3	1,022.4	1,002.1	905.2
Import (FOB)	3,935.9	5,165.1	5,613.6	5,290.2	3,723.5
CIS	2,018.3	2,689.4	2,787.1	2,580.4	1,939.6
Non-CIS	1,917.7	2,475.7	2,826.5	2,709.8	1,784.0
Balance of Services	-103.6	-356.6	-66.6	-334.5	-113.7
Transportation services	-332.1	-461.7	-358.0	-450.4	-274.3
Travels	109.5	84.5	179.2	32.6	119.8
Other services	140.9	41.6	132.9	103.2	60.8
Technical assistance	-21.9	-21.0	-20.7	-20.0	-20.0
Income	-659.1	-169.3	-423.0	-307.9	-275.0
Income from direct investment	-610.7	-110.8	-348.1	-223.2	-206.0
Income from portfolio investment	0.1	0.0	0.0	0.0	0.0
Income from other investment	-19.2	-29.7	-53.0	-60.6	-49.8
Interest on credits	-39.7	-46.8	-70.0	-78.6	-67.2
Other income on other investment	20.4	17.1	16.9	18.0	17.4
Labor remuneration	-29.4	-28.8	-21.8	-24.0	-19.2
Current transfers	1,838.7	2,061.5	2,238.0	2,175.8	1,628.0
Official transfers	83.3	63.2	84.1	133.7	113.2
Private transfers	1,755.4	1,998.3	2,153.9	2,042.1	1,514.8
<b>Capital and Financial Account</b>	<b>923.9</b>	<b>1,032.1</b>	<b>1,133.1</b>	<b>1,048.6</b>	<b>1,112.9</b>
Capital account	64.1	166.1	280.3	65.8	96.8
Capital transfers	64.1	166.1	280.3	65.8	96.8
Financial account	859.8	866.0	852.7	982.8	1,016.1
Other investment	693.6	292.4	626.1	348.0	704.5
Portfolio investment	-0.3	5.7	4.8	0.1	2.0
Financial derivatives	0.0	-0.4	-0.1	-0.5	5.3
Other investment	166.5	568.3	222.0	635.3	304.3
Assets ("-" increase)	-231.8	137.8	-68.4	-298.8	-259.1
Commercial banks	-19.1	-8.2	-81.5	-21.8	-157.1
Accounts receivable	-44.5	-28.2	-68.2	-172.5	-37.9
Accounts of enterprises abroad	-163.6	181.0	32.5	4.4	-28.0
Other assets	-4.6	-6.7	48.7	-108.8	-36.0
Liabilities ("+" increase)	398.3	430.5	290.4	934.0	563.4
Commercial banks	7.3	8.6	24.7	22.1	17.3
Loans	390.9	353.5	191.6	699.1	418.8
Loans to public sector	201.5	285.4	177.8	442.6	257.2
Loans to private sector	189.4	68.1	13.8	256.5	161.6
Accounts payable	0.2	68.4	74.1	212.9	127.2
Other liabilities	0.0	0.0	0.0	0.0	0.0
<b>Errors and Omissions</b>	<b>-194.6</b>	<b>861.6</b>	<b>961.9</b>	<b>683.2</b>	<b>-312.8</b>
<b>Total Balance</b>	<b>136.2</b>	<b>218.7</b>	<b>288.0</b>	<b>-128.6</b>	<b>-14.8</b>
<b>Financing</b>	<b>-136.2</b>	<b>-218.7</b>	<b>-288.0</b>	<b>128.6</b>	<b>14.8</b>

\* preliminary data

Source: NBKR, other organizations

<sup>1</sup> Excluding additional estimates of the National Bank on re-export of oil products and export estimates of the "shuttle traders"

**Table 16.**

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

	2011	2012	2013	2014	2015*
<b>External Public and Government Guaranteed Debt (1+2+3):</b>	<b>2,802.6</b>	<b>3,031.9</b>	<b>3,158.7</b>	<b>3,437.1</b>	<b>3,601.1</b>
<b>1. Multilateral debt:</b>	<b>1,519.9</b>	<b>1,567.5</b>	<b>1,629.8</b>	<b>1,558.9</b>	<b>1,531.3</b>
World Bank	660.5	674.8	697.1	671.5	639.3
Asian Development Bank	583.4	594.6	607.1	583.6	575.4
International Monetary Fund	181.8	190.5	202.7	185.2	188.2
Islamic Development Bank	61.1	61.7	64.0	59.0	59.5
European Bank for Reconstruction and Development	16.0	29.6	40.0	40.6	41.0
International Fund for Agricultural Development	9.2	8.9	9.0	9.4	9.9
Nordic Development Fund	6.0	5.9	6.1	5.2	4.6
OPEC	2.0	1.3	3.9	4.0	4.5
Eurasian Development Bank	-	-	-	0.4	3.5
European Union	-	-	-	-	5.4
<b>2. Bilateral Debt:</b>	<b>1,282.7</b>	<b>1,464.4</b>	<b>1,528.9</b>	<b>1,878.2</b>	<b>2,069.7</b>
<b>2.1. CIS countries:</b>	<b>490.5</b>	<b>489.0</b>	<b>300.0</b>	<b>300.0</b>	<b>300.0</b>
Russia	490.3	488.9	300.0	300.0	300.0
Belarus	0.1	0.1	-	-	-
<b>2.2. other:</b>	<b>792.3</b>	<b>975.4</b>	<b>1,228.9</b>	<b>1,578.2</b>	<b>1,769.7</b>
China	272.6	527.5	758.4	1,115.9	1,296.4
Japan	357.4	320.6	263.1	229.4	229.0
Germany	75.8	81.3	98.4	102.4	100.1
Korea	14.8	15.9	17.4	16.7	15.6
Kuwait Fund	13.3	10.7	9.3	8.6	9.7
Turkey	49.2	10.0	70.5	90.0	97.0
France	5.8	5.9	6.1	5.4	4.8
Denmark	3.3	3.3	3.3	3.3	3.2
Saudi Development Fund	-	0.2	1.3	3.9	7.4
UAE	-	-	1.1	2.6	6.4
<b>3. Government guaranteed external debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* - preliminary data

Source: MF KR

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

	2011			2012			2013			2014			2015		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
<b>Наименование банков</b>															
<b>Total</b>	<b>9,847.9</b>	<b>9,847.9</b>	<b>3,301.9</b>	<b>10,482.8</b>	<b>10,442.3</b>	<b>3,815.4</b>	<b>11,199.6</b>	<b>11,170.9</b>	<b>3,999.2</b>	<b>16,188.4</b>	<b>16,088.4</b>	<b>6,885.7</b>	<b>16,188.4</b>	<b>16,088.4</b>	<b>6,885.7</b>
1 OJSC "AiyI Bank"	600.0	600.0	0.0	600.0	600.0	0.0	600.0	600.0	0.0	1,797.5	1,697.5	0.0	1,797.5	1,697.5	0.0
2 OJSC RK "AMANBANK"	372.0	372.0	0.1	372.0	372.0	0.1	600.0	600.0	0.1	680.0	680.0	0.1	680.0	680.0	0.1
3 CJSC "Bank of Asia"	230.4	230.4	179.0	271.0	230.4	179.0	299.7	271.0	210.5	335.6	335.6	260.8	335.6	335.6	260.8
4 OJSC "BAKAI BANK"	326.5	326.5	0.0	339.9	339.9	0.0	384.9	384.9	0.0	475.9	475.9	0.0	475.9	475.9	0.0
5 CJSC "BTA Bank"	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	0.0	1,000.0	1,000.0	710.0	1,000.0	1,000.0	710.0
6 CJSC "Demir Kyrgyz International Bank"	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	300.0	300.0	300.0	300.0	300.0	300.0
7 OJSC "DOS-KREDOBANK"	270.7	270.7	0.0	270.7	270.7	0.0	304.4	304.4	0.0	304.4	304.4	0.0	304.4	304.4	0.0
8 OJSC IB "Issyk-Kul"	271.0	271.0	0.3	271.0	271.0	0.3	271.0	271.0	0.3	-	-	-	-	-	-
9 OJSC "Kyrgyzkommerstbank"	153.5	153.5	147.0	153.5	153.5	147.0	153.5	153.5	147.0	300.0	300.0	0.1	300.0	300.0	0.1
10 OJSC "Capital Bank"	255.0	255.0	0.0	310.1	310.1	0.0	310.1	310.1	0.0	382.6	382.6	0.0	382.6	382.6	0.0
11 "Kyrgyz-Swiss Bank" CJSC	-	-	-	242.4	242.4	242.4	242.4	242.4	242.4	422.4	422.4	422.4	422.4	422.4	422.4
12 CJSC "Kyrgyz Investment Credit Bank"	829.5	829.5	746.6	861.8	861.8	775.6	1,030.5	1,030.5	927.5	1,328.2	1,328.2	1,195.4	1,328.2	1,328.2	1,195.4
13 OJSC "KyrgyzCreditBank"	300.0	300.0	0.1	300.0	300.0	119.9	300.0	300.0	119.9	300.0	300.0	156.9	300.0	300.0	156.9
14 OJSC "Commercial Bank KYRGYZSTAN"	521.1	521.1	0.0	622.2	622.2	0.0	782.0	782.0	0.0	921.3	921.3	0.0	921.3	921.3	0.0
15 CJSC "Manas Bank" <sup>2</sup>	377.7	377.7	377.7	377.7	377.7	377.7	377.7	377.7	377.7	-	-	-	-	-	-
16 "Bai-Tushum" Bank CJSC	615.0	615.0	245.1	715.0	715.0	329.9	715.0	715.0	329.9	715.0	715.0	329.9	715.0	715.0	329.9
17 "Optima Bank" OJSC	700.0	700.0	680.0	700.0	700.0	680.0	700.0	700.0	680.0	700.0	700.0	680.0	700.0	700.0	680.0
18 OJSC "Rosinbank"	40.9	40.9	0.0	40.9	40.9	36.8	40.9	40.9	36.8	647.2	647.2	582.5	647.2	647.2	582.5
19 OJSC "RSK Bank"	1,244.0	1,244.0	0.0	1,244.0	1,244.0	0.0	1,244.0	1,244.0	0.0	1,741.0	1,741.0	0.0	1,741.0	1,741.0	0.0
20 CJSC JSCB "Tolubay"	200.0	200.0	3.4	235.0	235.0	3.9	268.0	268.0	4.4	322.0	322.0	5.2	322.0	322.0	5.2
21 OJSC "FinanceCreditBank KAB"	300.0	300.0	54.5	300.0	300.0	54.5	300.0	300.0	54.5	300.0	300.0	54.5	300.0	300.0	54.5
22 "FINCA Bank" CJSC	-	-	-	-	-	-	-	-	-	1,353.8	1,353.8	1,353.8	1,353.8	1,353.8	1,353.8
23 OJSC "Chang An Bank"	-	-	-	-	-	-	-	-	-	600.0	600.0	0.0	600.0	600.0	0.0
24 OJSC "Halyk Bank Kyrgyzstan"	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2	534.2
25 CJSC "EcoIslamicBank"	372.4	372.4	0.0	387.4	387.4	0.0	407.4	407.4	0.0	427.3	427.3	0.0	427.3	427.3	0.0
26 Bishkek Branch of the National Bank of Pakistan	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5

Source: Commercial banks of KR

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

<sup>1</sup> After 3 June 2015 banking license was revoked<sup>2</sup> After 23 June 2015 banking license was revoked

**Table 18.**

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

	2011	2012	2013	2014	2015*
<b>ASSETS</b>					
Cash assets	6,305.3	8,114.2	8,705.2	11,482.9	10,748.1
Correspondent account with the NBKR	5,274.2	6,650.3	6,685.5	7,935.4	9,852.1
Correspondent accounts with other banks	7,905.6	7,691.7	11,157.9	12,923.6	26,991.2
Deposits in other banks	1,729.9	3,240.4	5,649.6	3,975.7	9,719.1
Securities portfolio	5,785.5	8,892.3	10,285.0	6,444.5	7,710.7
Securities purchased under repo agreements	245.2	819.3	584.4	209.1	325.3
"Net" loans and financial lease	30,209.9	39,477.8	54,672.8	78,524.0	90,804.2
Loans and financial lease to finance and credits institutions <sup>1/</sup>	1,596.7	2,124.9	3,724.6	3,779.4	3,179.8
Loans and financial lease to clients <sup>2/</sup>	31,217.1	40,105.4	53,961.6	78,756.3	93,953.5
(less) Special LLP for credits and financial lease	-2,603.9	-2,752.5	-3,013.3	-4,011.8	-6,329.1
Fixed assets	4,860.0	5,396.8	6,033.8	6,546.6	7,684.8
Investment and financial participation	70.4	88.8	149.4	208.9	228.0
Other assets	5,151.3	7,074.8	7,168.3	9,370.4	13,964.5
<b>TOTAL: ASSETS</b>	<b>67,537.4</b>	<b>87,446.5</b>	<b>111,092.0</b>	<b>137,621.0</b>	<b>178,028.2</b>
<b>LIABILITIES</b>					
Liabilities to the NBKR	905.2	739.0	850.2	3,735.1	4,686.8
Settlement accounts and deposits of banks	1,685.6	2,743.9	3,908.6	3,611.5	7,068.1
Resident banks	20.4	980.1	1,296.1	423.2	3,300.6
Non-resident banks	1,665.2	1,763.8	2,612.5	3,188.4	3,767.4
Settlement accounts	13,068.5	18,507.1	21,309.9	24,941.3	29,233.5
Settlement accounts of finance and credit institutions	463.7	988.3	1,129.8	1,233.5	841.8
Settlement accounts of clients <sup>3/</sup>	12,604.8	17,518.8	20,180.1	23,707.8	28,391.7
Demand deposits	8,225.0	11,138.2	15,222.6	16,115.8	21,805.7
Demand deposits of finance and credit institutions	1,028.5	1,164.0	1,860.4	1,384.3	719.7
Demand deposits of clients <sup>3/</sup>	7,196.5	9,974.2	13,362.2	14,731.5	21,086.0
Time deposits	10,803.8	14,000.8	22,048.6	31,059.8	38,315.3
Time deposits of finance and credit institutions	302.7	412.7	550.1	1,880.8	889.5
Time deposits of clients <sup>3/</sup>	10,501.1	13,588.1	21,498.5	29,178.9	37,425.8
Deposits of non-residents <sup>4/</sup>	1,814.4	2,199.9	2,719.8	4,165.0	6,415.1
Government deposits	4,763.6	4,805.3	6,033.3	6,252.8	7,108.1
Government loans	1,510.5	1,629.6	1,566.6	1,504.7	1,943.6
Securities sold under repo agreements	82.4	23.5	0.0	209.1	325.3
Loans received	4,691.6	8,403.1	9,113.7	12,374.4	21,630.7
Other liabilities	6,262.4	7,238.1	9,516.1	12,821.1	13,412.4
<b>TOTAL LIABILITIES</b>	<b>53,812.9</b>	<b>71,428.6</b>	<b>92,289.4</b>	<b>116,790.6</b>	<b>151,944.6</b>
<b>CAPITAL</b>					
Stock capital	8,680.2	9,756.7	10,848.4	11,642.4	16,132.1
Reserves for future needs of the bank	644.6	751.7	862.6	1,027.2	723.6
Undistributed profit of previous years	3,173.4	4,057.0	5,053.3	5,664.3	7,173.9
Current year profits/losses	559.8	900.2	1,327.1	1,910.2	1,531.4
Revaluation accounts	666.4	552.3	711.1	586.4	522.5
<b>TOTAL: CAPITAL</b>	<b>13,724.4</b>	<b>16,017.9</b>	<b>18,802.5</b>	<b>20,830.5</b>	<b>26,083.6</b>
<b>TOTAL: LIABILITIES AND CAPITAL</b>	<b>67,537.4</b>	<b>87,446.5</b>	<b>111,092.0</b>	<b>137,621.0</b>	<b>178,028.2</b>

\* - preliminary data

Source: Commercial banks of KR

<sup>1/</sup> includes loans to banks and other financial-credit institutions, resident and non-resident

<sup>2/</sup> includes loans to legal entities and individuals, resident and non-resident

<sup>3/</sup> includes accounts of legal entities and individuals

<sup>4/</sup> includes accounts of financial-credit institutions, legal entities and individuals

**Table 19.**

Information on Head Offices and Branches of Commercial Banks as at the end of 2015

Bank	Head Office Location	Total Branches	Bishkek	Batken oblast	Jalal-Abad oblast	Issyk-Kul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast
<b>Total branches</b>		<b>314</b>	<b>64</b>	<b>24</b>	<b>47</b>	<b>40</b>	<b>20</b>	<b>57</b>	<b>17</b>	<b>45</b>
<b>Branches of resident banks</b>										
1 OJSC "Ayl Bank"	Bishkek	31	3	4	6	3	2	6	2	5
2 OJSC RK "AMANBANK"	Bishkek	16	2	-	1	3	1	5	1	3
3 CJSC "Bank of Asia"	Bishkek	8	2	-	1	2	-	1	-	2
4 OJSC "BAKAI BANK"	Bishkek	8	-	1	1	1	1	1	1	2
5 CJSC "BTA Bank"	Bishkek	14	2	1	2	3	-	4	-	2
6 CJSC "Demir-Kyrgyz International Bank"	Bishkek	12	6	-	1	1	1	2	1	-
7 OJSC "DOS-KREDOBANK"	Bishkek	10	1	-	1	3	1	1	1	2
8 OJSC "Kyrgyzkommertsbank"	Bishkek	3	2	-	-	-	-	1	-	-
9 OJSC "Capital Bank"	Bishkek	2	-	1	-	-	-	1	-	-
10 CJSC "Kyrgyz Investment Credit Bank"	Bishkek	16	5	1	2	1	1	3	1	2
11 OJSC "KyrgyzCreditBank"	Bishkek	3	3	-	-	-	-	-	-	-
12 OJSC "Commercial Bank KYRGYZSTAN"	Bishkek	35	7	2	8	3	3	6	1	5
13 "Kyrgyz-Swiss Bank" CJSC	Bishkek	-	-	-	-	-	-	-	-	-
14 "Bat-Tushum" Bank CJSC	Bishkek	7	1	1	1	1	1	1	1	-
15 OJSC "Optima Bank"	Bishkek	18	7	1	1	3	-	2	1	3
16 OJSC "Rosinbank"	Bishkek	28	7	3	4	4	1	4	1	4
17 OJSC "RSK Bank"	Bishkek	51	3	5	10	7	5	9	4	8
18 CJSC JSCB "Tolubay"	Bishkek	2	2	-	-	-	-	-	-	-
19 OJSC "FinanceCreditBank KAB"	Bishkek	6	-	-	1	1	1	2	-	1
20 OJSC "Halyk Bank Kyrgyzstan"	Bishkek	9	4	-	1	1	-	2	-	1
21 CJSC "EcolslamicBank"	Bishkek	11	4	1	1	1	-	2	-	2
22 OJSC "Chang An Bank"	Bishkek	-	-	-	-	-	-	-	-	-
23 "FINCA Bank" CJSC	Bishkek	24	3	3	5	2	2	4	2	3
<b>Branches of non-resident banks</b>										
24 Bishkek Branch of the National Bank of Pakistan <sup>1/</sup>	Karachi	-	-	-	-	-	-	-	-	-

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

<sup>1/</sup> 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 2015  
(billions of KGS)

	Receipt				Issue				Excess of Issue (receipt) over Receipt (9-4) (issue) (+/-)	Collection Rate (%) (4/9)	
	1	2	3	4	5	6	7	8			9
	Taxes, customs duties and fees	From sales of foreign exchange	Other	Total	To Treasury for salary payments	For payments of pensions and allowances	Purchases of foreign exchange	Other expenses	Total		
<b>Total for the Republic</b>	<b>23.8</b>	<b>88.0</b>	<b>924.9</b>	<b>1,036.7</b>	<b>14.7</b>	<b>16.3</b>	<b>132.7</b>	<b>877.2</b>	<b>1,041.0</b>	<b>4.3</b>	<b>99.6</b>
Bishkek city	7.5	67.6	414.4	489.5	4.0	0.1	71.6	399.9	475.6	-13.9	102.9
Batken oblast	0.3	1.0	50.2	51.5	1.5	1.7	7.3	41.6	52.1	0.6	98.8
Jalal-Abad oblast	0.7	3.8	103.2	107.7	2.3	2.7	16.8	93.9	115.7	8.0	93.1
Issyk-Kul oblast	0.4	1.4	50.9	52.7	0.7	2.1	3.5	49.0	55.3	2.6	95.3
Naryn oblast	-	0.3	20.9	21.2	0.9	1.6	0.6	20.9	24.0	2.8	88.3
Osh city	1.3	8.7	128.4	138.4	0.7	0.9	16.7	120.0	138.3	-0.1	100.1
Osh oblast	1.5	2.1	47.3	50.9	1.9	3.3	9.3	37.3	51.9	1.0	98.1
Talas oblast	0.1	0.5	22.6	23.2	0.7	0.6	1.4	23.8	26.5	3.3	87.5
Chui oblast	12.0	2.6	87.0	101.6	2.0	3.3	5.5	90.8	101.6	0.0	100.0

Source: Commercial banks of KR

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

	2011		2012		2013		2014		2015	
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments
payments up to KGS 1 thousand	4	10,588	4	10,589	5	10,982	7	16,300	10	20,399
from 1 thousand to 100 thousand	1,419	52,575	1,607	60,838	1,797	70,277	2,947	116,444	4,022	155,027
from 100 thousand to 1 million	14,070	32,877	15,343	35,383	18,174	41,370	25,106	59,885	31,044	76,502
from 1 million to 10 million	103,549	32,045	119,019	37,599	137,931	43,872	162,910	54,235	178,151	59,272
from 10 million to 100 million	225,349	7,896	258,968	8,680	288,134	9,552	398,924	12,726	482,706	14,664
payments of over 100 million	175,236	760	213,231	970	305,314	1,206	821,947	2,900	1,050,286	3,571
<b>Total</b>	<b>519,628</b>	<b>136,741</b>	<b>608,171</b>	<b>154,059</b>	<b>751,355</b>	<b>177,259</b>	<b>1,411,841</b>	<b>262,490</b>	<b>1,746,219</b>	<b>329,435</b>

Source: Gross Settlement System in Real Time Regime

**Table 22.** Volume and Number of Clearing Payments by Regions

	2011		2012		2013		2014		2015	
	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments	Volume, millions of KGS	Number of payments
Bishkek city and Chui oblast	44,244	1,053,947	50,725	1,680,954	60,661	1,988,223	70,620	2,435,059	72,514	2,208,200
Batken oblast	2,762	43,100	2,921	58,765	3,915	77,628	4,195	120,649	4,206	202,667
Jalal-Abad oblast	5,682	96,941	5,817	122,063	6,143	126,271	6,853	191,453	6,618	200,343
Issyk-Kul oblast	3,828	75,469	4,406	105,556	5,117	143,736	5,564	201,049	5,500	184,411
Naryn oblast	1,636	46,321	2,096	51,572	2,739	58,531	3,151	69,662	2,487	55,923
Osh city and Osh oblast	6,180	118,889	6,982	160,910	7,883	181,981	9,042	306,371	8,937	328,148
Talas oblast	1,153	24,393	1,266	24,365	1,670	37,930	2,155	77,444	2,220	90,760
<b>Total</b>	<b>65,484</b>	<b>1,459,060</b>	<b>74,213</b>	<b>2,204,185</b>	<b>88,127</b>	<b>2,614,300</b>	<b>101,579</b>	<b>3,401,687</b>	<b>102,481</b>	<b>3,270,452</b>

Source: Bulk Clearing System

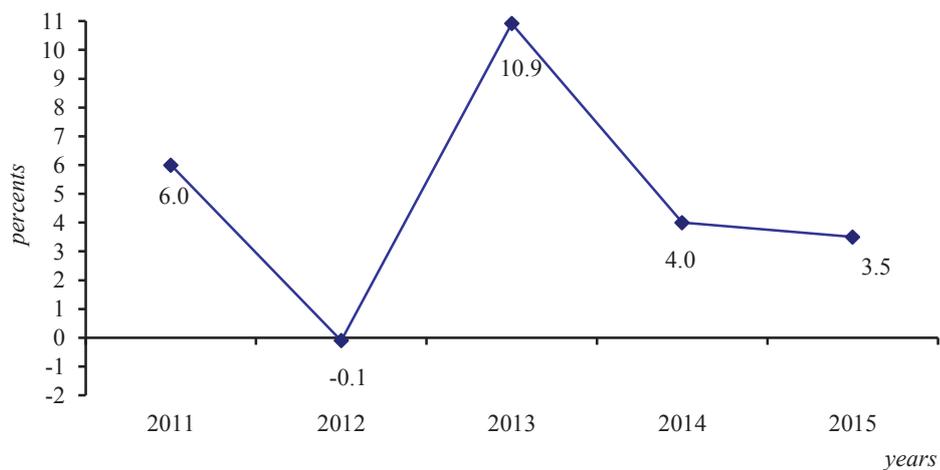
**Table 23.** Information on Transactions with Payment Cards at Trade Outlets

Type of Cards	2011		2012		2013		2014		2015	
	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS	Number of transactions	Volume, thousands of KGS
Elcard	5,776	4,067	15,540	9,134	30,423	19,710	70,562	51,057	124,582	129,330
Zolotaya Korona (Alai Card)	40,821	21,634	99,879	40,455	299,006	52,987	361,468	70,047	488,825	109,513
Visa	242,881	884,107	393,377	1,228,983	671,377	1,877,463	975,746	2,529,638	1,327,965	3,085,515
Master Card	10,000	187,243	9,995	185,732	12,350	204,772	19,870	229,595	44,098	340,141
American Express	1,002	30,139	2,436	72,203	2,479	80,046	2,128	64,683	2,003	72,513
Union Pay	-	-	-	-	3	38	356	3,973	3,772	7,546

Source: Commercial banks of KR

**Chart 1.**

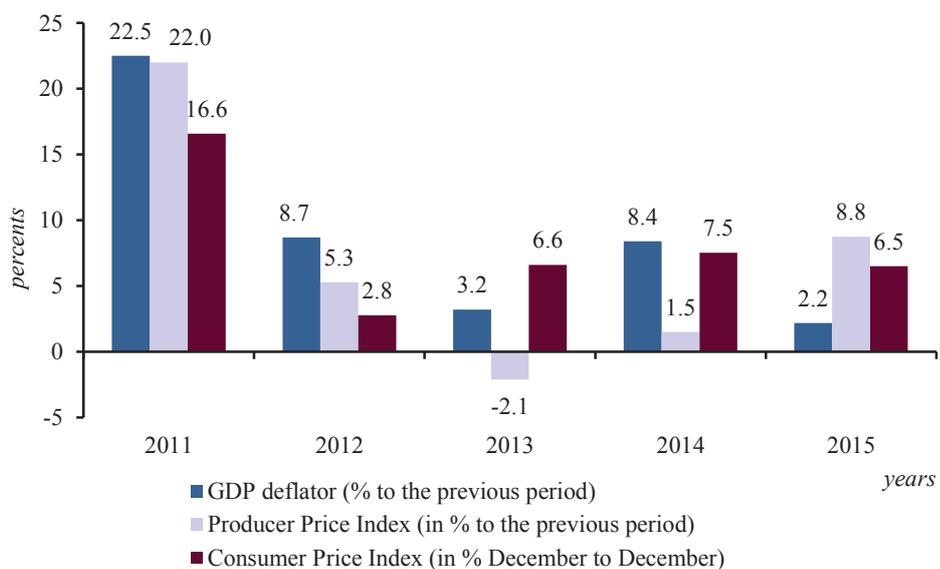
Rates of Growth of Real Gross Domestic Product



Source: NSC KR

**Chart 2.**

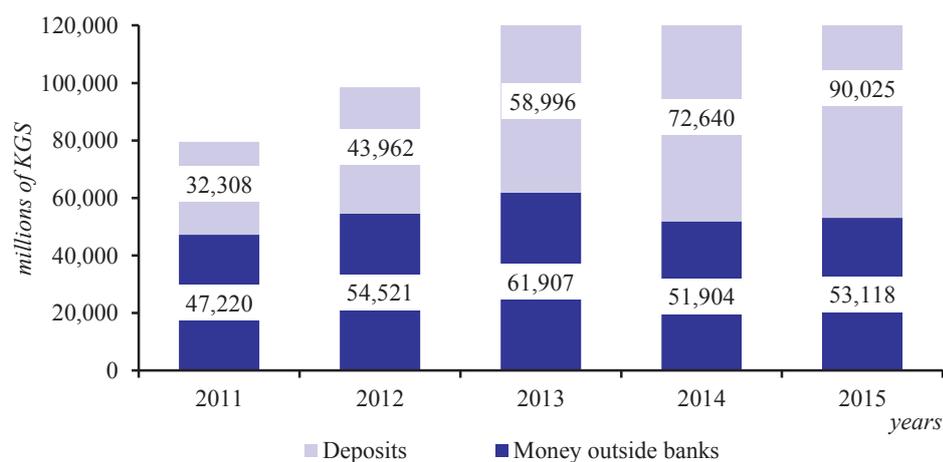
Rates of Growth of Consumer and Producer Prices



Source: NSC KR

**Chart 3.**

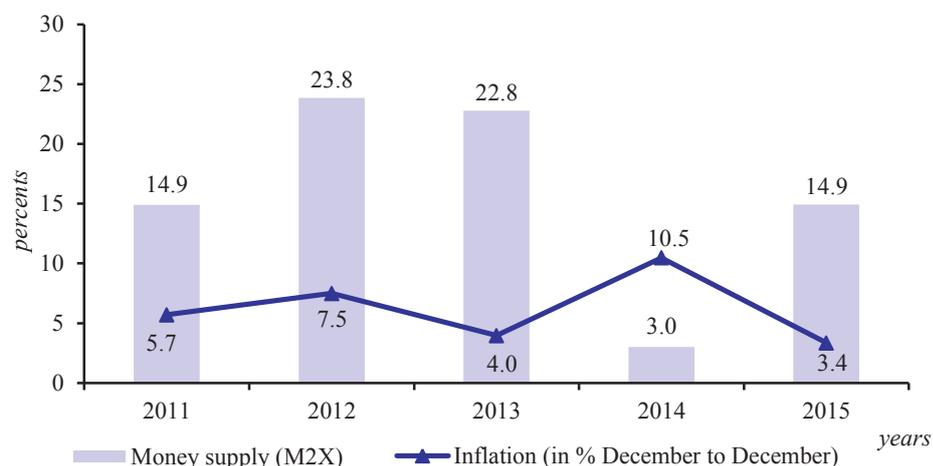
## Monetary Aggregates M2X Structure



Source: NBKR

**Chart 4.**

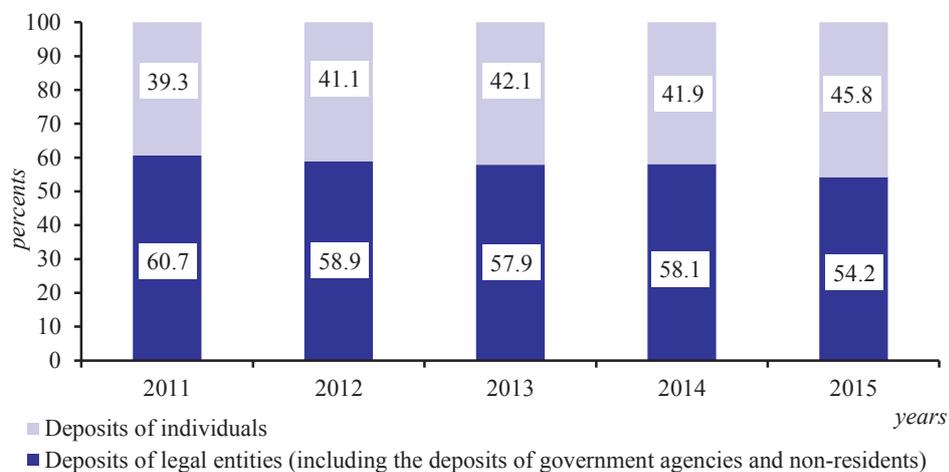
## Rates of Growth of Money Supply and Inflation



Source: NBKR, NSC KR

**Chart 5.**

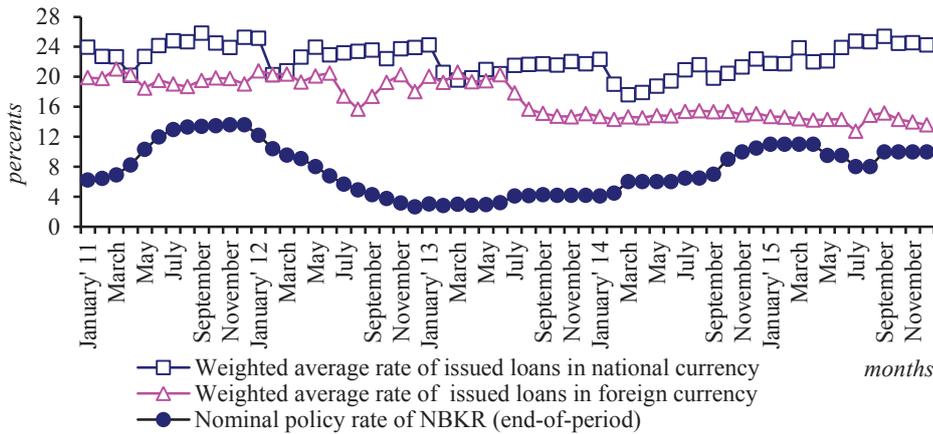
## Structure of Deposit Base of Commercial Banks (end-of-period)



Source: Commercial banks of KR

**Chart 6.**

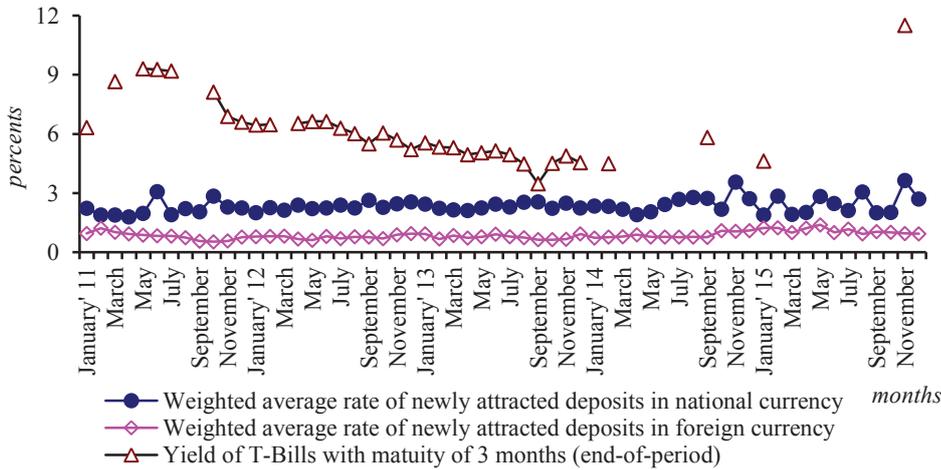
Interest Rates of Loans Issued by Commercial Banks and Policy Rate of the NBKR



Source: NBKR, Commercial banks of KR

**Chart 7.**

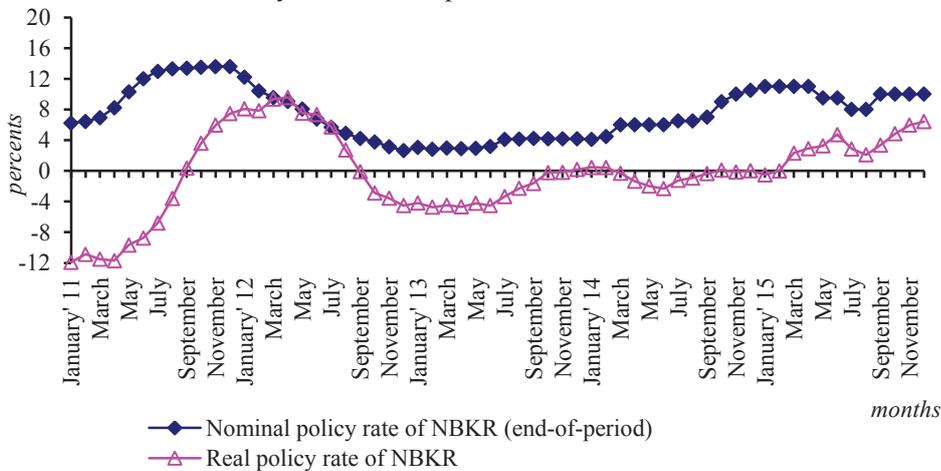
Interest Rates of Deposits Newly Attracted by Commercial Banks and Yield of ST-Bills



Source: NBKR, Commercial banks of KR

**Chart 8.**

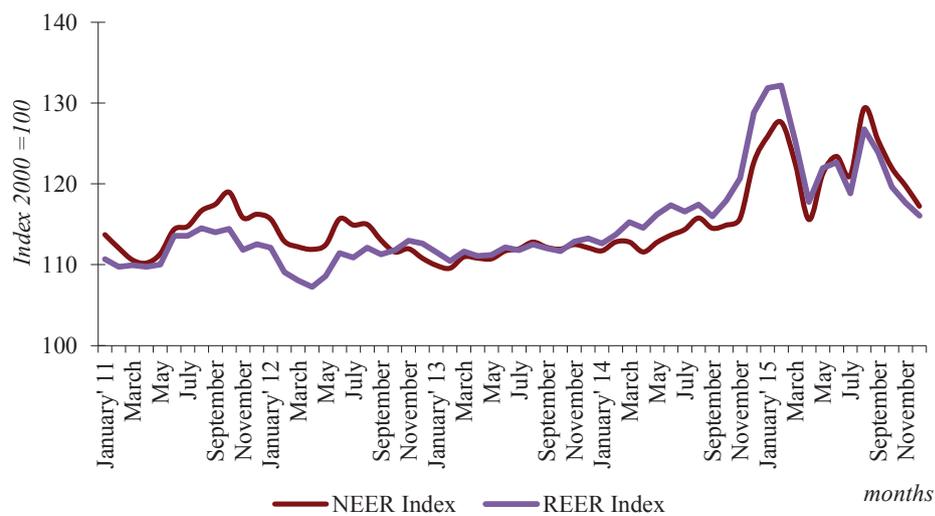
Nominal and Real Policy Rate Developments



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 2015

**Periodical Publications and Other Information Tools of the NBKR**

No	Title	Language of Publication	Periodicity	Contents	Distribution
1.	Bulletin of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian, English	4 Monthly	5 The publication provides the statistical data on basic economic and financial indicator. 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 Service of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic are used in preparation of the bulletin.	6 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, higher educational institutions and libraries of the Kyrgyz Republic, representative offices of international organizations accredited in the Kyrgyz Republic. It is published in the electronic format on the website of the National Bank.
2.	Annual Report of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian, English	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, higher educational institutions and libraries of the Kyrgyz Republic, international financial institutions, CIS central banks, integration institutions, representative offices of international organizations, and embassies of countries accredited in the Kyrgyz Republic. It is published in the electronic format on the website of the National Bank.

1	2	3	4	5	6
3.	Regulatory Acts of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian	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 institutions, courts of the Kyrgyz Republic, ministries and departments, higher educational institutions and libraries of the Kyrgyz Republic. It is published in the electronic format on the website of the National Bank.
4.	Monetary Policy Report (Inflation Report in the Kyrgyz Republic)	Kyrgyz, Russian, English	Quarterly	The objective of the publication is to regularly inform the public of main activities in the monetary policy area. The publication contains the analysis of external environment and macroeconomic development in the country, information on the dynamics and factors of inflation, inflation forecasts, real and external sector development in the economy of the Kyrgyz Republic, as well as development of key trading partners.	It is published in the electronic format on the website of the National Bank.
5.	Financial Sector Stability Report of the Kyrgyz Republic	Kyrgyz, Russian, English	Biannually	The objective of the publication is to inform the public of the assessment of financial system stability and sustainability in the Kyrgyz Republic. The publication contains the findings of the financial stability monitoring and analysis, which are accounted for by the National Bank when forming the main monetary policy directions of the National Bank, regulating banking activities, designing the development strategy for financial and credit institutions of 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, commercial banks, higher educational institutions and libraries of the Kyrgyz Republic, integration institutions. It is published in the electronic format on the website of the National Bank.

1	2	3	4	5	6
6.	The Balance of Payments of the Kyrgyz Republic	Kyrgyz, Russian, English	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, higher educational institutions and libraries of the Kyrgyz Republic, integration institutions. It is published in the electronic format on the website of the National Bank.
7.	Press Release of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian	Weekly	The live data on the official exchange rates set by the National Bank of the Kyrgyz Republic, the results of interbank foreign exchange auctions, the situation in the market of ST-Bills and the National Bank Notes, the policy rate of the National Bank, brief analytical materials on basic the National Bank activities, as well as the chronicle of events in the National Bank.	The Central Institute of Bibliography of the Kyrgyz Republic. It is published in the electronic format on the website of the National Bank.
8.	Information brochures and instructions	Kyrgyz, Russian	According to work plans of structural units	Information brochures and manuals are published to cover various activities of 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, the Supreme Court of the Kyrgyz Republic, ministries and departments, commercial banks and non-bank financial-credit institutions, higher educational institutions and libraries.
9.	Official website of the National Bank www.nbkr.kg	Kyrgyz, Russian, English	It is updated in the real time mode	Information on activity of the National Bank, including: - 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 FCIs, on the issue of organizing the payment system and the cash and money turnover;	Free access to information.

1	2	3	4	5	6
				<p>- draft documents submitted for discussion;  - the regularly updated list of commercial banks and NFCIs, licensed by the National Bank;  - documents on establishment of FCIs;  - the data on the tariffs for commercial banking services the list of money transfer systems registered with the National Bank.  The following information is also posted on the website:  - 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;  - information on the history of the national currency;  - information and analytical materials and Internet versions of official publications: "Bulletin", "Annual Report", "Regulatory Acts", "Monetary Policy Report (Inflation Report in the Kyrgyz Republic)", "Financial Sector Stability Report of the Kyrgyz Republic", "Balance of Payments of the Kyrgyz Republic", and "Press Release".  The following data are updated in the real time mode:  - data on the operations involving the National Bank;</p>	

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5	<ul style="list-style-type: none"> <li>- the official exchange rates and policy rate set by the National Bank;</li> <li>- the news block.</li> </ul> <p>The special section is devoted to the issues of combating corruption, with the phone numbers of the “hot line” indicated therein.</p> <p>The special section “Information for Consumers of Financial Services” was created, which includes:</p> <ul style="list-style-type: none"> <li>- excerpts from the regulatory legal acts on the requirements set for the financial and credit institutions and directed to protect the rights of consumers of financial and payment services;</li> <li>- memos for the holders of electronic cards, the borrower, the depositor as well as the memo for cases of implementation of foreign exchange.</li> </ul> <p>The main page of the site contains operational information on:</p> <ul style="list-style-type: none"> <li>- the official rates of exchange;</li> <li>- the policy rate of the National Bank;</li> <li>- the rates of “overnight” credits and deposits;</li> <li>- information on the average interest rate of loans of commercial banks and FCIs by sectors;</li> <li>- direct links to sections on vacancies and other competitions held by the National Bank.</li> </ul>				
6					

	1	2	3	4	5	6
10.	Radio Program “Uluttuk Bank Bildiret” (“The National Bank reports”)	Kyrgyz, Russian	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. Answers to popular questions of the citizens are covered under the heading “Public Information Service of the National Bank answers your questions”.	Broadcast on the radio “Birinchi Radio”	
11.	TV Program “Natsbank Soobschayet” (“The National Bank reports”)	Kyrgyz, Russian	Bimonthly	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 “EITR”	

### List of Abbreviations

ACF	Anti-Crisis Fund
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	Automatic Teller Machine
BCS	Bulk Clearing System
CAMELS	Rating System of Commercial Banks (capital adequacy, asset quality, management quality, earnings, liquidity, sensitivity of bank to market risk)
CIS	Commonwealth of Independent States
CJSC	Close Joint Stock Company
CPI	Consumer Price Index
CT	Central Treasury
CU	Credit Union
EBRD	European Bank for Reconstruction and Development
ECF	Extended Credit Facility
EEC	Eurasian Economic Commission
EEU	Eurasian Economic Union
EurAsEC	Eurasian Economic Community
FCCU	Financial Company of Credit Union
FCI	Financial-Credit Institution
FOB	Price at the Frontier of Country-Exporter (Free on Board)
FPAS	Forecasting and Policy Analysis System
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GS	Government Securities
ICIP	Investment Climate Improvement Program
IDB	Islamic Development Bank
IMF	International Monetary Fund
IPC	Interbank Processing Center
ISB	Interstate Bank
JSC	Joint Stock Company
KGS	Kyrgyz som
KR	Kyrgyz Republic
KZT	Kazakh tenge
LLC	Limited Liability Company
LLP	Loan Loss Provision
MCA	Microcredit Agency
MCC	Microcredit Company
MFC	Microfinance Company
MF KR	Ministry of Finance of the Kyrgyz Republic
MFO	Microfinance Organization
MRC	Monetary Regulation Committee
NBKR	National Bank of the Kyrgyz Republic
NEER	Nominal Effective Exchange Rate
NFCI	Non-bank Financial-Credit Institution
NPCS	National Payment Card System
NSC	National Statistics Committee
OJSC	Open Joint Stock Company

OPEC	Organization of Petroleum Exporting Countries
POS-terminal	Point-of-sale Terminal
PRBR	Periodic Regulatory Bank Reporting
RAMP	Reserves Advisory and Management Program
RBS	Risk-Based Supervision
REER	Real Effective Exchange Rate
ROA	Return on Assets
ROE	Return on Equity
RR	Reserve Requirement
RTGS	Real Time Gross Settlement System
RUB	Russian ruble
SCEA	State Classifier “Economic activities”
SDR	Special Drawing Rights
SECO	Swiss State Secretariat for Economic Affairs
SFCI	Specialized Financial-Credit Institution
SIPC	Single Interbank Processing Center
ST-Bills	State Treasury Bills
ST-Bonds	State Treasury Bonds
TIKA	Turkish Cooperation and Coordination Agency
T-Obligations	Treasury Obligations
UAE	United Arabian Emirates
USD	US dollar
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization